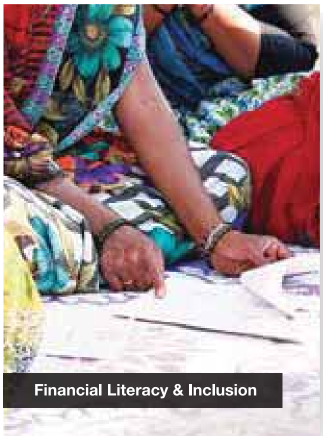
HDFC BANK

25 YEARS


Promotion of Education


Skill Development & Livelihood Enhancement


Rural Development


Financial Literacy & Inclusion

# 25TH ANNUAL REPORT

# 2018-19


Healthcare & Hygiene


Skill Development & Livelihood Enhancement

Impacting Lives. Empowering Communities.

**A Story Of Sustainable Change.**

HDFC BANK PARIVARTAN

A step towards progress

# **KEY** HIGHLIGHTS

₹ **21,078** crore

**NET PROFIT**

An increase of 20.5% compared to the previous year.

₹ **1,244,541** crore

**BALANCE SHEET SIZE**

An increase of 17.0% compared to the previous year.

₹ **923,141** crore

**TOTAL DEPOSITS**

An increase of 17.0% compared to the previous year.

₹ **819,401** crore

**TOTAL ADVANCES**

An increase of 24.5% compared to the previous year.

**17.1%**

**CAPITAL ADEQUACY RATIO**

**15.8%**

**TIER I CAPITAL RATIO**

**1.36%** of Gross Advances

**GROSS NON-PERFORMING ASSETS**

## NETWORK

**5,103**
Banking Outlets

**13,160**
ATMs

**2,748**
Cities/Towns

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# **A RESPONSIBLE LEADER:** ENVIRONMENTAL, SOCIAL & GOVERNANCE

## Environmental, Social & Governance (ESG) Practices: Furthering Our Sustainability Pledge

As India's largest private sector bank, we at HDFC Bank have always stayed strong to our commitment to positively impact the environment, our customers, employees, and the community at large. Our core values have guided our ESG practices, which seek to drive growth and empower communities through our corporate decision-making processes.

In FY 2014-15, sustainability was officially included as our fifth value, alongside customer focus, operational excellence, product leadership, and people. This is testament to the fact that sustainability is now a part of our DNA. It is an area of heightened focus and investment for us, and has changed our outlook towards our business.

This approach is in perfect alignment with our strategic goals as an organisation and the experience we seek to offer our customers. For in the spirit of data-driven transparency, the present-day consumer not only expects, but is rightly entitled to information on corporate operations and processes. Customers are increasingly choosing private and public companies that maintain high levels of transparency and ethics in their business practices. And we believe that our ESG and Sustainability disclosures give them exactly that.

## HDFC Bank's ESG Journey

When the concept of ESG emerged nearly thirty years ago, it was used as an investment term that defined the ethical and sustainability impact of a business. Today, ESG is a key pillar of our business strategy. As a result, we have the second-highest weightage (7.84%) in Nifty-100 ESG, an index of the NSE that assigns ESG scores to companies. Since FY 2013-14, we have published our annual ESG performance in our Sustainability Report, following the Global Reporting Initiative (GRI) standards.

## Environmental

We look at natural capital and the communities we operate in, as integral elements of our business. That is why we work to strike a balance between the economic, social and environmental aspects of our decisions. For our environmental initiatives, we are keen to explore how our work can address various environmental challenges and incorporate technologies and processes that don't harm, but rather add value to the quality of the environment around us.

We measure and disclose our greenhouse gas (GHG) emissions with full transparency. We use solar energy and look to install energy efficient fixtures as much as possible in our premises. We do this with an intention to progressively reduce our carbon footprint. For example, our Pune, Bhubaneswar, and Noida offices rely on solar panels to supplement grid power.

We have also opted for automated server and desktop shutdown systems that reduce unnecessary energy consumption. And two of our largest office buildings, located in Mumbai and Bhubaneswar, have been LEED certified thanks to their energy efficient designs.

Moreover, our push to go digital across service and product lines, helps reduce paper consumption and enables our customers to access a multi-channel digital banking solution, without the hassle of travelling to a branch office. HDFC Bank disposed about 220 tonnes of e-waste in FY 18-19, through authorised recyclers. We are committed to Responsible Financing and, as a rule of thumb, do not fund projects that have an adverse impact on environment, health and safety (EHS) levels. All loans, exceeding ₹ 10 crore in value and spanning a period of more than five years, are screened through an SEMS (Social and Environmental Management System) framework and carefully scrutinised and validated for their environmental and social impact. Our board-governed environmental policy serves as a framework to understand and manage our environmental risks, impacts and opportunities. By implementing this policy and adopting global best environment practices, we hope to achieve a 10% reduction in our Scope 1 and 2 emissions intensity by FY 2021-22.

## Social

We understand fully that our identity as a world class Indian bank is shaped by our stakeholders and customers. They are at the heart of of everything we do. Which is why we leave no stone unturned in delivering value to our customers, to the community, or to our workforce. We ensure a fair recruitment process that helps us identify and hire people with the right values, who are then groomed, encouraged and retained through a combination of financial and non-financial incentives.

We strive towards the progress of society, through our Corporate Social Responsibility (CSR) policy. Our Umbrella of Social Initiatives 'Parivartan' has touched millions of lives and helped empower and strengthen entire communities. Activities under the Parivartan banner are spread across a diverse range of intervention areas and we have spent ₹ 443.8 crore on the development and empowerment of our communities, reaching out to more than 5.4 crore beneficiaries in the process.

The Sustainable Livelihood Initiative (SLI) has been a key driver in pushing for financial inclusion among families, especially women, in un-banked and under-banked areas. The initiative has had a major socio-economic impact by focusing on lending financial aid to Self Help Groups (SHG) for women. Besides providing credit, we also train people in occupational skills, financial literacy, credit counselling and market linkage.

We have been able to meet the critical needs of communities across the country by designing and deploying multi-faceted interventions through our Holistic Rural Development Programme (HRDP). As part of this program, we enable and empower communities with natural resource management, education, healthcare and sanitation, to skill training targeted at livelihood enhancement.

## Corporate Governance

We are committed to maintaining the highest levels of ethical standards of integrity, corporate governance and regulatory compliance. These parameters form the bedrock of our corporate governance policy.

We have proactively upheld good governance practices and are constantly striving to enhance our standards. Our Board of Directors is responsible for setting the course for, and evaluating the bank's performance with regards to corporate governance. The parameters of evaluation include compliance, internal control, risk management, information and cybersecurity, customer service, social & environmental responsibility.

**Code of Conduct: Transparency and Vigilance**

HDFC Bank encourages an open, equitable and transparent system of functioning and interacting with all its internal and external stakeholders. We have adopted and implemented practices that imbibe this philosophy throughout the enterprise.

Our robust and well-defined Code of Conduct alongside our stringent, zero-tolerance policy against sexual harassment serve as strong regulatory guidelines and govern our day-to-day functioning.

Our "Whistle Blower Policy" encourages our employees and other stakeholders to bring to our attention any compromise or violation of HDFC Bank's code of conduct, or legal and regulatory norms. Our Chief of Internal Vigilance receives and addresses these concerns by initiating a thorough enquiry conducted by the appropriate authoritative body within the bank.

Our focus on ESG is helping us, as an organisation, understand and realise the positive impact of transparency, ethics and sustainability. We are confident in our belief that a sharp focus on ESG will maintain the trust and regard of our customers and determine our success and longevity, in a fiercely competitive market.

# TAKING A STEP TOWARDS PROGRESS
## WITH HDFC BANK PARIVARTAN

At HDFC Bank, we firmly believe that for any business to prosper, it must consider the social, environmental and ethical impact of its decisions. Ever since our inception in 1995, we've been on a journey to not just take world-class banking across the country, but to make a positive difference to our planet. Because to us, progress isn't simply about moving with the times. It is about ushering in 'Parivartan' - a transformation that improves lives and empowers communities.

As one of India's largest corporations, we consider it both an honour and our responsibility to work towards the betterment of the country and its people. The philosophy of Parivartan informs how we go about achieving this. To bring about Parivartan, we first need to imagine a future we want – one that is fair, equal, happy and healthy. With that vision in mind, we deploy social development initiatives that take on myriad forms, guided by different strategies. But ultimately, the objective is to create Parivartan and become catalysts of positive transformation at the organisational level and in the communities wherein we operate.

We've been privileged to enjoy success over the last quarter of a century. But this success would be hollow if we didn't use our resources to give back to society. This is the founding principle of Parivartan and the cornerstone of our CSR efforts. Today, our commitments in the field have made us one of the largest spenders on CSR in the country. But this isn't a new development. Well before CSR contributions were made mandatory by the Companies Act of 2013, we were following board-approved targets and contributing to worthy causes, driven by our desire to create healthy, sustainable communities and an equal-opportunity world. Through our efforts, we have impacted 54 million lives so far.

## The Five Pillars of Parivartan

We are committed to forging mutually-enriching partnerships for sustainable development. To achieve this, we work hand-in-hand with marginalised communities to try and understand their unique needs, and then formulate customised strategies to bring forth the Parivartan they need.

Our CSR programmes focus on five distinct areas of intervention:

- Rural Development
- Promotion of Education
- Skill Development and Livelihood Enhancement
- Healthcare and Hygiene
- Financial Literacy and Inclusion

# TAKING A STEP TOWARDS PROGRESS
WITH HDFC BANK PARIVARTAN

## Rural Development

India is one of the fastest growing economies in the world. But despite that, over half of its 1.3 billion population lives in rural areas, and more alarmingly, nearly 73 million people continue to live in extreme poverty (Source: UN and Brookings, 2018). There are a multitude of complex socio-economic and environmental factors that are responsible for this. The Holistic Rural Development Programme (HRDP) is a flagship programme under this area of intervention that attempts to provide rural communities, with the tools and means to grow and prosper. This is done through a wide variety of training and institution building programmes, supported by relevant infrastructure.

The vast majority of rural communities depend heavily on rain-fed agriculture for their livelihoods. The availability of water and the quality of soil therefore dictate their economic health. But with the right resource management and agricultural techniques, along with skilling and training, vulnerable communities can be better placed to tackle the vagaries of nature. HRDP's various initiatives in areas such as educational infrastructure, healthcare and natural resources management including micro-watershed management, irrigation, soil and water conservation, represent our attempts to usher in meaningful and impactful change where it matters the most. We believe that this is the surest way to strengthen the economic backbone of the country.

Today, HRDP spans across 17 states and has reached over 3.6 lakh households in more than 1,100 villages. We have set up over 1,200 schools, and facilitated better learning opportunities for over 1.45 lakh students. We have also trained over 72,500 farmers, distributed more than 10,800 biomass stoves and set up over 460 libraries.

Other programme highlights include:

- 21,270+ solar lights installed
- 26,000+ kitchen gardens promoted
- 5,800+ water conservation structures built

One of the many millions of lives impacted through this programme is that of Tukojirao Patil, a farmer from Jalgaon, Maharashtra. Tukojirao's village was stricken by an acute lack of rainfall and a subsequent water shortage. Under HRDP, HDFC Bank, in partnership with a local NGO (KVGPS), was able to install 31 groundwater recharge structures that helped tackle the drought.

HRDP has also helped create food security in 21 villages in Uttar Pradesh through grain banks. Take the story of Shaheedan. Even at the age of 53, she had to work as a manual labourer in order to feed her family. But work was not guaranteed and the pay was often inadequate. During difficult times she had to resort to borrowing grains from neighbours and money lenders, which often led to further exploitation.

The setting up of a grain bank in her village has helped Shaheedan make it through these times of extreme hardship. Grain banks protect the most disadvantaged farmer families, like hers, against starvation and exploitation.

"Thanks to the grain bank, we can borrow grains in times of need and return it during the harvesting season. This makes us feel like we are taking out grain from our own storage. It makes us feel secure." – Shaheedan

Empowering communities will always remain at the heart of Parivartan. In FY 2019 alone, we have covered over 251 additional villages under this programme. The momentum we have built up, is now in full force and has revealed a world of possibilities ahead.

# TAKING A STEP TOWARDS PROGRESS
WITH HDFC BANK PARIVARTAN

## Promotion of Education

We strongly believe that a quality educational foundation is a gateway to better opportunities and success. This is why we strive to provide and promote a conducive and effective learning environment. The Zero Investment Innovations for Education Initiatives (ZIIEI), is a large scale teacher outreach initiative started in 2015 by HDFC Bank in partnership with Sri Aurobindo Society. ZIIEI believes that teachers are the pillars of this nation, and that their contribution, if recognized and supported, can bring about a significant improvement in the quality and reach of education. Therefore, ZIIEI aims to find solutions created by teachers at the grassroots level and systematically scale them up to millions of students through the 'Navachar Pustika' or Book of Ideas, which is a compilation of the best ideas selected and recognized by a panel. Till date, Navachar Pustikas have been distributed across 18 states. Subsequently, close to 1.87+ lakh schools have implemented innovative ideas.

Along with this transformational journey, the concept of 'Innovative Pathshaala' was also introduced, where each chapter of the state curriculum was mapped to innovative ideas, that could be used to engage and teach students. While we have currently completed the program in UP and NCERT curriculum (primary education) the remaining states will be subsequently added. This curriculum is further being put on an online app which can be easily accessed by teachers. The ZIIEI programme today has touched more than 15 lakh government teachers across 21 states and indirectly reaches out to more than 1.6 crore students to ensure quality education and bring innovation in the country's education system. ZIIEI aims to create and strengthen a teacher-centred ecosystem for education sector stakeholders.

This unique initiative focuses on better utilisation of resources available in government schools i.e. the teachers, thus unleashing the immense potential of educators by instilling self-belief and making innovation a core value.

Project Disha is yet another initiative that has helped achieve higher levels in numeracy, reading and science in the more remote and rural areas of India. Initiated in 2016, Project Disha, in partnership with Magic Bus India Foundation, now spans across four states: Chhattisgarh, Maharashtra, Madhya Pradesh and Rajasthan.

Consider the story of a young scholar named Shamshad Qureshi. Shamshad exhibited a very low level of interest in academics and displayed frequent truancy at school. Soon his attendance began to plummet dangerously and his teachers feared he would drop out altogether. That was when Project Disha stepped in with a remedy. By helping teachers implement innovative teaching methods and activity-based teaching, Shamshad's interest in knowledge and learning was reignited. He was motivated to participate in school and his attendance improved dramatically.

The project has been able to provide quality education to approximately 18,000 children. It has also built 110 community libraries and set up 55 science laboratories. We have initiated multiple projects in the fields of education and livelihood training, with the objective of empowering the socially and economically underserved, with the skills they need to progress. The Educational Crisis Scholarship Support (ECSS) programme provides support to children undergoing personal and economic exigencies, those who are most at risk of dropping out of school due to poor financial conditions. The ECSS programme covers students in middle schools and high schools, as well as scholars pursuing undergraduate and postgraduate education. This assistance helps these students navigate difficult situations without gravely impacting their education.

## Skill Development & Livelihood Enhancement

We all dream of making a good living and supporting ourselves and our families. However, for many Indians, particularly in rural areas, there are multiple stumbling blocks and challenges that prevent them from achieving this dream. We at HDFC Bank, believe in every individual's ability to live an independent, healthy and dignified life. When this happens, they not only better their own situations but also contribute to the economy. To this end, we have made educational and skill development programmes and trainings, a priority. Under Parivartan we have provided both on-farm training to upskill farmers as well as placement linked training.

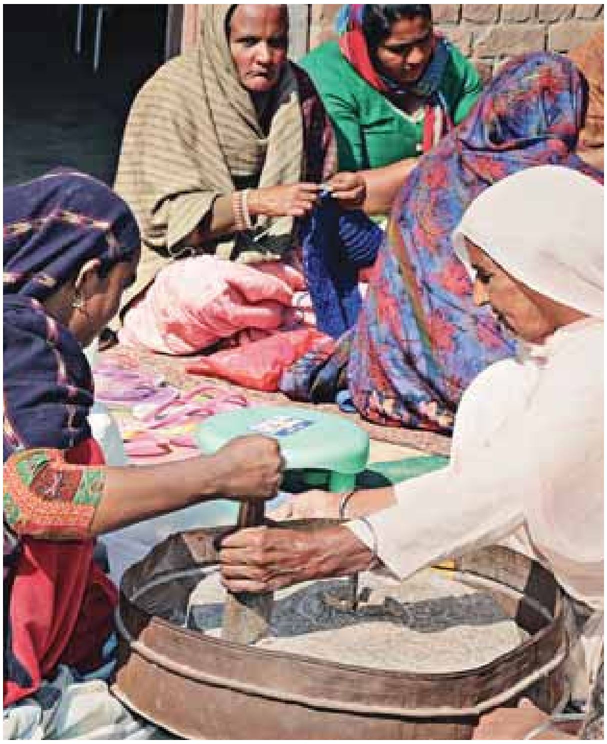
Our Training Center in Bhubaneshwar provides training to youth and women in hospitality, tourism, telecom, retail and health care. Over 1,272 youth have been placed in 100+ companies and institutions in Odisha.

We have also provided training in fields such as communication skills, agriculture techniques, livestock management among others. We hope to expand and diversify this portfolio in the years to come and strengthen our focus on rural youth and women. As of today, we have served over 1.24 lakh individuals and empowered over 7.65 lakh women, helping them access entrepreneurship and employment opportunities.

**Sustainable Livelihood Initiative:**
**Empowering Women Through Financial Inclusion**

Located 40 kilometres west of Guwahati, Bihdia Chaygaon is a small village of 600 people. The community here earns its livelihood via a largely unorganised cottage industry. For the women, weaving and agriculture are the primary sources of income. We recognised the potential for the empowerment of women through financial inclusion and entrepreneurial upskilling. Today, Gitanjali Hira, Nilima Kalita, Mira Nath and thousands of others like them across the country have become self-reliant with a little help from HDFC Bank's Sustainable Livelihood Initiative (SLI).

Through this initiative we have reached out to over 96 lakh households across 27 states through credit facilities, financial literacy and capacity building programmes. The primary objective of Sustainable Livelihood Initiative is to bring about Parivartan by creating sustainable communities. This is done by helping women in rural areas break away from the vicious cycle of financial dependence to one of growth and opportunities. Run by over 10,000 dedicated bank employees, it provides women with a range of financial and non-financial services.



# TAKING A STEP TOWARDS PROGRESS
# WITH HDFC BANK PARIVARTAN

## Healthcare & Hygiene

Sanitation and hygiene standards have a huge impact on the health, fitness and social development of individuals and communities. This is even more crucial for marginalised rural populations that may not be aware of its importance. Since the values of cleanliness and hygiene are best inculcated in childhood, a key priority for us, is healthcare and hygiene practices in schools.

Raswanti Bai was used to defecating in the open. After all, it was an age-old habit that she had been practicing all her life. Unfortunately, open defecation put Raswanti and others like her, at a high risk of contracting various infectious diseases. To bring about much needed Parivartan in this area, we initiated the construction of individual household toilets under the Swachh Bharat Mission (SBM).


With these household toilets, Raswanti Bai and her daughters were spared the inconvenience and danger of defecating in the open. She was delighted with this assistance and has pledged to use the toilet.

Under our interventions in healthcare and hygiene we have conducted over 1,500 sanitation drives and have helped build over 22,490 sanitation units of which 6,954 units have been built in schools and 15,537 in individual households. Through our various other initiatives within the programme, such as the ‘Swachhata and You’ campaign, we have dedicated ourselves to community-led sanitation and health campaigns. These campaigns help raise awareness about nutrition, healthcare and hygiene in rural areas, and contribute towards a cleaner, healthier nation. Our health camps have reached out to 86,000 people so far.

# TAKING A STEP TOWARDS PROGRESS
## WITH HDFC BANK PARIVARTAN

### Financial Literacy & Inclusion

In a world that operates on the exchange of goods and services for money, communities cannot progress and interact with the world at large, without basic financial literacy and inclusion. We understand this, which is why we have taken on the responsibility to spread financial awareness, by running workshops to empower the marginalised sections of society. As on FY 2018-19, the initiative saw more than 8.1 million participants benefit through workshops held at literacy camps and banking outlets.

The flagship project of Digidhan or Dhanchayat has been one of our most fruitful initiatives. This Literacy Programme-on-Wheels takes financial literacy to people who do not have access to regular venues. These vehicles are equipped with micro-ATMs and biometric facilities to enable instant account opening and Know Your Customer (KYC) processes.

But this endeavour aims to go further than simply spreading financial literacy. True financial inclusion and developing the country's entrepreneurial ecosystem are also important objectives of this initiative. For instance, Multifunctional Terminals (MFTs), also known as Milk-to-Money Terminals (MTM) provided by us, help dairy operators achieve transparency in the milk procurement and payment process. The MFT, like a standard ATM, contains a cash dispenser that facilitates quick access to payments which greatly benefits many dairy farmers. The MTM also assists farmers in building their credit history, thereby allowing them to enjoy the benefits of mainstream financial services. In an effort to improve the entrepreneurial ecosystem, we have extended our financial and digital literacy program to SME entrepreneurs alongside the general public. This has helped us bring SMEs into the organised banking fold.

For 25 years, Kala and her husband have run a traditional weaving business. Once their son came of age, he joined them as well, and bought an electronic weaving machine. Yet, despite having a respectable level of modernisation and three working members, their business was unable to make enough money to turn a profit. This was primarily due to a localised market. A Parivartan initiative provided Kala and her family with credit counselling and a loan of ₹ 25,000 which she used to meet the high import demands of a non-local shop. Today the family not only earns a comfortable living, but their booming business has also allowed them to invest in a recurring deposit to save for their future.

### The Power of Positive Change for India

At its heart, Parivartan is about progress. And by definition, progress is a never-ending journey for us. Parivartan is our chance to transform the world for future generations and improve the lives of the underprivileged. And we've achieved significant milestones with the support of our tireless, dedicated employees. As digitisation transforms the banking industry, digital platforms have helped us reach more people, enhance more lives and provide experiential banking services to customers across the length and breadth of India.

We stand strong in our belief that in our own way, through a spectrum of initiatives and programmes, we are contributing towards India's growth in a capacity that extends beyond just economic growth.

We strongly believe that when all Indian citizens prosper and progress, India benefits. And we are confident that with our unwavering commitment to serve the underserved and uplift the oppressed we will unlock infinite opportunities for a brighter future.

This is just the beginning...

# TRANSFORM TO PERFORM: A DIGITAL PLAN

## Digital Evolution: Delivering Simplicity to the Customer

From the earliest days of our existence, we have sought to anticipate our customers' needs and become their partners in progress. Our customers were, are, and shall always remain at the centre of our business. This outlook has always pushed us to go further and do better than any other player in the Indian banking landscape. This philosophy was behind our vision, a decade ago, to make HDFC Bank India's first digital lifestyle bank.

When we launched our real-time online internet banking platform in 1999, it took us just 15 days to reach 1,000 registered users. A year later, we became the first bank in the nation to introduce mobile banking through our SMS-based banking channel. This was an important first step in revolutionising the Indian banking experience. Our customers could check their account balance, get mini or detailed bank statements, and even request a new cheque book, by simply sending a text message.

When we introduced our EPI (Electronic Payments Interface) banking capabilities in 2002, it enabled us to collaborate with IRCTC (Indian Railways Catering and Tourism Corporation) whose system supported by our payment platform transactions, sold over 180 crore tickets by 2014-15.

Our journey towards becoming a genuine digital force and transforming the way the country banked began taking shape in 2012. The goal was simple- to provide our customers the flexibility to access and consume our banking services over any digital platform of their choice. Our vision was unique- to unify operations across our four banking platforms — BranchBanking, PhoneBanking, MobileBanking and NetBanking— and create a seamless, world class banking experience for our customers.

During this time, our Managing Director, Aditya Puri, made a trip to Silicon Valley to take stock of emerging technologies and evaluate their potential application to India's financial landscape. His trip revealed many disruptive and untapped possibilities. Building on his experience at Silicon Valley, the Bank launched unique, customer-favoured products and digi-wallet solutions in 2015, including PayZapp, Chillr, SmartBuy, 10-Second Loans and WatchBanking. Our Go Digital initiative enabled us to offer over 135 transactions – the largest in India – on our comprehensive and intuitive digital banking platforms.

## From Transactions to Experience: A Story of Digital Excellence

The bank, over the years, has seen a rise in transactions through digital channels. This rose to 55 percent by 2015. User-friendly platforms made customers feel increasingly comfortable while banking online and through their phones. Their overwhelming response encouraged us to push for the digitisation of all transactions. By the end of FY 2016, when digital transactions had grown to 71 percent, we shifted our focus to digital journeys. To be recognised today as the 'Best Digital Bank' in India at Asiamoney's Best Bank Awards 2019, is truly humbling.

## Moving Forward with New Technologies

Customer centricity is at the heart of everything we do. Our aim is to now move from providing convenience, to delivering differentiated customer experiences. Over the past 25 years, we have strived to re-evaluate how customers interact with the bank and how their needs and expectations have evolved over time. Today, our customers are part of a 'Market of One' and we have repositioned ourselves into a day-to-day lifestyle bank; an approach that goes beyond transactions and to journeys. Our customers are individuals with diverse needs and preferences. The one-size-fits-all approach is no longer relevant and customisation is the need of the hour. With this in mind, we make it a priority to build digital capabilities that ensure customer experiences are characterised by:

- Intuitiveness
- Context
- Relevance
- Immediacy
- Hyper-personalisation

# TRANSFORM TO PERFORM: A DIGITAL PLAN

To do this, we bring next-gen technology into play.

Namely, Artificial Intelligence (AI).

AI is fuelled by data, specifically customer data, to generate tailor-made solutions. This is similar to a salesperson observing a customer's preferences, and recommending them products they may like. As our customers interacted and transacted across our digital platforms, we were able to gather insights on their transactional and behavioural data. AI-based technologies could then harness the massive troves of data, and analyse it to understand their needs, and use that understanding to create a unique, highly personalised banking experience for everyone.

Today, we're proud to employ a dedicated team of AI domain experts. Our investments in the field have enabled us to provide innovative product offerings and convenient experiences to all our customers. We continue to build on our capabilities using cutting-edge technologies to strengthen our digital solutions to offer cohesive and contextual experiences.

In 2017, we launched EVA (Electronic Virtual Assistant) across all our digital channels. Customers can chat with this virtual assistant 24x7 and easily obtain the information they need. Today, EVA, through seamless integration with Google Assistant and Alexa, offers our customers ease of accessibility. For instance, if a customer wants information on our FD interest rates, all they have to do is say, "Alexa, what is the interest rate on an FD for a year?" and EVA responds with the necessary information.

## Stepping into Digital 2.0

Our ability to stay ahead of the curve, drive digital growth and transform the banking ecosystem as a whole, has made us pioneers in the era of digital banking. From creating platform capabilities that support lending, payments and transactions, to developing the in-house skills needed to excel in a digital-driven world, right up to offering our customers 10-second loans and Missed Call Banking, we have paved the way for Digital 2.0.

This new phase in the bank's transformation rests on five key pillars and is changing the way customers transact and interact with the bank:

**Reimagined Customer Interface:**

By providing customers with an interface that displays all their daily banking needs in one place, we usher in the next generation of customer-centric digital banking platforms.

**Digital Analytics, Digital Acquisition and Digital Marketing:**

By using data analytics tools, we have maximized our digital impact, in terms of context and targeting. This digitally synchronized marketing approach, has helped us acquire new customers through our digital touch-points and platforms.

# TRANSFORM TO PERFORM: A DIGITAL PLAN

**Innovation:**

We aim to develop disciplines around new technologies like Robotic Process Automation (RPA), Machine Learning (ML), Artificial Intelligence (AI) and Blockchain to further enhance our current digital portfolio. In the long run, these programmes would help integrate the knowledge required to underpin the horizontals of, and strengthen our position as an organisation of the future. Going forward, we will continue our focus on innovation and the innovation-led initiatives we want to realise.

**API Banking:**

Siloed operations cannot exist in a bank of the future. In fact, banks will need to diversify their services and presence in order to create breathing space within the fast growing fintech ecosystem. This is why we focus on API tech preparedness to adapt to the next level of the finance ecosystem. We leverage our understanding of the fintech landscape and our experiential business structure in order to achieve this. A fintech-heavy environment will see collaborations leading to open banking scenarios. We plan to power partnered platform services using APIs and position ourselves as an ecosystem player. We have already deployed more than half a dozen APIs with another 20 in the pipeline.

**VRM (Virtual Relationship Manager):**

What started as an experiment based on the Classic on Phone model (where our Premier Banking customers had a dedicated personal banker assigned to them), has now turned into a 56 lakhs strong initiative. VRM has merged our previous 'two channel' model to one wherein customers can resolve their queries and receive service information. The eventual goal of this initiative is to achieve 1 crore registered customers within the next three years. The channel grew by 300 percent in its first 18 months and is set to grow even faster in the future.

## Today's Bank for Your Tomorrow

Personalised interfaces and experiences, EVA, API banking and customised banking solutions give us a distinctive edge. But as always, technology is simply a medium to get closer to our customers and support them as they meet their goals. Our ultimate ambition is to seamlessly become an indelible part of our customers' lifestyles, providing a lifestyle banking experience, which is categorised into 8 customer journeys: Pay, Save, Invest, Borrow, Shop, Trade, Insure and Advice. Our focus is on delivering highly personalised experiences, since most of our customers interact with us at least once a day, across various channels. We are proud to share that as of 2018, about 90 percent of all transactions done through the bank are now via digital platforms. This gives us the honour of being the people's everyday lifestyle bank.

There are several key factors that have enabled us to earn this position. Firstly, a rich presentation layer removes any experiential inhibitions. This allows customers to reach a high level of comfort on the platform itself. Secondly, with our constantly evolving product capabilities, customers have their requirements fulfilled within just a few moments. Further, the platform's API connectedness allows customers to navigate seamlessly on the platform, which creates an overall delightful experience.

But the future doesn't stop here.

We have partnered with various universities and academic institutions to conduct research into what the ecosystem could look like in 2021-22. Based on these findings, and partnerships with larger fintech players, we endeavour to continue charting India's banking transformation path.

Moving forward, we will continue to provide intuitive, relevant, contextualised and hyper-personalised experiences to our customers and cater to their financial goals for tomorrow.

# BOARD AND MANAGEMENT

## BOARD OF DIRECTORS

**Shyamala Gopinath**
Chairperson

**Keki Mistry**
Non-Executive Director

**Malay Patel**
Independent Director

**Umesh Chandra Sarangi**
Independent Director

**Srikanth Nadhamuni**
Non-Executive Director

**Sanjiv Sachar**
Additional Independent Director

**Sandeep Parekh**
Additional Independent Director

**M. D. Ranganath**
Additional Independent Director

**Aditya Puri**
Managing Director

**Kaizad Bharucha**
Executive Director

## KEY MANAGERIAL PERSONNEL

**Aditya Puri**
Managing Director

**Kaizad Bharucha**
Executive Director

**Sashidhar Jagdishan**
Chief Financial Officer

**Santosh Haldankar**
Company Secretary

## SENIOR MANAGEMENT TEAM

**ADITYA PURI**
**Managing Director**

**KAIZAD BHARUCHA**
**Executive Director**

**ABHAY AIMA**
**Group Head**
Equities, Private Banking, Third Party Products, NRI & International Consumer Business

**ARVIND KAPIL**
**Group Head**
Unsecured, Home, Mortgages, and Working Capital Loans

**ARVIND VOHRA**
**Group Head**
Retail Branch Banking

**ASHIMA BHAT**
**Group Head**
Strategy, Business Finance, CSR, Administration & Infrastructure

**ASHISH PARTHASARTHY**
**Treasurer**

**ASHOK KHANNA**
**Group Head**
Secured Loans (Vehicles)

**BENJAMIN FRANK**
**Group Head**
Wholesale Credit

**BHAVESH ZAVERI**
**Group Head**
Operations & Technology

**JIMMY TATA**
**Chief Risk Officer**

**MUNISH MITTAL**
**Chief Information Officer**

# BOARD AND MANAGEMENT

## SENIOR MANAGEMENT TEAM

**NIRAV SHAH**
**Group Head**
Emerging Corporates Group, Infrastructure Finance Group & Rural Banking Group

**NITIN CHUGH**
**Group Head**
Digital Banking

**PARAG RAO**
**Group Head**
Card Payment Products, Merchant Acquiring Services & Marketing

**RAJESH KUMAR**
**Group Head**
Retail Credit and Risk

**RAKESH SINGH**
**Group Head**
Investment Banking, Private Banking, Capital Markets & Financial Institutions

**RAHUL SHUKLA**
**Group Head**
Corporate Banking & Business Banking

**S SAMPATHKUMAR**
**Group Head**
Liability Products, Third Party Products and Non-Resident Business

**SMITA BHAGAT**
**Group Head**
Government and Institutional business, Ecommerce & Start-ups

**SASHIDHAR JAGDISHAN**
**Chief Financial Officer**

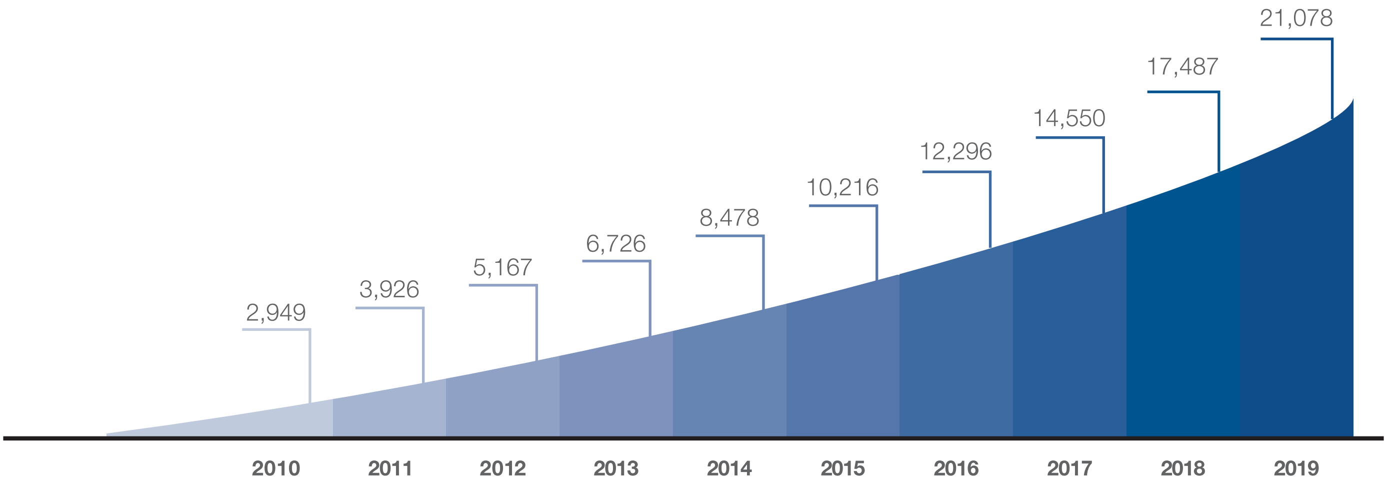
**SRINIVASAN VAIDYANATHAN**
**Group Head**
Finance

**V CHAKRAPANI**
**Group Head**
Internal Audit and Quality Initiatives Group

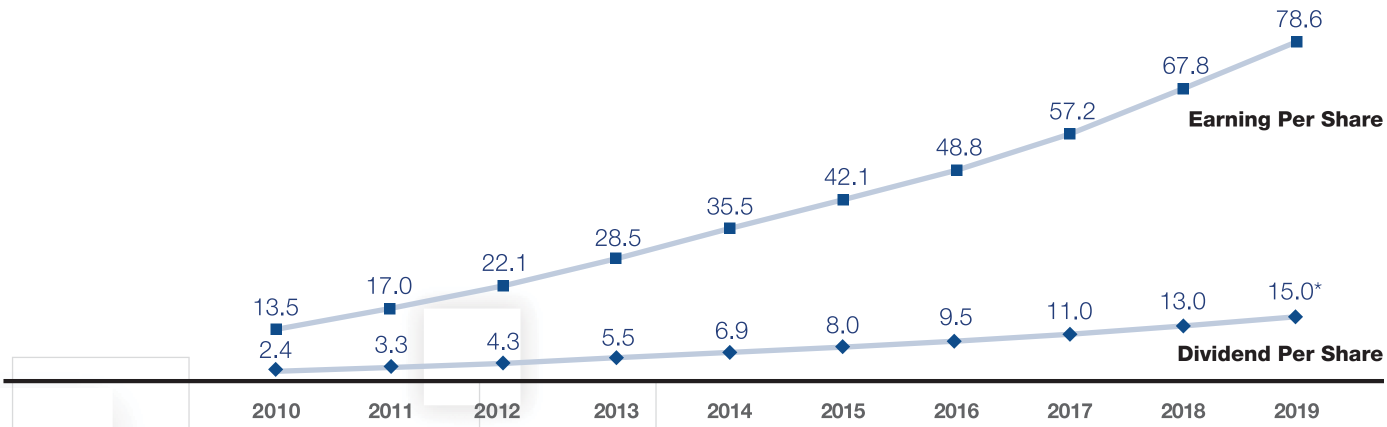
**VINAY RAZDAN**
**Group Head**
Human Resources

# FINANCIAL HIGHLIGHTS

## Profit After Tax
(₹ Crore)



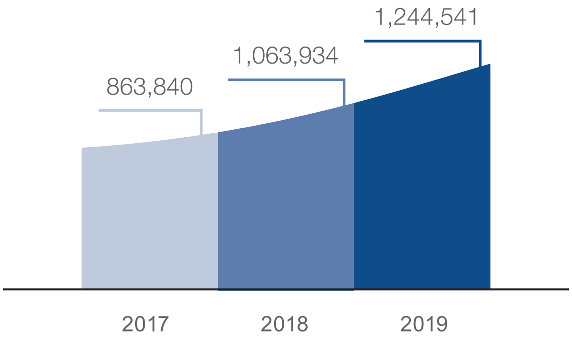

## Dividend Per Share (₹) / Earning Per Share (₹)



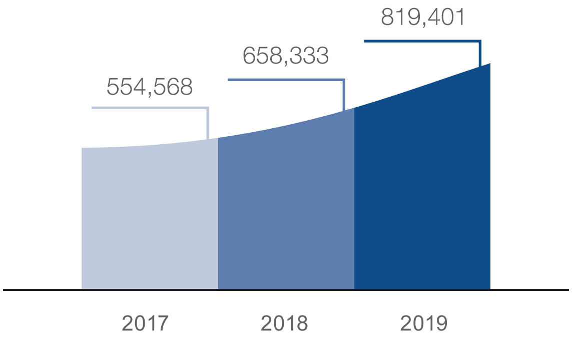

*Proposed

# FINANCIAL HIGHLIGHTS

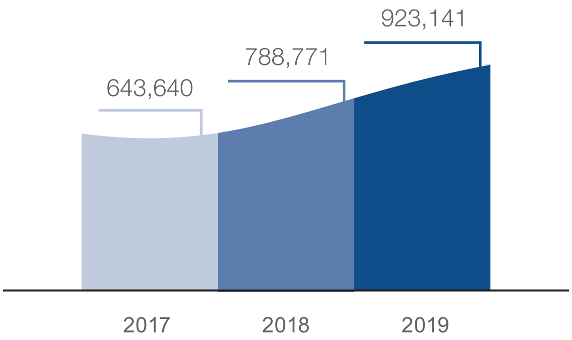
## Balance Sheet Size
(₹ Crore)



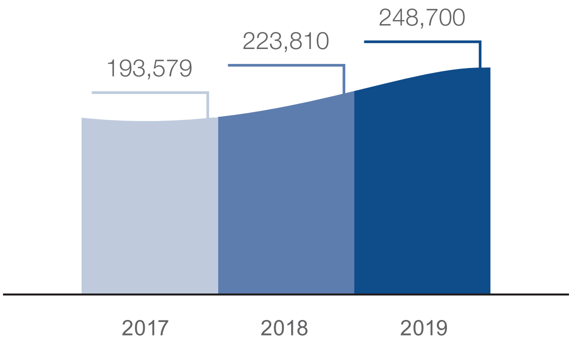

## Advances
(₹ Crore)



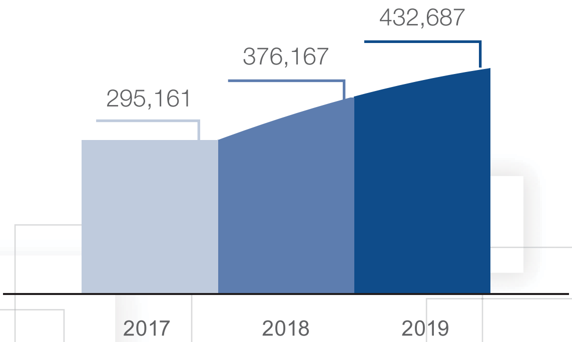

## Deposits
(₹ Crore)



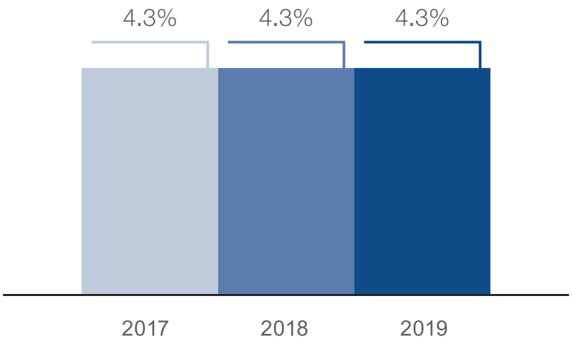

## Savings Deposits
(₹ Crore)




## Retail Assets
(₹ Crore)

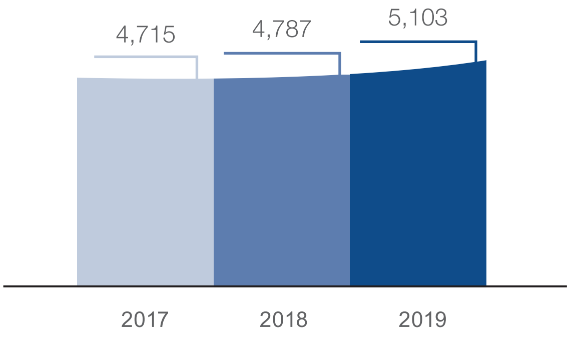



## Net Interest Margin

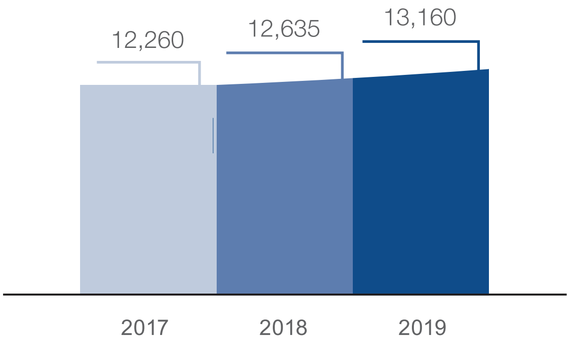


# FINANCIAL HIGHLIGHTS

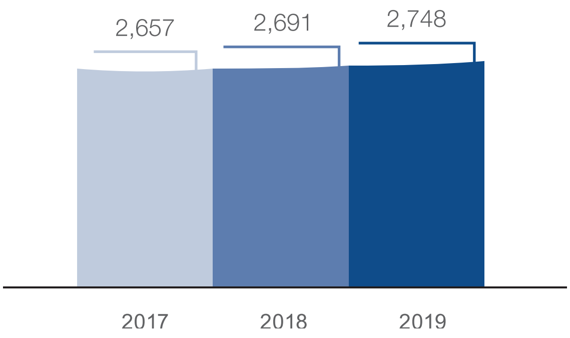
## Banking Outlets
(Nos.)



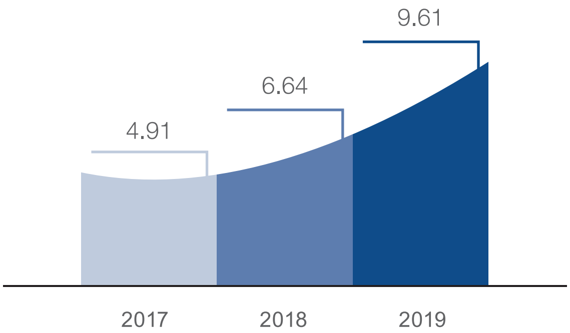

## ATMs
(Nos.)




## Cities / Towns
(Nos.)

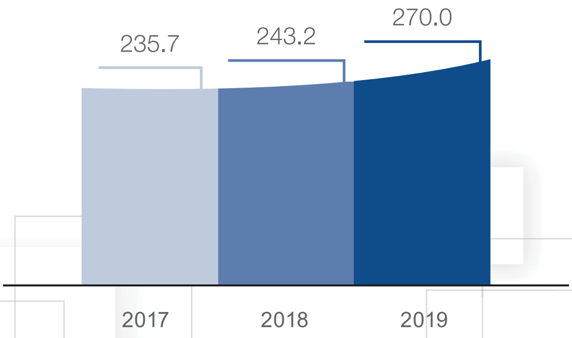



## Acceptance Point
(Nos. in lac)*

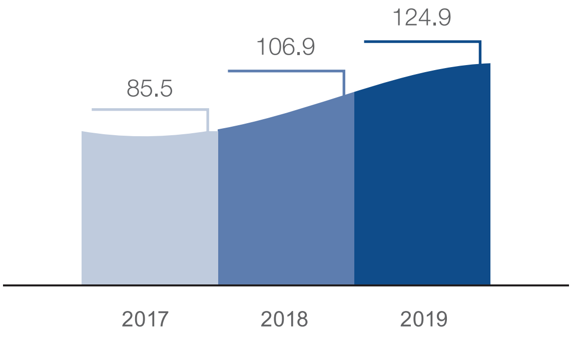



* Across all the form factors

## Debit Cards
(Nos. in lac)

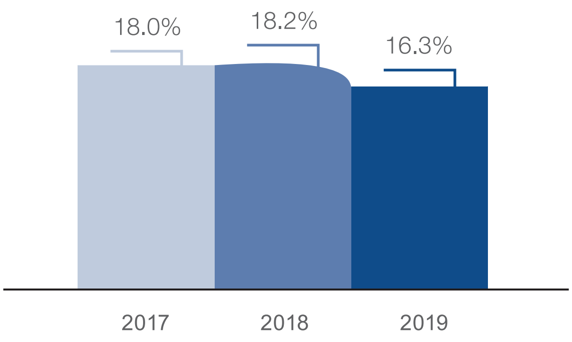



## Credit Cards
(Nos. in lac)

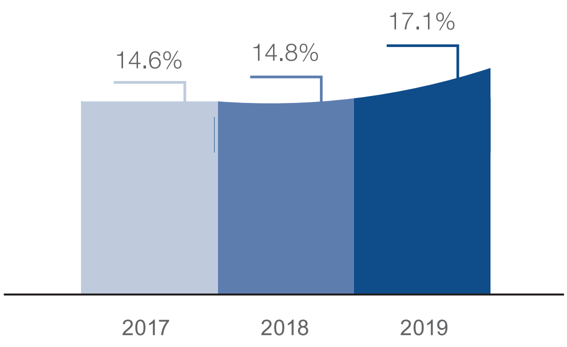


# FINANCIAL HIGHLIGHTS

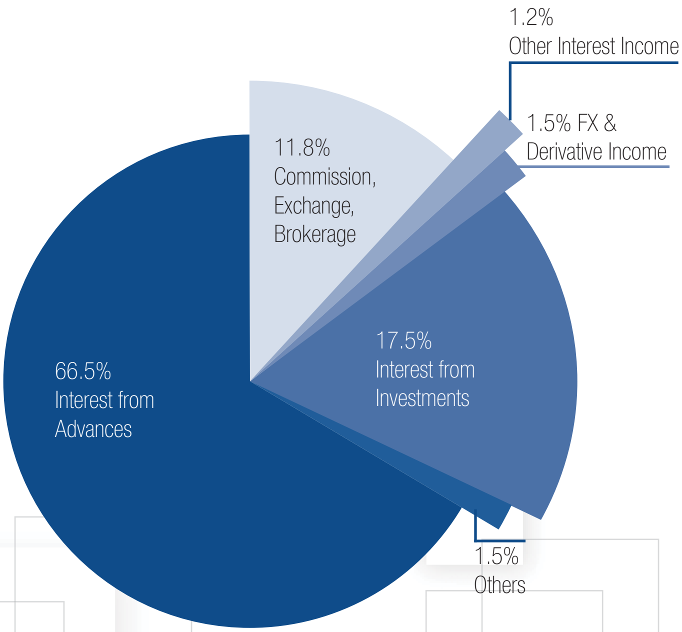
## Return On Capital



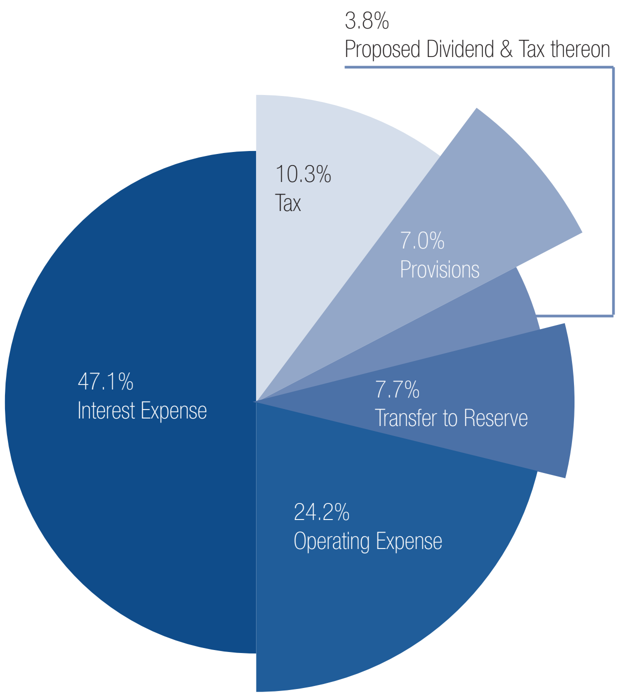

## Capital Adequacy




## Rupees Earned




## Rupees Spent






HDFC BANK 25 YEARS

# FINANCIAL HIGHLIGHTS

| | 2009 - 2010 | 2010- 2011 | 2011 - 2012 |
|---|---|---|---|
| Interest income | 16,467.92 | 20,380.77 | 27,874.19 |
| Interest expense | 7,786.30 | 9,385.08 | 14,989.58 |
| **Net interest income** | **8,681.62** | **10,995.69** | **12,884.61** |
| Other income | 4,573.63 | 4,945.23 | 5,783.62 |
| **Net revenues** | **13,255.25** | **15,940.92** | **18,668.23** |
| Operating costs | 6,475.71 | 7,780.02 | 9,277.64 |
| **Operating result** | **6,779.54** | **8,160.90** | **9,390.59** |
| Provisions and contingencies | 2,490.40 | 2,342.24 | 1,877.44 |
| Loan loss provisions | 2,288.74 | 1,198.55 | 1,091.77 |
| Others | 201.66 | 1,143.69 | 785.67 |
| **Profit before tax** | **4,289.14** | **5,818.66** | **7,513.15** |
| Provision for taxation | 1,340.44 | 1,892.26 | 2,346.08 |
| **Profit after tax** | **2,948.70** | **3,926.40** | **5,167.07** |
| **Funds :** | | | |
| Deposits | 167,404.44 | 208,586.41 | 246,706.45 |
| Subordinated debt | 6,353.10 | 7,393.05 | 11,105.65 |
| Stockholders' equity | 21,519.58 | 25,376.35 | 29,924.37 |
| Working funds | 222,458.57 | 283,634.24 | 345,248.26 |
| Loans | 125,830.59 | 159,982.67 | 195,420.03 |
| Investments | 51,013.32 | 67,952.59 | 89,967.10 |
| **Key ratios :** | | | |
| Earnings per share (₹) * | 13.51 | 17.00 | 22.11 |
| Return on average networth | 16.80% | 16.52% | 18.37% |
| Tier 1 capital ratio | 13.26% | 12.23% | 11.60% |
| Total capital ratio | 17.44% | 16.22% | 16.52% |
| Dividend per share (₹) * | 2.40 | 3.30 | 4.30 |
| Dividend payout ratio | 21.72% | 22.72% | 22.70% |
| Book value per share as at March 31 (₹) * | 94.02 | 109.09 | 127.52 |
| Market price per share as at March 31 (₹) ** | 386.70 | 469.17 | 519.85 |
| Price to earnings ratio | 28.62 | 27.59 | 23.51 |

₹ 1 Crore = ₹ 10 Million

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

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

*** Proposed.

# **FINANCIAL** HIGHLIGHTS

(₹ Crore)

| 2012 - 2013 | 2013- 2014 | 2014 - 2015 | 2015 - 2016 | 2016- 2017 | 2017 - 2018 | 2018 - 2019 | |
|---|---|---|---|---|---|---|---|
| 35,064.87 | 41,135.53 | 48,469.91 | 60,221.45 | 69,305.96 | 80,241.35 | 98,972.05 | |
| 19,253.75 | 22,652.90 | 26,074.23 | 32,629.93 | 36,166.74 | 40,146.49 | 50,728.83 | |
| **15,811.12** | **18,482.63** | **22,395.68** | **27,591.52** | **33,139.22** | **40,094.86** | **48,243.22** | |
| 6,852.62 | 7,919.64 | 8,996.34 | 10,751.72 | 12,296.49 | 15,220.31 | 17,625.87 | |
| **22,663.74** | **26,402.28** | **31,392.02** | **38,343.24** | **45,435.71** | **55,315.17** | **65,869.09** | |
| 11,236.11 | 12,042.20 | 13,987.55 | 16,979.69 | 19,703.32 | 22,690.36 | 26,119.37 | |
| **11,427.63** | **14,360.08** | **17,404.47** | **21,363.55** | **25,732.39** | **32,624.81** | **39,749.72** | |
| 1,677.01 | 1,588.03 | 2,075.75 | 2,725.61 | 3,593.30 | 5,927.49 | 7,550.08 | |
| 1,234.21 | 1,632.58 | 1,723.58 | 2,133.63 | 3,145.30 | 4,910.43 | 6,394.11 | |
| 442.80 | (44.56) | 352.17 | 591.98 | 448.00 | 1,017.06 | 1,155.97 | |
| **9,750.62** | **12,772.05** | **15,328.72** | **18,637.94** | **22,139.09** | **26,697.32** | **32,199.64** | |
| 3,024.34 | 4,293.67 | 5,112.80 | 6,341.71 | 7,589.43 | 9,210.57 | 11,121.50 | |
| **6,726.28** | **8,478.38** | **10,215.92** | **12,296.23** | **14,549.66** | **17,486.75** | **21,078.14** | |
| | | | | | | | |
| 296,246.98 | 367,337.48 | 450,795.65 | 546,424.19 | 643,639.66 | 788,770.64 | 923,140.93 | |
| 16,586.75 | 16,643.05 | 16,254.90 | 15,090.45 | 13,182.00 | 21,107.00 | 18,232.00 | |
| 36,214.15 | 43,478.63 | 62,009.42 | 72,677.77 | 89,462.38 | 106,295.03 | 149,206.32 | |
| 421,327.31 | 491,599.50 | 595,695.13 | 740,796.07 | 863,840.19 | 1,063,934.32 | 1,244,540.69 | |
| 239,720.64 | 303,000.27 | 365,495.04 | 464,593.96 | 554,568.20 | 658,333.09 | 819,401.22 | |
| 111,303.21 | 100,111.88 | 156,833.82 | 195,836.29 | 214,463.34 | 242,200.24 | 290,587.88 | |
| | | | | | | | |
| 28.49 | 35.47 | 42.15 | 48.84 | 57.18 | 67.76 | 78.65 | |
| 20.07% | 20.88% | 20.36% | 17.97% | 18.04% | 18.22% | 16.30% | |
| 11.08% | 11.77% | 13.66% | 13.22% | 12.79% | 13.25% | 15.78% | |
| 16.80% | 16.07% | 16.79% | 15.53% | 14.55% | 14.82% | 17.11% | |
| 5.50 | 6.85 | 8.00 | 9.50 | 11.00 | 13.00 | 15.00 | *** |
| 22.77% | 22.68% | 23.62% | 23.51% | 23.32% | 23.26% | 23.36% | |
| 152.20 | 181.23 | 247.39 | 287.47 | 349.12 | 409.60 | 547.89 | |
| 625.35 | 748.80 | 1,022.70 | 1,071.15 | 1,442.55 | 1,929.00 | 2,318.90 | |
| 21.95 | 21.11 | 24.26 | 21.93 | 25.23 | 28.47 | 29.48 | |

# DIRECTORS' REPORT

## Dear Stakeholders,

Your Directors take great pleasure in presenting the 25th Annual Report on the business and operations of your Bank, together with the audited accounts for the year ended March 31, 2019. A journey of a thousand miles begins with a single step. Ours began a quarter of a century back with the launch of the first branch in Mumbai on February 18, 1995. On the same day in 2019, your Bank entered its silver jubilee year by opening its 5,000th branch again at Mumbai. Along the way it has metamorphosed from a wholesale bank into one with an equally strong retail presence and is well underway in its journey of offering an omni channel customer experience. In the semi urban and rural areas, where your Bank has over half its banking outlets, it is acting as a change agent not only through its banking services but social initiatives as well under the umbrella brand *Parivartan*. As it enters its silver jubilee year, your Bank has impacted the lives of about 10 crore Indians directly or indirectly ie over 4.9 crore customers, the 5 crore plus people through its social initiatives and families of its over 1.9 lakh employees (including that of its two subsidiaries).

In the year ended March 31, 2019 your Bank continued on this path. This came in an economic environment where the Indian economy stood out as an outlier despite facing various challenges both externally and internally. Externally, it was buffeted by volatile crude prices, rising interest rates in the developed world particularly in the US, heightened trade tensions and geopolitical uncertainties in some parts of the world. Internally, the economy was affected by serious concerns regarding the financial health of the NBFC sector, the continuing high NPA levels in the banking space, slowing consumption demand and some concerns on the fiscal side. Not to mention the uncertainty caused by the imminent general elections. The Indian economy however continued to be the fastest growing in the world thanks to the reforms of the past few years.

In the year under review, your Bank delivered a strong financial performance on the back of an improvement in a majority of its key parameters.

**Financial Parameters**

Your Bank recorded an improvement in a majority of its key financial parameters. At ₹ 48,243.2 crore, Net Interest Income rose by 20.3 per cent. Core Net Interest Margin remained stable at 4.3 per cent. Gross Non-Performing Assets (NPAs) at 1.36 per cent is among the lowest in the industry. This was largely due to the Bank's prudent credit evaluation of the targeted customer profile and having a diversified loan book spread across customer segments, products, and sectors plus managing risk-return decisions with discipline. Your Bank's Net Profit at ₹ 21,078.1 crore went up by 20.5 per cent.

In addition, the year stood out for one of the largest fund raising in your Bank's history. It also continued to transform lives through *Parivartan* and securing recognition.

**1) Fund Raising**

Your Bank raised ₹ 23,715.9 crore in the year under review. This comprises a preferential allotment to Housing Development Finance Corporation Ltd of ₹ 8,500 crore, a Qualified Institutional Placement of ₹ 2,775.0 crore and an ADR offering of $ 1,820 million (₹ 12,440.9 crore). Consequent to the above issuances, share capital increased by ₹ 20.89 crore and share premium increased by ₹ 23,568.7 crore. This is net of share issue expenses of ₹ 126.3 crore. The issuances were made pursuant to the shareholder and regulatory approvals. This has resulted in a strengthening of its capital structure, increasing solvency and shoring up of its Capital Adequacy Ratio.

**2) *Parivartan***

The Bank in the year under review has continued its journey of social commitment through *Parivartan* which means change. Your Bank firmly believes that businesses cannot prosper if the communities in which they operate don't. This is what has been inspiring its social initiatives. This change has been brought about principally by about 10 per cent of the Bank's workforce which works on the Sustainable Livelihood Initiative (SLI) which helps people improve their lives by upgrading their skillsets and, thus, enabling them to break out of the cycle of poverty. And through its 'Teaching-The-Teacher' (3T) initiative which has potentially impacted 1.6 crore students as well as the Holistic Rural Development Programme which has already touched another possible 14.4 lakh people spread across more than 1,100 villages. We are also happy to report that in the year under review, your Bank has met the mandatory CSR expenditure through a spend of ₹ 443.8 crore.

3) **Awards and Recognition**

The Bank continued to win awards and laurels. Notably, it was named India's most valuable brand for the fourth year in a row in the BrandZ survey of Top 50 Most Valuable Indian Brands. HDFC Bank was also ranked No 1 in India by customers in the first edition of the 'World's Best Banks' survey by Forbes magazine. The publication partnered with market research firm Statista to measure the best banks in 23 countries and customers were asked to rate banks on overall recommendation and satisfaction, as well as on the 5 key attributes namely: Trust; Terms and Conditions; Customer Service; Digital Device; Financial Advice.

**Summary**

To sum up, your Bank is geared up for the next phase of growth given the looming market opportunities and its strong positioning in each of its major franchises. And also make a greater contribution to bridge the divide between India and Bharat be it through its business or social initiatives. This, of course, would not have been possible without the contribution of our over 98,000 employees.

**Mission and Strategic Focus**

Your Bank's mission is to be a 'World-Class Indian Bank.' Its business philosophy is based on five core values: Customer Focus, Operational Excellence, Product Leadership, People and Sustainability. The last value Sustainability should be viewed in consonance with Environmental, Social and Governance criteria. As a part of this, HDFC Bank through its umbrella brand *Parivartan* seeks to bring about change in the lives of communities mainly in Rural India.

The business objective has been to continue building sound customer franchises across distinct businesses so as to be a preferred banking services provider to achieve healthy growth in profitability consistent with the Bank's risk appetite.

In line with the above, your Bank's business strategy was to take digitisation to the next level to achieve the following:

- Deliver superior experience and greater convenience to customers
- Increase market share in India's expanding banking and financial services industry
- Expand geographical reach
- Cross-sell the broad financial product portfolio
- Sustain strong asset quality through disciplined credit risk management
- Maintain low cost of funds

Your Bank is committed to do this while ensuring the highest levels of ethical standards, professional integrity, corporate governance and regulatory compliance. This is articulated through a well-documented Code of Conduct that every employee has to affirm annually that he / she will abide by.

**Summary of Financial Performance** (₹ crore)

| Particulars | For the year ended / As on | |
|---|---|---|
| | March 31, 2019 | March 31, 2018 |
| Deposits and Other Borrowings | 1,040,226.1 | 911,875.6 |
| Advances | 819,401.2 | 658,333.1 |
| Total Income | 1,16,597.9 | 95,461.7 |
| Profit Before Depreciation and Tax | 33,339.8 | 27,603.6 |

| Particulars | For the year ended / As on | |
|---|---|---|
| | March 31, 2019 | March 31, 2018 |
| Profit After Tax | 21,078.1 | 17,486.8 |
| Profit Brought Forward | 40,453.4 | 32,668.9 |
| Total Profit Available for Appropriation | 61,531.5 | 50,155.7 |
| **Appropriations** | | |
| Transfer to Statutory Reserve | 5,269.5 | 4,371.7 |
| Transfer to General Reserve | 2,107.8 | 1,748.7 |
| Transfer to Capital Reserve | 105.3 | 235.5 |
| Transfer to / (from) Investment Reserve | - | (44.2) |
| Transfer to / (from) Investment Fluctuation Reserve | 773.0 | - |
| Dividend (including tax / cess thereon) pertaining to previous year paid during the year, net of dividend tax credits | 4,052.6 | 3,390.6 |
| **Balance carried over to Balance Sheet** | **49,223.3** | **40,453.4** |

**Dividend**

Your Bank has a dividend policy that, *inter alia*, balances the objectives of appropriately rewarding shareholders and retaining capital in order to fund future growth. It has a consistent track record of steady increase in dividend distribution, with the Dividend Payout Ratio ranging between 20 per cent and 25 per cent - a range that the Board endeavours to maintain.

The dividend policy of your Bank is available on the Bank's website at the following link: http://www.hdfcbank.com/htdocs/common/pdf/corporate/Dividend-Distribution-Policy.pdf

Consistent with this policy and in recognition of the overall performance during the year under review, your Directors are pleased to recommend a dividend of ₹ 15 per equity share of ₹ 2 as against ₹ 13 per equity share in the previous year. As you are aware, this dividend will be subject to tax to be paid by the Bank. In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance Sheet Date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, the Bank has not appropriated proposed dividend from Profit and Loss Account for the year ended March 31, 2019. However, the effect of the proposed dividend, including tax on dividend aggregating to ₹ 4,924.64 crore, has been reckoned in determining capital funds in the computation of capital adequacy ratio as at March 31, 2019.

**Ratings**

| Instrument | Rating | Rating Agency | Comments |
|---|---|---|---|
| **Fixed Deposit Programme** | CARE AAA (FD) | CARE Ratings | Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry the lowest credit risk. |
| | IND Taaa | India Ratings | Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry the lowest credit risk. |
| **Certificate of Deposits Programme** | CARE A1+ | CARE Ratings | Instruments with this rating are considered to have very strong degree of safety regarding timely servicing of financial obligations. Such instruments carry the lowest credit risk. |
| | IND A1+ | India Ratings | Instruments with this rating are considered to have very strong degree of safety regarding timely servicing of financial obligations. Such instruments carry the lowest credit risk. |

| Instrument | Rating | Rating Agency | Comments |
|---|---|---|---|
| **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 the lowest credit risk. |
| | IND AAA | India Ratings | Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry the 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 the lowest credit risk. |
| | CRISIL AAA | CRISIL | Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry the lowest credit risk. |
| **Infrastructure 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 the lowest credit risk. |
| | CRISIL AAA | CRISIL | Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry the lowest credit risk. |
| **Additional Tier I Bonds (Under Basel III)** | CARE AA+ | CARE Ratings | Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk. |
| | CRISIL AA+ | CRISIL | Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations.<br>Such instruments carry very low credit risk. |
| | IND AA+ | India Ratings | Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations.<br>Such instruments carry very low credit risk. |
| **Tier II Bonds (Under Basel III)** | 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 the lowest credit risk. |
| | CRISIL AAA | CRISIL | Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry the lowest credit risk. |

**Issuance of Equity Shares and Employee Stock Options (ESOP)**

As on March 31, 2019, the issued, subscribed and paid up capital of your Bank stood at ₹ 5,446,613,220 comprising 272,33,06,610 equity shares of ₹ 2 each. During the year under review, the Bank issued 3,90,96,817 equity shares to Housing Development Finance Corporation Limited on a preferential basis, 1,28,47,222 equity shares on a qualified institutions placement and 5,25,00,000 equity shares underlying 1,75,00,000 American Depository Receipts (ADRs). Further, 2,37,72,304 equity shares of face value of ₹ 2 each were issued pursuant to exercise of Employee Stock Option (ESOP) by the Bank. The information pertaining to ESOPs is given in **ANNEXURE 1** to this report.

The Board of Directors at its meeting held on May 22, 2019 considered and approved the sub-division of one equity share of the Bank having face value of ₹ 2/- each into two equity shares of face value of Re. 1/- each and consequential alteration in the relevant clauses relating to capital of the Memorandum of Association of the Bank. The sub-division of equity shares as above is subject to the approval of the members at the ensuing Annual General Meeting of the Bank.

Further, the Bank had issued 1,14,30,383 underlying equity shares representing Global Depository Receipts (GDRs) of the Bank, which are listed on the Luxembourg Stock Exchange. The Depository for GDRs is represented in India by J.P Morgan Chase Bank N.A. Due to low trading / conversion volume in GDR, the Board of Directors of the Bank at its meeting held on April 20, 2019 has decided to terminate the GDR program. The requisite notice of termination is being issued to the custodian and the depository.

**Capital Adequacy Ratio (CAR)**

As on March 31, 2019 your Bank's total CAR, calculated in line with Basel III capital regulations, stood at 17.1 per cent well above the regulatory minimum of 11.025 per cent including the Capital Conservation Buffer of 1.875 per cent. Of this, Tier I CAR was 15.8 per cent. The effect of the proposed dividend has been taken into account in computing these ratios.

## MANAGEMENT DISCUSSION AND ANALYSIS

**Macroeconomic and Industry Developments**

The Indian economy faced several headwinds both domestic and external for much of the year ended March 31, 2019. Encouragingly, despite global headwinds like volatile oil prices, elevated trade tensions, geo-political uncertainties in some parts of the world and interest rate tightening cycle in some of the developed countries notably the US, the Indian economy stood out as an outlier in terms of growth with an estimated growth of 7 per cent in the year under review (as per the second advance estimates of the Central Statistics Office). The economy remains a high growth achiever and various policy reform measures over the past couple of years (such as Goods and Service Tax 2017, Insolvency and Bankruptcy Code 2016 and Bank recapitalization plan 2017) will help improve India's macro-economic stability considerably, going forward.

Domestically, India faced issues related to financial health of the NBFC sector, high NPA levels in the banking space, slowing consumption demand and some concerns on the fiscal side. On the back of various measures to address the issue of bad loans in the banking sector, the NPA cycle is now looking to be bottoming out. As per the RBI's December 2018 Financial Stability Report, Gross Non-Performing Assets (GNPA) ratio of scheduled commercial banks declined from 11.5 per cent in March 2018 to 10.8 per cent in September 2018. The ratio is expected to have declined further to 10.3 per cent by March 2019. The Government along with the RBI has also taken several measures to infuse greater liquidity in the NBFC sector and plans to take measures to bring in stability in this sector.

Consistent slowdown in domestic consumption growth is one of the major challenges that the economy faces going into 2019-20. As per the second advance estimates of the Central Statistics Office (CSO), India's real GDP growth dropped to 6.6 per cent in the third quarter of 2018-19 - a five-quarter low - from 7 per cent in the second quarter and 8 per cent in the first quarter. Growth is expected to inch down further to 6.5 per cent in the last quarter.

On an annual basis, GDP growth is expected to drop to 7 per cent in 2018-19 from 7.2 per cent in 2017-18. From the production side, the current slowdown is mainly on account of the agriculture sector (due to weak kharif season), which is expected to grow at a lower rate of 2.7 per cent in the year under review from 5 per cent in the previous year. On the demand side, the slowdown emanates from the consumption side. While the recovery in private consumption remains tepid, Government consumption is expected to sharply slow down to 8.9 per cent in the year ended March 31, 2019 from a double digit growth of 15 per cent in the previous year. Going by the 2019-20 Interim Budget, the focus of fiscal policy in the coming year will be on revival of the rural economy (through schemes such as *Pradhan Mantri Kisan Samman Nidhi*), which is likely to partly boost consumption in the coming year. Overall adherence to fiscal discipline remains critical at this juncture so that productive expenditure is not pruned in a bid to meet the fiscal targets.

Encouragingly, investment revival remains on track in line with the trends in capacity utilization. For the last five quarters, investments growth (Gross Fixed Capital Formation) has averaged at 11.3 per cent much higher than the average of 7.78 per cent for private consumption. Construction activity also seems to be picking up pace with a 9.6 per cent growth in the third quarter of the year under review compared to 8 per cent growth registered in the previous year. The government's focus on low-cost housing and other key infrastructure projects awarded through the roads and highway ministry seems to be having a favorable impact on the construction sector and the positive momentum is likely to continue.

Overall, on the back of the assumption of a normal monsoon season, continued recovery in private investment, gradual traction in private consumption with support from Government-led spending, we expect the real GDP growth to come in at 7 to 7.2 per cent in the current financial year compared to the expected 7 per cent in the year under review.

The moderation in inflation which was seen in 2017-18 continued in the year under review as well, with the CPI falling to 1.97 per cent in January 2019 driven mainly by lower food inflation. Having averaged 4.3 per cent in the first half of 2018-19, inflation has eased down further in the second half (average close to 2.53 per cent during Oct-Mar 2018-19). However, unwinding of base effect and slight sequential uptick in food inflation led to the overall headline inflation inching up to 2.86 per cent in March 2019.

On account of sustained downside in food inflation, we estimate FY19 inflation at 3.4 per cent. Though headline inflation for FY20 is estimated to average higher at 3.7 per cent, it is likely to remain well within the RBI's target range of 4+/-2 per cent.

Moderation in growth numbers amid an environment of subdued inflation is suggestive of possible rate cuts by the Reserve Bank of India. The RBI had cut the repo rate first in February 2019 and again in April 2019 in order to support the growth momentum in the economy. The Repo Rate now stands at 6 per cent and the monetary policy stance is now "neutral" as against "calibrated tightening" prior to the February policy.

Going forward, one of the major risks to the economy remains sharp increases in oil prices, which could adversely affect inflation, fiscal deficit and the current account deficit. Risks on the external front continue to loom on account of a possible slowdown in the global economy, elevated protectionist tendencies, Brexit related uncertainty in the UK and monetary policy uncertainty in the developed nations especially in the US.

**Financial Performance**

The financial performance of your Bank during the year ended March 31, 2019, remained healthy with Total Net Revenue (Net Interest Income Plus Other Income) rising by 19.1 per cent to ₹ 65,869.1 crore from ₹ 55,315.2 crore in the previous year. Revenue growth was driven by an increase in both Net Interest Income and Other Income. Net Interest Income grew by 20.3 per cent to ₹ 48,243.2 crore due to acceleration in loan growth coupled with Core Net Interest Margin (CNIM) of 4.3 per cent.

Other Income grew by 15.8 per cent to ₹ 17,625.9 crore. The largest component was Fees and Commissions, which increased by 21.2 per cent to ₹ 13,805.5 crore. Foreign Exchange and Derivatives Revenue was ₹ 1,720.4 crore, gain on revaluation and sale of investments was ₹ 386.8 crore, and recoveries from written-off accounts were ₹ 1,430.8 crore.

Operating (Non-Interest) Expenses rose to ₹ 26,119.4 crore from ₹ 22,690.4 crore. During the year, your Bank has set up 316 new Banking Outlets and 525 ATMs. This, along with strong growth in retail asset and card products, resulted in higher infrastructure and staffing expenses. Staff expenses also went up due to employee additions and annual wage revisions. Despite higher infrastructure expenses, the Cost to Income Ratio improved to 39.7 per cent from 41.0 per cent.

Total Provisions and Contingencies were ₹ 7,550.1 crore as compared to ₹ 5,927.5 crore the preceding year. Your Bank's provisioning policies remain more stringent than regulatory requirements.

The Coverage Ratio based on specific provisions alone excluding Write-offs was 71 per cent; including General and Floating provisions, it was 117 per cent. Your Bank made General Provisions of ₹ 648.4 crore during the year. Your Bank's Gross Non-Performing Assets (GNPA) were at 1.36 per cent of Gross Advances, as against 1.30 per cent the preceding year. Net NPA ratio stood at 0.4 per cent for both the years.

Profit Before Tax grew by 20.6 per cent to ₹ 32,199.6 crore. After providing for Income Tax of ₹ 11,121.5 crore, Net Profit increased by 20.5 per cent to ₹ 21,078.1 crore from ₹ 17,486.8 crore. The Return on Average Net Worth was 16 per cent while the Basic Earnings Per Share was ₹ 78.6, up from ₹ 67.8.

As on March 31, 2019, your Bank's Total Balance Sheet stood at ₹ 1,244,541 crore, an increase of 17 per cent over ₹ 1,063,934 crore on March 31, 2018. Total Deposits rose by 17 per cent to ₹ 923,141 crore from ₹ 788,771 crore.

Savings Account Deposits grew by 11.1 per cent to ₹ 248,700 crore while Current Account Deposits rose by 19.5 per cent to ₹ 142,498 crore. Time Deposits stood at ₹ 531,943 crore, representing an increase of 19.4 per cent. CASA Deposits accounted for 42.4 per cent of Total Deposits. Advances stood at ₹ 819,401 crore, representing an increase of 24.5 per cent. The Bank's domestic loan portfolio of ₹ 802,329 crore grew by 24.6 per cent over March 31, 2018. The Bank had a share of approximately 7.2 per cent in Total Domestic Deposits and 8.2 per cent in Total Domestic Advances.

**BUSINESS OPERATIONS**

Your Bank's operations are split into domestic and international.

**DOMESTIC BUSINESS COMPRISES THE FOLLOWING:**

**A) Retail Banking**

Your Bank's Retail Banking Business registered robust growth in the year under review. Total Retail Deposits grew by 22.3 per cent to ₹ 709,085 crore from ₹ 580,006 crore in the preceding year while Retail Advances rose by 15 per cent to ₹ 432,687 crore from ₹ 376,167 crore.

The Personal Loan Business surged to nearly ₹ 93,000 crore on the back of strong product offering and speedy disbursal. Happy to report, it emerged as the key driver for the Retail Business in the year under review.

It has been increasing its unsecured exposure but without sacrificing credit quality which is well within that prescribed in the product programme.

Digitalisation has been the key with your Bank emerging as a pioneer in various digital loans be it the 10 second Personal Loan, Digital Loan Against Shares and more recently Loan Against Mutual Funds. All these are industry firsts.

The Bank is a leader in the Auto Loans Segment with a strong presence in passenger, commercial vehicle and 2-wheeler loans. While it has a stable and strong loan portfolio in this segment, growth in the 4 wheeler segment was muted at 9.6 per cent. The performance of this segment must be seen in the context of slowing auto segment sales. Your Bank countered the slowdown in demand in the cities by increasing its geographic spread. This has enabled it to grow its book size without having to compromise on price and asset quality. A key differentiator in this journey has been digitalization which has enabled customer delight through convenience.

In 2-wheeler financing your Bank built on its inherent strengths to post a growth of nearly 16 per cent by financing 11.4 lakh units.

In Commercial Vehicles, your Bank was able to ward off intense competition and log robust growth.

The Payments Business where your Bank has a dominant presence merits a special mention. In credit cards your Bank continued to build on its strong base. It ended the year under review with 1.25 crore credit cards after becoming the first bank in the country to issue one crore credit cards last year. Existing customers accounted for around 80 per cent of the new cards issued.

The Payments Business not only acts as a catalyst for cashless transactions but also spurs consumption. With 2.69 crore debit cards, 1.25 crore credit cards and almost a million acceptance points (across all form factors), your Bank is among the largest facilitators of cashless payments in the country. The Bank's payments business has launched digital offerings such as PayZapp, Bharat QR Code, UPI, and SMS pay solutions. It has also pioneered path-breaking products such as the SmartHub app which facilitates cashless payments for small merchants and DigiPos, which enables traditional PoS machines to accept digital payments. Merchants and customers alike have found these solutions useful.

In the year under review, the Virtual Relationship Management (VRM) programmme gained substantial traction. Through this, relationship managers reach out to customers through remote and digital platforms, leading to deeper engagement in a cost-effective manner. These managers are a single point of contact for customers banking and financial needs. This programme which offers tailor-made solutions, using carefully drawn customer level plans has been well received since its launch.

As regards physical distribution network, the Bank also added 316 Banking Outlets during the year taking the total to 5,103 spread across 2,748 cities / towns. The share of semi-urban and rural outlets in the total network is 53 per cent, reflecting our continued focus on these markets. The number of ATMs also increased to 13,160 from 12,635.

The total number of customers your Bank catered to as on March 31, 2019 was over 4.90 crore up from 4.36 crore in the previous year.

The Bank as you are aware operates in the Home Loan Business in conjunction with HDFC Limited. As per this arrangement, the Bank sells HDFC Home Loans while HDFC Ltd approves and disburses them. The Bank receives sourcing fee for these loans and, as per the arrangement with HDFC Ltd, has the option to purchase up to 70 per cent of the fully disbursed loans either through the issue of mortgage backed Pass Through Certificates (PTCs) or by a direct assignment of loans. The balance is retained by HDFC Ltd. Your Bank originated, on an average, ₹ 2,100 crore of Home Loans every month in the year under review and purchased ₹ 23,982 crore as direct assignment of loans.

**Third Party Products:**

The Bank distributes Life Insurance, General Insurance and Mutual Funds, often referred to as Third-Party Products. Income from this business grew by 5 per cent to ₹ 2,200 crore from ₹ 2,091 crore crore and accounted for 16 per cent of Total Fee Income in the year ended March 31, 2019 compared with 18 per cent in the preceding year.

**Insurance**

The open architecture adopted by the Bank for Insurance distribution with nine insurance providers was made more robust by leveraging more branches and increasing the product bouquet. Continuing with the digital focus, straight through process from prospect to proposal stage was introduced with real-time integration across all insurers. All product offerings by insurers were made available on NetBanking platform. Premium mobilization in Life Insurance for the year ended March 31, 2019 was ₹ 4,233 crore a growth of 30 per cent over the previous year. This was against the backdrop of an overall industry growth of 10 per cent.

In the Non-Life space, the Bank has increased product offerings, opened new channels, and introduced easy Point of Sale Person Certification for distribution of General and Health Products. It has also introduced new digital platforms like STP, Upscaler Mobile App, and Insurance help-line for continuously improving knowledge levels of the staff as well as easing distribution in true open architecture model. These initiatives are the first of their kind in the industry. Overall General and Health Insurance Business grew by 29 per cent over the previous year with premium mobilization of ₹ 2,273 crore. The industry grew by 13 per cent in the same period.

**Mutual Funds**

Global headwinds like trade wars, interest rate hike by the US coupled with domestic concerns like depreciating currency, FPI outflows and impact of default by IL&FS to other companies dampened market sentiment. At the Industry level there were regulatory changes like SEBI categorisation and rationalization of schemes, reduction in Total Expense Ratio from 20 basis points to 5 basis points on the existing AUM and ban on Upfront commission. Six months to one year (Short term) returns on majority of the equity/hybrid schemes were negative. The impact of all this was the slowing down of the Mutual Fund distribution business which in turn resulted in a lower Mutual Fund Fee Income.

**B) Wholesale Banking**

This business focuses on institutional customers such as the Large and Emerging Corporates, SMEs and Government. Your Bank's offerings in this segment include Working Capital and Term Loans as well as Trade Credit, Cash Management, Supply Chain Financing, Foreign Exchange, and Investment Banking services. The Wholesale Banking business recorded a healthy 31.9 per cent growth. The Bank was able to expand its share of the customer wallet, primarily using sharper customisation, cross-selling and expanding into greater geographies. The Bank ended the year under review with a domestic loan book size of ₹ 370,000 crore which constituted 46 per cent of the Bank's domestic advances as per Basel II classification.

Corporate Banking, which focuses on large, well-rated companies remained the biggest component of the Wholesale Banking book. The Bank selectively participated in several refinancing cases through the NCLT route of companies which have been acquired by promoters with a good track record.

The Emerging Corporates Group, which focuses on the mid-market segment, too witnessed significant growth. Your Bank leveraged its vast geographical reach, technology backbone, automated processes, suite of financial products and quick turnaround times to offer customers a differentiated service leading to both new customers as well as acquiring a higher share of the wallet from existing customers. The business continues to have a diversified portfolio in terms of both industry and geography. In the last five years this business has doubled its presence to 47 cities in India.

The year under review has been the one that has seen the greater formalisation of the Micro, Small and Medium Enterprises (MSMEs) sector due to the adoption of the Goods and Service Tax platform by several Micro and Small Enterprises. The Bank's advances to MSMEs amounted to Rs 128, 976.5 crore as on March 31, 2019.

The Investment Banking business cemented its prominent position in the Debt and Equity Capital Markets. For four consecutive years now, your Bank has been ranked 2nd in the Bloomberg rankings of Rupee Bond Book Runners. The Bank is actively assisting clients in equity fund raising and your Bank is ranked 9th in PRIME Database IPO League Tables for FY 18-19 for private sector issues.

In the Government business, the Bank sustained its focus on tax collections, collecting direct tax of over ₹ 3.15 lakh crore and indirect tax of approximately ₹ 36,000 crore during the year. In addition to the taxes / duties collected on behalf of several state governments, the Bank also collected over ₹ 1.71 lakh crore in the form of GST. It continues to enjoy a pre-eminent position among the country's major stock and commodity exchanges in both Cash Management Services and Cash Settlement Services.

Your Bank has led the way in providing Digital Banking Services to not only its Retail Customers but also to its wholesale banking customers. It was an early adopter of Digital technology through the Corporate Net Banking Platform, ENet.

HDFC Bank offers the entire gamut of financial services, such as Payments, Collection, Tax Solutions, Government Business, Trade Finance Services, Cash Management Solutions and Corporate Cards through its flagship platform, besides seamlessly connecting its customers through API, S2S (Server to Server) and Host to Host services.

Your Bank's pre - eminent position in the Wholesale Banking business has secured recognition from Euromoney, a leading global financial publication. The Euromoney Trade Finance Survey has ranked HDFC Bank No 1 in two categories: Best Service and Market Leader in the Asian Bank category based on a poll of senior corporate and treasury professionals.

**C) Treasury**

The Treasury is the custodian of the Bank's cash / liquid assets and handles its investments in securities, foreign exchange and cash instruments. It manages the liquidity and interest rate risks on the balance sheet and is also responsible for meeting reserve requirements. The vertical also helps manage the treasury needs of customers and earns a substantial part of its revenues through fee income generated from transactions customers undertake with the Bank while managing their foreign exchange and interest rate risks.

Revenue accrues from spreads on customer transactions based on trade and remittance flows and demonstrated hedging needs. The Bank recorded revenue of ₹ 1,720.4 crore from foreign exchange and derivative transactions in the year under review. While plain vanilla forex products were in demand across all customer segments, the demand for derivative products came mostly from large and emerging corporates.

As a part of prudent risk management, the Bank enters into foreign exchange and derivative deals with counterparties after it has set up appropriate credit limits based on its evaluation of the ability of the counterparty to meet its obligations. Where the Bank enters into foreign currency derivative contracts not involving the Indian Rupee with its customers, it typically lays them off in the inter-bank market on a matched basis. For such foreign currency derivatives, the Bank primarily carries the counterparty credit risk (where the customer has crystallised payables or mark-to-market losses) and may carry only residual market risk if any. The Bank also deals in derivatives on its own account, including for the purpose of its own balance sheet risk management.

The Bank maintains a portfolio of Government Securities, in line with regulatory norms governing the Statutory Liquidity Ratio (SLR). A significant portion of these SLR securities are held in the 'Held-to-Maturity' (HTM) category, while some are held in the 'Available for Sale' (AFS) category. The Bank is also a Primary Dealer for Government Securities. As a part of this business, as well as otherwise, the Bank holds fixed income securities in the 'Held for Trading' (HFT) category.

**D) Partnering with the Government**

You will be happy to know that your Bank has been closely working with the Government both at the Central and State levels primarily in the following three areas:

**1) Digitisation and Digital India**

In an important development in the year ended March 31, 2019, you will be happy to know that your bank picked up a 9.11 per cent in CSC e - Governance Services India Ltd for a cash consideration of ₹ 14.6 crore. This is a company constituted under the Companies Act by MeITY (Ministry of Electronics & Information Technology). CSCs, managed by Village Level Entrepreneurs (VLEs), are the access points for delivery of essential public utility services, social welfare schemes, healthcare, financial, education and agriculture services, apart from a host of B2C services to citizens in rural and remote areas of the country. It is a pan-India network catering to regional, geographic, linguistic and cultural diversity of the country thus enabling the Government's mandate of a socially, financially and digitally inclusive society. Your bank will use this network to offer retail products and banking services to the citizens across the country and further contribute to the Government's aim of digital India.

**Further your bank:**

a) has the second largest share of Direct tax collection and is working to provide the solution on NEFT/RTGS bulk collection which will further increase the revenue collection share and is facilitating collections of various central government led levies like fees paid to State Pollution Control Boards

b) is enabling Direct Benefit Transfers under various Centrally Sponsored Schemes using the Public Financial Management System (PFMS) to more than 50,000 beneficiaries

c) is integrated with GeM (Government e-Marketplace) to provide financial services to buyers and sellers on this platform instituted to promote transparency

d) works with various government authorities to enable digitisation of payments and collections e.g. collection of property taxes and water user charges at more than 100 municipal authorities across India to support Government of India's Ease of Doing Business initiative

e) has been the first in the country to develop *(e-Vittrapravaha)* with the State Government of Madhya Pradesh to provide an end - to - end solution for efficient health-care budget and fund flow management

**2) Customised Banking Solution for Government Employees**

Your Bank has designed a banking package to suit the needs of government employees at the state and central levels. The offering includes an overdraft secured by their salary account, complimentary insurance covers and fine pricing on loans.

**3) Start-Up Fund and SmartUp Banking**

Through its SmartUp Programme for Start-ups and Start-Up Fund, your Bank is working with various state governments and incubators / accelerators to promote entrepreneurship. Memoranda of Understanding have already been signed with three state governments to enable execution of varied aspects of their respective start-up policies. Your Bank also works with 12 incubators certified by the Department of Science and Technology, including various Indian Institutes of Technology and Indian Institutes of Management, to identify Social Start-ups that require financial and advisory support.

**E) Semi Urban and Rural:**

The Semi Urban Rural markets have been a focus of your Bank's strategy. What changed in the year under review has been the greater thrust as a part of the Semi Urban Rural (SURU) push. The rationale behind has been the rising income levels and aspirations of rural customers leading to demand for better quality financial products and services. The Rural groups in every department of your bank work together to tap these opportunities.

Apart from meeting its statutory obligations under PSL, HDFC Bank has been offering the widest range of products on the asset side of the balance sheet like Auto, 2-wheelers, Personal, Gold, Light Commercial Vehicle (LCV), Small Shopkeeper Loans in these markets. Now it plans to increase its coverage of villages and also deepen relationships in the existing ones. An equally important aspect of this village penetration strategy is an initiative which combines financial literacy with financial inclusion where customers in each village would be educated about various products and services of HDFC Bank which can best meet their financial requirements.

The Semi Urban and Rural push has been backed by its digital strategy. The Bank's operations in these locations are explained below:

**1) Agriculture and Allied Activities**

Your Bank's credit to Agriculture & Allied activities stood at ₹ 128,809.32 crore on March 31, 2019, representing an increase of nearly 14 per cent over ₹ 113,160.60 crore in the previous year. Over half of India's population depends on agriculture for livelihood. The key to the Bank's success here has been its ability to tap the opportunities herein through the following:

- Wide product range

- Faster turnaround time
- Digital solutions

Our product range includes Pre and Post-Harvest Crop Loans, Two-Wheeler, Auto Loans, Loans against Gold Jewellery amongst others. Consequently, the Bank has established a strong footprint in the rural hinterland with its asset products. Apart from advising the farmers on their financial needs, your Bank is increasingly focusing on facilitating/educating them on benefits of various government / regulatory schemes such as crop insurance and interest subvention.

The Bank has also designed a range of crop and geography-specific products keeping in mind the harvest cycles and the local needs of farmers spread across diverse agro climatic zones.

Our products such as Post-Harvest Cash Credit and Warehouse Receipt Financing enable faster cash flows to the farmer. Credit is also disbursed to allied agricultural activities such as Dairy, Pisciculture, and Sericulture.

Farmer centres or *Kisan Dhan Vikas Kendras* have been rolled out in Punjab, Maharashtra, Uttar Pradesh and Madhya Pradesh. At these centres, farmers secure information on soil health, *mandi* prices, various government initiatives and expert advice. These services are also available on the Bank's website in vernacular languages. The Bank also provides advisory on weather, cropping, and harvesting through SMS.

**Digitising Milk Procurement** This is our effort to facilitate transparency in the milk procurement and payment process. Under this initiative, Multi-function Terminals (MFTs), popularly known as Milk-to-Money ATMs, are deployed in dairy societies. The MFTs link the milk procurement system of the dairy society to the farmers' account to enable faster payments. MFTs have cash dispensers that function as standard ATMs. The transparency in the milk collection process, including the quality of milk, benefits both farmers and society. Payments are credited without the difficulties associated with the cash distribution process. What is more, this creates a credit history which can then be used as the basis for accessing bank credit. Apart from Dairy and Cattle Loans, customers gain access to all bank products including digital offerings such as 10 Second Personal Loans, Kisan Credit Card, Bill Pay, and Missed Call Mobile Recharge. So far your Bank has digitised payments at over 1,000 milk co-operatives spread over 18 states and benefiting more than 4 lakh dairy farmers. The Bank facilitates instant realization of payments for over 1 lakh customers.

**Substituting the Moneylender**: Loans against Gold Jewellery grew to over ₹ 5,900 crore from over ₹ 5,500 crore the preceding year. Your Bank is slowly making inroads into a market traditionally dominated by the unorganised sector and pawn brokers. The entry of organised players into the sector has increased both awareness and transparency. The Bank has been able to serve the section of people who would traditionally rely on the moneylender through faster turnaround times.

**Social Initiatives in Farm Sector**: Farm yield and income are subject to the vagaries of the weather. Factors like soil health, input quality (seeds and fertilizers), and availability of water and government policy also impact this. So do price realization and storage facilities. Your Bank has launched a variety of initiatives to ease the stress on farm income and rural households.

Over the last few years, several parts of the country have been severely impacted by natural calamities such as drought, unseasonal rains, hailstorms, and floods. Within regulatory guidelines, the Bank has been providing relief to impacted farmers. It also has systems designed to enable Direct Benefit Transfers in a time-bound manner. The Bank is also exploring the use of remote sensing technologies and analytics to strengthen crop and farm level assessment.

Lending to the agriculture sector, including to the small and marginal farmers is a regulatory mandate as part of priority sector lending requirements. This has inherent credit risks. Your bank has taken various initiatives to cope with the changing agri-lending trend. It has taken steps pertaining to delinquency management like root-cause analysis of critical locations, close monitoring of delinquency, prioritisation based recovery strategy, system automations. Further, your bank is building upon segment specific approach like funding to horticulture clusters, supply chain finance, Agribusiness, MSMEs and Dairy farmers. It also continues to engage closely with farmers to mitigate risks and protect portfolio quality. This is reinforced further by a focus on the liability business.

**2) Micro, Small and Medium Enterprises (MSME)**

Advances to the MSME segment as on March 31, 2019 stood at ₹ 128,976.48 crore as against ₹ 89,042.1 crore a year ago. Its advances to the Micro Enterprises alone stood at ₹ 55,227.96 crore as on March 31, 2019. The MSME sector serves as an important engine for economic growth and is one of the largest employers in the economy.

The year ended March 31, 2019 has seen a steady shift towards digital transactions owing to GST implementation, the push by the Government and the advent/evolution of increasingly tech savvy entrepreneurs. Your Bank is leveraging this trend to create faster solutions. In line with this, the Bank has recently launched an analytics based credit appraisal tool by which a customer can get a sanction within 3 hours for loans ranging between ₹ 11 Lakhs to ₹ 5 crore. This is facilitated by submission of digital bank statements and a combination of scores arrived by our analytical model.

For existing customers, the SME portal continues to offer ad hoc approval and auto enhancement of loans.

On the trade side, the focus has been on customer engagement for increasing penetration of Trade on Net application. This, as you are probably aware is a complete enterprise trade solution for customers engaged in domestic as well as foreign trade enabling them to initiate online requests and track them seamlessly resulting in reduced time and costs.

**3) Taking Banking to the Unbanked**

Your Bank is fully committed to taking banking to the remotest parts of the country through the combination of an extensive physical network and a robust digital suite of products and services. Today, over 53 per cent of the Bank's outlets are located in rural and semi-urban areas. The Bank also offers last mile access through mobile applications such as BHIM, UPI, USSD, Scan and Pay, and RuPay enabled Micro-ATMs.

To bring more under-banked sections of the population into formal financial channels, your Bank has opened over 24.1 lakh accounts under the *Pradhan Mantri Jan Dhan Yojana* (PMJDY) and enrolled 31.4 lakh customers in social security schemes since their inception. We now rank among the leading private sector banks in this regard. In the year under review, loans to the tune of ₹ 7,168.7 crore were extended under the *Pradhan Mantri Mudra Yojana* (PMMY) and nearly ₹ 500.6 crore under the 'Stand up India' scheme to Scheduled Caste, Scheduled Tribe and women borrowers in the year under review.

**4) Sustainable Livelihood Initiative**

This is primarily a social initiative with elements of business. It entails skill training, livelihood financing, and creating market linkages. Further details are provided in page no 35.

## INTERNATIONAL BUSINESS

As on March 31, 2019, the Balance Sheet size of this business was US $4.8 billion. Advances constituted 3.02 per cent of the Bank's Gross Advances. The Total Income of the overseas branches constituted 1.06 per cent of the Bank's Total Income for the year. Though the number is small, what is significant is that your Bank is able to cater to a large and growing Indian diaspora.

As you would know, your Bank has overseas branches in Bahrain, Hong Kong, and the Dubai International Finance Centre (DIFC). These branches cater to the needs of our overseas clients both corporate, and individual. They offer Banking, Trade Finance and Wealth Management (primarily for non-resident individual customers). In addition, the Bank has Representative Offices in Abu Dhabi, Dubai and Nairobi.

Your Bank also has a presence in International Financial Service Centre (IFSC) at GIFT City in Gandhinagar, Gujarat. This unit, which opened about two years back is akin to a foreign branch. Customers can avail of products such as Trade Credits, Foreign Currency Term Loans including External Commercial Borrowings (ECB) and derivatives to hedge loans.

## NON-BUSINESS OPERATIONS:

## SOCIAL COMMITMENT

To reiterate your Bank's social philosophy: Businesses cannot succeed if the communities they operate in don't. To add to this, the change must be holistic and sustainable. This has been the guiding spirit of the Bank's social initiatives since inception. This is explained further below.

***Parivartan* - A Step Towards Progress**

*Parivartan* is your Bank's umbrella brand for all its social initiatives. *Parivartan* or 'Change' as it means in English seeks to bring about change in the lives of people making them self-reliant and part of the national mainstream. Working largely through communities, *Parivartan* focuses on the following fundamental areas:

- Rural Development
- Skill Training and Livelihood Enhancement
- Promotion of Education
- Healthcare and Hygiene
- Financial Literacy and Inclusion

As noted before, Sustainability is one of your Bank's core values. Your Bank's belief is that businesses should support the communities in which they operate. We are happy to report that your Bank, through its several social initiatives (including SLI) has made a difference to the lives of over 5 crore Indians.

**Rural Development**

The Holistic Rural Development Programme (HRDP) is born out of the conviction that the nation will progress only when rural India grows. Over half the country's population lives in rural areas and is primarily dependent on agriculture for livelihood. Our efforts here are focused in the areas of soil, water and natural resource management and sanitation, issues that affect rural India. These are often multi-pronged interventions. Soil conservation for instance will typically cover educating people about use of organic fertilisers. Water management will entail construction, renovation and maintenance of water harvesting structures for improving surface and ground water availability. Likewise educating people on renewable energy often forms part of our natural resource management efforts.

Spread over 17 states, the programme covers over 3.6 lakh households across more than 1,100 villages. Over 26,000 acres of arable land have been treated to enhance productivity

**Promotion of Education**

There is no better gift to humanity than education. Improving the quality of education is a focus area under *Parivartan*. Your Bank's efforts in this area include teacher training, scholarships and career guidance. It also includes providing infrastructure support, such as building toilets in schools and improving classrooms. At the community level, this entails educating people on the importance of Water, Sanitation and Hygiene (WaSH) and creating awareness on issues related to road safety and healthy financial practices.

The flagship programme here is Zero Investment Innovations for Education Initiatives (ZIIEI) which was launched at Jaipur, Rajasthan in the previous year and gained momentum in the year under review. The 'Teaching The Teacher' programme (3T) seeks to transform education in government schools across India. It is a unique programme which is committed to improving the skills of teachers, which in turn benefits the pupils. Under 3T, more than 15 lakh teachers across 21 states/union territories have been trained by inviting ideas from them, and implementing the selected ideas in schools to improve the quality of education. This programme has potentially benefited more than 1.6 crore students indirectly and is being executed jointly with a leading non-governmental organisation.

**Skills Training and Livelihood Enhancement**

Formal education remains a dream for lakhs of Indians. Your Bank under Skills Training and Livelihood Enhancement targets people in this section of society in rural India and imparts income generating skills, primarily in agriculture and allied areas such as dairy and poultry. The objective is to help these people find jobs locally, enhance their household income, and prevent migration. The nationwide programme has benefited over 1,00,000 individuals (excluding those trained under the Sustainable Livelihood Initiative or SLI which is explained in detail later). As a part of this, more than 40,000 youth have received placement- linked skill development training. Career counselling has been provided to young school students.

The flagship programme under Skills Training and Livelihood Enhancement is SLI.

**Sustainable Livelihood Initiative**

This initiative aims at 'Creating Sustainable Communities'. It does so by empowering women and helping them break the vicious circle of poverty. Empowering women, we believe, means empowering families. Women form Self Help Groups (SHGs) or Joint Liability Groups (JLGs). The women under the programme are given occupational skills training, financial literacy, and credit counselling and livelihood finance and market linkage. The Bank has a Board approved plan to cover 1 crore households against which 96.7 lakh have been covered.

It's a unique programme with perhaps no parallel globally. What makes it so are the following:

1) It's an all-women programme
2) It covers womenfolk across the length and breadth of a country as vast as India. It is present in 27 states and over 400 districts
3) With 96.7 lakh women or households/3.87 crore lives (ie 96.7 X 4) being impacted potentially, this is one of the world's largest such programmes
4) Over 10,000 dedicated, passionate employees of the Bank constituting around 10 per cent of the Bank's total workforce are running the programme

**Healthcare and Hygiene**

Your Bank's initiatives in the area of Healthcare and Hygiene, focusing on both schools as well as the community, have made a substantial difference to the lives of students in rural India.

At the heart of these programmes are community-led sanitation campaigns that promote hygienic conditions in rural areas through appropriate wastewater disposal. These initiatives are supplemented by construction of toilets and provision of clean drinking water. Nearly 7,000 school toilets and over 15,000 home toilets have been constructed.

Your Bank also organises health camps, nutrition programmes, and vaccination drives. The flagship programme under this pillar is the Annual Blood Donation Drive. In the 12th edition in 2018, your Bank collected over 3 lakh units of blood in a single day which is nearly 42 per cent higher than the previous year. What started off as a small initiative in 2007 with the participation of just 4,000 volunteers has now grown into a movement with over 3.5 lakh people from all walks of life participating in the last edition. This included those from colleges, employees of private and public sector, and the defence establishment. Nearly 4,000 camps were held across 1,100 cities in India.

Bank employees are central to this effort. In the year under review another landmark was reached: Over 1 million units of blood were collected cumulatively over a period of 12 years.

**Financial Literacy and Inclusion**

Financial literacy is the first step towards real financial inclusion. Lakhs of people have learnt about the fundamentals of savings, investment and organised finance from financial literacy camps conducted by the Bank at its banking outlets as well as financial literacy centres across the country.

This is a multi-pronged programme where literacy is imparted at branches, through business units as well as through its NGO partners. The flagship scheme under this pillar is *Digidhan*.

Modelled on the Bank's financial literacy-on-wheels programme - *Dhanchayat*, *Digidhan*, criss-crosses the length and breadth of the country's hinterland explaining the benefits of digital banking. The medium is through film and the location is often high-footfall pockets such as *bazaars, mandis* and bus-stands.

The Bank is fully compliant with the requirements of the Companies Act 2013, having spent ₹ 443.8 crore on CSR and emerging as one of the highest spenders in this space in India.

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

**Environmental Sustainability**

Maintaining a balance between natural capital and communities is now integral to our functioning.

Towards this end, our ATMs have gone paperless, enabling a reduction of the carbon footprint. The Bank has given this effort a further fillip by ensuring multi-channel delivery through Net Banking, Phone Banking, and Mobile Banking. This results in lower carbon emission not just from operations but also from reduced customer travel. Another source for reducing the environmental footprint is solar ATMs, which use rechargeable lithium ion batteries that reduce power consumption.

**BUSINESS ENABLERS**

**1) People, Culture, Integrity and Ethics**

Your Bank considers nurturing and promoting a culture built on the foundation of ethics and integrity as a fundamental principle. And 'People' is one of your Bank's Core Values. What this means is that your Bank hires people with not only the right skill sets but also those who have similar values and can fit into its culture. Needless to say there is no compromise when it comes to ethics. These values are reinforced further after onboarding. Your Bank has an institutionalized and well-documented code of conduct, which every employee has to affirm annually.

The five pillars of the People approach are:

**Talent Acquisition**: Acquiring the right talent isn't enough anymore in the current fast paced digital environment. What is critical is recruiting scientifically and deploying resources quickly. Keeping in mind the synergies needed to run a successful talent acquisition process, the entire function has been reconfigured. A hub and spoke recruitment model, aided by centers of excellence leveraging new technology, analytics and capability building have been created.

Your Bank is leveraging Artificial Intelligence based recruitment tools to improve both speed and quality of hiring. This in conjunction with competency based assessments ensure a scientific merit based talent acquisition and selection process. Digital channels of talent acquisition continue to remain a priority - such as social media hiring and leveraging job portals.

**Career Management**: Your Bank's core career philosophy is that after hiring right a conducive environment is created for employees to develop and grow. This is done through systematic investment of time in career discussion with employees, competency assessment and intensive functional and behavioral training through *Gurukul* - our in-house programme. The Bank also facilitates inter-departmental job movements to employees to help them stay motivated and engaged.

**High Touch Employee Connect Programmes**: Your Bank conducts popular events at both local and national levels. While most of these events are open to employees, some are meant for families as well. Some of the popular events include Josh Unlimited - a pan India sports event; *Hunar* - a pan India in-house talent competition; Xpressions - a pan India in-house drawing competition; Corporate Photography contest and Wanderers - a one-day trek for employees and their children. Events of these nature touch the lives of close to 60,000 people across the country ensuring a vibrant workplace and building an emotional connect with the organisation.

**Training and Development**: Training plans for businesses are developed based on needs identified in consultation with the business leaders. An extensive bouquet of training programmes are delivered, covering on-boarding, product and process training, advanced programmes and behavioral training. The on-boarding training ensures that new employees are trained comprehensively and equipped with necessary know-how, as well as functional and behavioral skills required for the proper discharge of the role.

The product training and advanced programmes enable skill development and, regular upgrading to build expertise. The training methodology has evolved to application based training including simulations, case studies, and games. Leveraging technology, many of the class room programmes are now being delivered online. The role-specific learning plan ensures effective use of blended learning method. In addition to this to ensure that employees are assisted on the job, there is a help-line 'Ask the Trainers' which clarifies on relevant questions within 24 hours.

**Rewards and Recognition:** Your Bank aims to reward performance as it is the key to keeping employees motivated as well as being competitive in the market. It aims to do this while ensuring that there is no deviation from ethics, regulatory guidelines and the principle of maintaining internal equity.

**2) Digital 2.0**

Your Bank has always been at the forefront of digital innovation in the industry be it ATMs, net banking or mobile banking. Now it has embarked on its Digital 2.0 journey.

The strategic objective of Digital 2.0 is to bring about a transformation for both the Bank and customer. For your Bank it brings about cost efficiencies through automation and reduction in origination costs while simultaneously increasing revenue opportunity. It also results in a faster time to market and optimization of customer's digital lifecycle.

For the customer this would mean an improved and hyper personal experience besides an ability to buy bank products from physical/ digital channels alike and also having a conversation with it.

The key elements of the Digital 2.0 strategy are A) Reimagined Net and Mobile Banking Experience B) Digital Marketing, Analytics and Digital Origination C) Digital Innovations D) API E) Virtual Relationship Manager

A) **Reimagined Net and Mobile Banking Experience**: If Digital 1.0 was all about giving the customer convenient access to digital channels, Digital 2.0 has all been about enriching and customising the experience. Take the new Mobile Banking App for instance. It combines the user journeys that customers go through when they use the app into simple categories such as Save, Invest and Pay. It is a large step towards intuitive and simplified banking. This has been built through extensive customer research and by partnering with world leading platform and design companies. The App did encounter teething problems leading it to be withdrawn for a while. Post relaunch it has been well received.

B) **Digital Marketing: Deploying Big Data Analytics and Machine Learning**: Your Bank has been able to precisely cater to its customers' preferences, context, needs / wants on the digital channels. It is able to offer relevant and personalized products / offers through their channel of preference. Through more intelligent digital marketing campaigns coupled with the ability to close / sell products digitally, the Bank aims to step up the proportion of unassisted digital sourcing of products to total sourcing over the next two to three years.

C) **Digital Innovations**: Building on the success of the last few years' your Bank has been able to position itself in the forefront of innovation. One clear example of this has been the creation of EVA India's first AI powered Chatbot. It engages in an intuitive, interactive way with people' and responds to their queries 24*7 instantaneously. Bank on Chat, the other AI conversational offering allows customers to solve lifestyle needs by helping them in booking transport and movie tickets by simple chat and pay options.

D) **API**: This is a software intermediary code which rests between the client application / system and Bank system. This allows exchange of data between the Bank and the customer in a seamless and secure manner. Thus it enables expanding the eco system through alliances and entering new markets. Through open innovation and API banking your Bank has started enabling third party service providers to connect to the bank's pre identified internal applications / services securely allowing it to offer its products / services on their properties extending the reach exponentially. Already some platform players have been onboarded through which customers can now get connected to the Bank, book/renew/liquidate Fixed Deposits, and Recurring Deposits and apply for digital products. This includes an initiative with CSC, a digital India Initiative to take Auto / Personal / 2-wheeler / Business Loans to remote locations and thus champion the cause of digital inclusion. Similarly, an initiative was taken to offer all eligible products to a new to bank customer at the time of on boarding and enabling in principle approval for the same.

The Bank's efforts have been reinforced through external partnerships like Industry academia interactions, Accelerators Engagement Program, Digital Innovation Summit and Digital Innovations Day program. Your Bank has already partnered with over 165 leading institutions including the elite ones like The Indian Institutes of Management (Ahmedabad, Bangalore, and Lucknow), Indian Institute of Technology (Delhi), Wharton University and University of Florida. It has also evaluated and worked with over 90 startups.

E) **Virtual Relationship Manager**: Last but not least is the unique Virtual Relationship Manager programme. It is unique as it is the only digital channel with a human face/touch. It has the depth and skill, as also the agility to offer concierge services. The channel is a "bank within the bank" managing over six million customers. It provides connect with customers through a combination of technology and personalised conversations. The strength of the Virtual Team is its robust training strategies which enables Virtual Relationship Managers to adopt individual personalized narratives leading to enhanced relationships and at the same time helping increase the overall productivity for the Bank. Additionally, the Bank's Learning and Development Team has significantly contributed towards spearheading Leadership Programmes for the supervisory force. In the future, emerging technologies like AI, RPA IoT/ AR/ VR will be continually pursued across relationship banking, digital self-service, branch banking, risk, marketing, collections, HR and be embedded seamlessly in a process and experience which is simpler, better, faster and delightful for customers.

**3) Information Technology**

In the technology space, your Bank is considered a leader. Both in terms of being able to identify the right technology solutions for the business and deploying them in a timely manner to create customer experience. The 10-second Personal Loan is a case in point. Missed Call Banking is another. These products were not only industry firsts but have also gone on to become extremely popular with customers.

Your Bank has gone further with the implementation of an Open API based Service Oriented Architecture Middleware platform. This enables different systems to talk to each other and thus ensures a seamless flow of information.

Another important development has been the Digital Application Platform (DAP) which brings together process, digital technologies and lifecycle management efficiencies to deliver a better customer experience. This has seen a huge shift to digital channels be it applying for loans, credit cards or overdraft facilities. Linkages for this have been established with search engines and fintechs.

This has been further supplemented with an assisted Savings Bank account opening App in the branch which relationship managers use to open digital savings accounts.

**4) Cyber Security**

Your Bank has an effective framework in place to manage cyber security. The framework rides on 4 pillars viz: - Protect, Detect, Respond & Recover. The Chief Information Security Officer (CISO) is the person who is responsible overall for ensuring effective information and cyber security programme in the bank. There is also a committee of the Board which dedicatedly looks into cyber security issues and preparedness.

In the year under review, the Bank enhanced its cyber security protocol by enhancing data protection and cyber defence measures. The Bank also widened coverage of Security Incident and Event Management (SIEM), which provides a comprehensive and centralised view of the security scenario of IT infrastructure. Deception Technology Solution was deployed to detect, analyse and defend against advanced attacks often in real-time. In the case of your Bank, it also covers emails and endpoints, besides the network.

Firewalls were upgraded to Next Generation with deep packet inspection (DPI) ability. DPI analyses 'packets' which are nothing but parcels of digital information transmitted across the web in a formatted piece of structured data. Protection against malware, ransomware and denial of service attacks have been strengthened further.

Regular tests to assess the vulnerability of the IT infrastructure and applications and remedy where necessary are routine. As are anti-phishing services that help in shutting down phishing sites and protecting the customers from fraud. Risk engine and transaction monitoring systems monitor suspicious transactions on Internet Banking, ATM and e-commerce channels.

The Bank has PCI DSS 3.0 and ISO 27001 certifications. PCI DSS is a proprietary information security standard for organisations that handle credit card information and transactions. It is meant to increase controls around cardholder data to reduce fraud. In layman's terms the certification is an assurance that your Bank's card customers enjoy a very high level of safety while transacting with it. The ISO 27001 certification pertains to best practices with respect to information security. On building awareness your bank has a regular programme for both employees and customers. All the board members of the bank have been imparted training on cyber security and this year, the bank has won 3 awards on best implementation of cyber security including one on spreading cyber security awareness.

**5) Service Quality Initiatives and Grievance Redressal**

Customer Focus is one of the five core values of your Bank. Your Bank has adopted a holistic approach for improving customer experience across multiple channels especially since it has various lines of businesses. In a highly competitive environment, ensuring product quality and service delivery is vital for business growth. The Bank seeks to achieve this by regularly reviewing service levels and capturing feedback from customers. Moreover, the Bank has constituted three committees at different levels to monitor customer service viz. Branch Level Customer Service Committees (BLCSCs), Standing Committee on Customer Service and Customer Service Committee of the Board.

While the Bank has various touch points for the customers such as branch, managed program and phone banking, it has further enhanced the customer experience through a Virtual Relationship Manager (VRM). All this ensures that customers have an omni channel experience for any of their financial needs across various touch points. Your Bank has put robust processes in place to regularly monitor and measure quality of service levels not only at various touch points but also at a product and process level by Quality Insurance Group.

As part of its continuous efforts to enhance quality of service regular service quality reviews, including mystery shopping, are carried out for various products/ channels by following through on a structured calendar of reviews. Such reviews cover key service parameters like adherence of benchmark TAT, complaints reduction and, transactions monitoring to ensure meeting the committed service levels along with process enhancements. The effectiveness is reviewed periodically at different levels including the Customer Service Committee of the Board.

Your Bank has provided multiple channels to its customers to share feedback on its services as well as register their grievances. It has a Grievance Redressal Policy, duly approved by its Board, available in the public domain for ready reference of the customers.

Your Bank is at the forefront of developing innovative financial solutions and digital platforms. This, coupled with concerted efforts at creating awareness among customers, has led to an increase in the use of its digital channels as well as customer loyalty. Keeping the customer's interest as the primary focus, your Bank has formulated a Board Approved Customer Protection Policy, thereby limiting liability of customers in case of unauthorised electronic banking transactions and thus increasing a secure feeling among customers. During the year, bank has conducted 39 customer awareness sessions touching over 7,300 customers.

This multi-pronged approach, has resulted in continuous improvement in service standards as well as customer satisfaction.

## RISK ARCHITECTURE

### I. Risk Management and Portfolio Quality

The key risks that the Bank is exposed to in the course of its business are Credit Risk, Market Risk, Liquidity Risk and Operational Risk. These risks not only have a bearing on the Bank's financial strength and operations but also its reputation. Keeping this in mind, your Bank has in place a Board approved Risk Strategy and Policies whose implementation is supervised by the Board's Risk Policy and Monitoring Committee (RPMC). The committee periodically reviews risk levels and direction, portfolio composition, status of impaired credits and limits for treasury operations.

The hallmark of the Bank's Risk Management function is, it is independent of the business sourcing unit with the convergence only at the CEO level.

The gamut of risks faced by the Bank which are dimensioned and managed include:

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

- Counterparty Credit Risk
- Outsourcing Risk

**Credit Risk**

Credit Risk is defined as the possibility of losses associated with diminution in the credit quality of borrowers or counterparties. Losses stem from outright default or reduction in portfolio value. Your Bank has a distinct credit risk architecture, policies, procedures and systems for managing credit risk in both its retail and wholesale businesses. Wholesale lending is managed on an individual as well as portfolio basis. By contrast, retail lending, given the granularity of individual exposures, is managed largely on a portfolio basis across various products and customer segments. For both categories there are robust front-end and back-end systems in place to ensure credit quality and minimise loss from default. The factors considered while sanctioning retail loans include income, demographics, previous credit history of the borrower and the tenor of the loan. In wholesale loans, credit risk is managed by capping exposures on the basis of borrower group, industry, credit rating grades and country amongst others. This is backed by portfolio diversification, stringent credit approval processes and periodic post-disbursement monitoring and remedial measures. Your Bank has been able to ensure strong asset quality through volatile times in the lending environment by stringently adhering to prudent norms and institutionalized processes.

As on March 31, 2019, your Bank's ratio of Gross Non-Performing Assets (GNPAs) to Gross Advances was 1.36 per cent. Net Non-Performing Assets (Gross Non-Performing Assets Less Specific Loan Loss provisions) was 0.4 per cent of Net Advances. Total restructured assets were 0.04 per cent of Gross Advances

The Bank has a conservative and prudent policy for specific provisions on NPAs. Its provision for NPAs is more than the minimum regulatory requirements, while adhering to regulatory norms for the provision of Standard Assets.

**Digital Lending and Credit Risk**

Driven by rapid advances in technology, digitisation is increasingly becoming a key differentiator for customer retention and service delivery in the banking sector. Digital lending enables customers to secure loans at the click of a button in a matter of minutes, if not seconds. However, there are also attendant risks associated with it and your Bank has put in place appropriate checks and balances to manage these risks. Such loans are sanctioned primarily to the Bank's pre-existing customers. Often, they are customers across multiple products and so the Bank is familiar with their credit history and risk profile. This makes it possible to evaluate and decide on their fresh requirements almost instantly. Besides, most of the credit checks and scores used by the Bank in traditional process underwriting are replicated in digital loans. Finally, the Bank has an independent model validation unit that minutely assesses the models used to generate the credit scores for such loans. These models are monitored, reviewed periodically, back-tested and corrective action is taken whenever needed.

**Market Risk**

Market Risk arises largely from the Bank's statutory reserve management and trading activity in interest rates, equity and currencies market. These risks are managed through a well-defined Board approved Investment Policy and Market Risk Policy that caps risk in different trading desks or various securities through trading risk limits / triggers. The risk measures include position limits, gap limits, tenor restrictions, sensitivity limits, namely, PV01, Modified Duration of Hold to Maturity Portfolio and Option Greeks, Value-at-Risk (VaR) Limit, Stop Loss Trigger Level (SLTL), Potential Loss Trigger Level (PLTL), and are monitored on end-of-day basis. In addition, forex open positions and interest rate sensitivity limits are computed and monitored on an intraday basis. This is supplemented by a Board approved stress testing policy and framework that simulates various market risk scenarios to measure losses and initiate remedial measures. The market risk capital charge of your Bank is computed on daily basis using the Standardised Measurement Method applying the regulatory factors.

**Liquidity Risk**

Liquidity Risk is the risk that a bank may not be able to meet its short term financial obligations due to an asset–liability mismatch or interest rate fluctuations.

Your Bank's framework for liquidity and interest rate risk management is spelt out in its Asset Liability Management Policy that is implemented, monitored and periodically reviewed by the Asset Liability Committee (ALCO). As a part of this process, the Bank has established various Board approved limits to mitigate both liquidity and interest risks. While the maturity gap and stock ratio limits help manage liquidity risk, the net interest income and market value impacts help mitigate interest rate risk. This is reinforced by a comprehensive Board approved stress testing programme covering both liquidity and interest rate risk. Your Bank conducts various studies to assess the behavioral pattern of non-contractual assets and liabilities and embedded options available to customers, which are used while managing maturity gaps. Further, your Bank also has necessary framework in place to manage intraday liquidity risk.

The Liquidity Coverage Ratio (LCR), a global standard, is used to measure a bank's liquidity position. LCR seeks to ensure that the Bank has an adequate stock of unencumbered High-Quality Liquid Assets (HQLA) that can be converted into cash easily and immediately to meet its liquidity needs under a 30-day calendar liquidity stress scenario. Based on Basel III norms, RBI has mandated a minimum LCR of 100 per cent from January 1, 2019 and your Bank's LCR stood at 117.66 per cent on a consolidated basis for the year ended March 31, 2019.

RBI has also mandated minimum Net Stable Funding Ratio (NSFR) of 100 per cent with effect from 1st April, 2020. NSFR seeks to ensure that the Bank maintains a stable funding profile in relation to the composition of its assets and off balance sheet activities. As a prudent risk management practice, your Bank has been monitoring this ratio, and is thus adequately prepared to meet the RBI mandated requirements.

**Operational Risk**

This is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Given below is a detailed explanation under four different heads: Framework and Process, Internal Control, Information Technology and Security Practices and Fraud Monitoring and Control.

a. **Framework and Process**

To manage operational risks, the Bank has in place a comprehensive and operational risk management framework, whose implementation is supervised by the Operational Risk Management Committee (ORMC) and reviewed by the RPMC of the Board. An independent Operational Risk Management Department (ORMD) implements the framework. Under the framework, the Bank has three lines of defence. The first layer of protection is provided by the Business line (including support and operations) management. These managers are primarily responsible for not only managing operational risk on a daily basis, but also for maintaining strict internal controls, designing and implementing internal control-related policies and procedures. The second line of defence is the ORMD, which develops and implements policies, procedures, tools and techniques to assess and monitor the adequacy and effectiveness of the Bank's internal controls.

Internal Audit is the last line of defence. The team reviews the effectiveness of governance, risk management, and internal controls within the Bank.

b. **Internal Control**

Your Bank has implemented sound internal control practices across all processes, units and functions. The Bank has well laid down policies and processes for management of its day-to-day activities. The Bank follows established, well-designed controls, which include traditional four eye principles, effective separation of functions, segregation of duties, call back processes, reconciliation, exception reporting and periodic MIS. Specialised risk control units function in risk prone products / functions to minimise operational risk. Controls are tested as part of the SOX control testing framework.

c. **Information Technology and Security Practices**

The Bank operates in a highly automated environment and makes use of the latest technologies to support various operations. This throws up operational risks such as business disruption, risks related to information assets, data security, integrity, reliability and availability amongst others. The Bank has put in place a governance framework, information security practices and business continuity plan to mitigate information technology related risks. An independent assurance team within Internal Audit provides assurance on the management of information technology related risks. The Bank has a robust Business Continuity and Disaster Recovery plan that is periodically tested to ensure that it can meet any operational contingencies. There is an independent

Information Security Group that addresses information security related risks. A well-documented Board approved information security policy is put in place. In addition, employees mandatorily, and periodically undergo information security training and sensitisation exercises.

**d. Fraud Monitoring and Control**

The Bank has put in place a whistle blower policy, and a central vigilance team oversees implementation of fraud prevention measures. Frauds are investigated to identify the root cause and relevant corrective steps are taken to prevent recurrence. Fraud prevention committees at the senior management and Board level also deliberate on material fraud events and initiate preventive action. Periodic reports are submitted to the Board and senior management committees.

**Compliance Risk**

Compliance Risk is defined as the risk of impairment of your Bank's integrity, leading to damage to its reputation, legal or regulatory sanctions, or financial loss, as a result of a failure (or perceived failure) to comply with applicable laws, regulations and standards. The Bank has a Compliance Policy to ensure highest standards of compliance. A dedicated team of subject matter experts in the Compliance Department works with business and operations teams to ensure active compliance risk management and monitoring. The team also provides advisory services on regulatory matters. The focus is on identifying and reducing risk by rigorously testing products and also putting in place robust internal policies. Products that adhere to regulatory norms are tested after rollout, and shortcomings, if any, are fully addressed till the product stabilises on its own. Internal policies are reviewed and updated periodically as per agreed frequency or based on market action or regulatory guidelines / action. The compliance team also seeks regular feedback on regulatory compliance from product, business and operation teams through self-certifications and monitoring.

**ICAAP**

The Bank has a structured management framework in the Internal Capital Adequacy Assessment Process (ICAAP) to identify, assess and manage all risks that may have a material adverse impact on its business / financial position / capital adequacy. The ICAAP framework is guided by the Bank's Board approved ICAAP Policy. Additionally, the Board approved Stress Testing Policy and Framework entails the use of various techniques to assess potential vulnerability to extreme but plausible stressed business conditions. Changes in the Bank's risk levels and in the on / off balance sheet positions are assessed under such assumed scenarios using sensitivity factors that generally relate to their impact on profitability and capital adequacy.

**Group Risk**

Your Bank has two subsidiaries, HDB Financial Services Limited and HDFC Securities Limited. The Board of each subsidiary is responsible for managing their respective risks (Credit Risk, Market Risk, Operational Risk, Liquidity Risk, Reputation Risk). The ICAAP at the subsidiaries is overseen within the Bank's ICAAP framework. Stress testing for the group as a whole is carried out by integrating the stress tests of the subsidiaries. Similarly, capital adequacy projections are formulated for the group after incorporating the business / capital plans of the subsidiaries.

**II. Implementation of Indian Accounting Standards (IND-AS)**

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

The implementation of IND-AS by banks requires certain legislative changes in the format of financial statements to comply with disclosures required by IND-AS. The change in format requires an amendment to the third schedule of the Banking Regulation Act, 1949 to make it compatible with the presentation of financial statements under IND-AS. Considering the amendments needed to the Banking

Regulation Act, 1949, as well as the level of preparedness of several banks, the RBI vide its Statement on Developmental and Regulatory Policies dated April 5, 2018 had deferred the implementation of IND-AS by one year by when the necessary legislative amendments were expected. The legislative amendments recommended by the RBI are under consideration of the Government of India. Accordingly, the RBI, vide its circular dated March 22, 2019 deferred the implementation of IND-AS till further notice.

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

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

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

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

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

**Stage 1: 12 Months ECL**

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

**Stage 2: Lifetime ECL - Not Credit Impaired**

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

**Stage 3: Lifetime ECL - Credit Impaired**

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

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

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

The Bank, being an associate of Housing Development Finance Corporation Limited (the 'Corporation'), is required to submit its consolidated financial information ('fit-for-consolidation information'), prepared in accordance with the recognition and measurement principles of IND-AS as specified under Section 133 of the Companies Act, 2013, to the Corporation for the purposes of the consolidated financial statements/ results of the Corporation. The results of the Bank upon its first time adoption of and transition to IND-AS, based on the updated regulations and accounting standards/ guidance and business strategy at the date of actual transition, could differ from those reported in the fit-for-consolidation information.

**III. Internal Controls, Audit and Compliance**

The Bank has put in place extensive internal controls and processes to mitigate operational risks, including centralised operations and 'segregation of duty' between the front office, mid-office and back office. The front-office units usually act as customer touch-points and sales and service outlets. The entire processing, accounting and settlement of transactions is carried out by the back-office in the bank's Core Banking System. The policy framework, definition and monitoring of limits is carried out by various mid-office and risk management functions. The credit sanctioning and debt management units are also segregated and do not have any sales and operations responsibilities.

The Bank has set up various executive-level committees, having participation from various business and control functions, that are designed to review and oversee matters pertaining to capital, assets and liabilities, business practices and customer service, operational risk, information security, business continuity planning and internal risk-based supervision amongst others. The control functions set standards and lay down policies and procedures by which the business functions manage risks including compliance with applicable laws, compliance with regulatory guidelines, adherence to operational controls and relevant standards of conduct.

At the ground-level, the Bank has a mix of preventive and detective controls implemented through systems and processes ensuring a robust framework in the Bank to enable correct and complete accounting, identification of outliers (if any) by the Management on a timely basis for corrective action and mitigating operational risks.

The Bank has various Preventive controls viz, (a) Limited and need-based access to systems by users (b) Dual custody over cash and near-cash items (c) Segregation of duty in processing of transactions vis-a-vis creation of user IDs (d) Segregation of duty in processing of transactions vis-a-vis monitoring and review of transactions / reconciliation (e) Four eye-principle (maker-checker control) for processing of transactions (f) Stringent password policy (g) Booking of transactions in Core Banking System mandates the earmarking of line / limit (fund as well as non-fund based) assigned to the customer (h) STP processes between Core Banking System and payment interface systems for transmission of messages (i) Additional authorisation leg in payment interface systems in applicable cases (j) Audit logs directly extracted from systems (k) Empowerment grid.

The Bank also has detective controls in place viz, (a) Periodic review of user IDs (b) Post transaction monitoring at the back-end by way of call back process (through daily log reports) by an independent person i.e. to ascertain that entries in the Core-Banking System / messages in payment interface systems are based on valid / authorised transactions and customer requests (c) Daily tally of cash and near-cash items at end of day (d) Reconciliation of Nostro accounts (by an independent team) to ascertain and match-off the Nostro credits and debits (External or Internal) regularly to avoid / identify any unreconciled / unmatched entries passing through the system (e) Reconciliation of all Suspense Accounts and establishment of responsibility in case of outstandings (f) Independent and surprise checks periodically by supervisors.

Your Bank has an Internal Audit Department which is responsible for independently evaluating the adequacy and effectiveness of all internal controls, risk management, governance systems and processes and is manned by appropriately qualified personnel.

This department adopts a risk based audit approach and carries out audits across various businesses ie Retail, Wholesale and Treasury (for India and Overseas books), audit of Operations units, Management Audits, Information Security Audit, Revenue Audit and Concurrent Audit in order to independently evaluate the adequacy and effectiveness of internal controls on an ongoing basis and pro-actively recommending enhancements thereof. The Internal Audit Department during the course of audit also ascertains the extent of adherence to regulatory guidelines, legal requirements and operational processes and provides timely feedback to the Management for corrective action. A strong oversight on the operations is also kept through off-site monitoring.

The Internal Audit Department also independently reviews the Bank's implementation of Internal Rating Based (IRB) approach for calculation of capital charge for Credit Risk, the appropriateness of Bank's Internal Capital Adequacy Assessment Process (ICAAP), as well as evaluates the quality and comprehensiveness of the Bank's disaster recovery and business continuity plans and also carries out Management self-assessment of adequacy of the Bank's internal financial controls and operating effectiveness of such controls in terms of Sarbanes Oxley (SOX) Act and Companies Act, 2013.

Any new product / process introduced in the Bank is reviewed by Compliance function in order to ensure adherence to regulatory guidelines and also by Internal Audit from the perspective of existence of internal controls. The Audit function also pro-actively recommends improvements in operational processes and service quality wherever deemed fit.

To ensure independence, the Internal Audit function has a reporting line to the Chairman of the Audit Committee of the Board and a dotted line reporting to the Managing Director.

The Compliance function independently tracks, reviews and ensures compliance with regulatory guidelines and promotes a compliance culture in the Bank.

The Bank has a comprehensive Know Your Customer, Anti Money Laundering (AML) and Combating Financing of Terrorism (CFT) policy (based on the RBI guidelines / provisions of the Prevention of Money Laundering Act, 2002) incorporating the key elements of Customer Acceptance Policy, Customer Identification Procedures, Risk Management and Monitoring of Transactions. The policy, is subjected an annual review and is duly approved by the Board.

The Bank has taken significant measures in developing and enhancing an effective and sustainable KYC AML and CFT Compliance Programme. The adherence to the guidelines prescribed in the policy is monitored by the Bank at various stages of the customer life-cycle. Your Bank has robust controls in place to ensure adherence to the KYC guidelines at the time of account opening. The Bank also has a continuous review process in the form of transaction monitoring including a dedicated AML CFT monitoring team, which carries out extensive transaction reviews for identification of suspicious patterns / trends which act as an early warning signal for the Bank to carry out enhanced due diligence and appropriate action thereafter. The status of adherence to the KYC, AML and CFT guidelines is also placed before the Audit Committee of the Board for their review at quarterly intervals.

The Audit team and the Compliance team undergo regular training both in-house and external on a continuous basis in order to equip them with the necessary know-how and expertise to carry out the function.

The Audit Committee of the Board reviews the effectiveness of controls, compliance with regulatory guidelines as also the performance of the Audit and Compliance functions in the Bank and provides direction wherever deemed fit.

Your Bank has always adhered to the highest standards of compliance and has put in place appropriate controls and risk measurement and risk management tools in order to ensure a robust compliance and governance structure.

**IV. Responsible Financing**

Your Bank is committed to Responsible Financing and refrains from funding projects that have an adverse impact on Environment, Health and Safety (EHS). EHS is an integral part of the bank's overall credit risk assessment and monitoring process. Every project funded has to pass the Bank's muster in terms of the EHS risk it entails, potential impact and mitigation measures in place or proposed.

**The key aspects of the assessment process are:**

For all loans exceeding ₹ 10 crore in amount and five years in tenure, borrowers have to submit a declaration of compliance with EHS norms.

In select large-ticket projects, the Bank appoints a Lender's Independent Engineer (LIE) who conducts due diligence across several parameters including EHS. The findings of the LIE's assessment report are then discussed with the client to ensure compliance.

The LIE regularly monitors such projects during the construction period through site visits and reports progress which includes status of approvals and relief and rehabilitation measures undertaken. Your Bank officials also conduct independent site inspections from time to time to ensure that the project is progressing to the Bank's satisfaction.

After the project becomes operational, the borrower has to submit an annual declaration of compliance with various national laws including those related to EHS. This is also followed up by onsite visits of bank executives.

The Bank deals with the client primarily through its Relationship Manager (RM). The RM has to report compliance with EHS norms in the Credit Assessment Memorandum (CAM) both at the time of initial sanction and during the annual review process. Such certification is based on information / disclosures provided by the borrower at the time of initial appraisal and during periodic review of the facilities.

The RM records outstanding EHS issues if any and follows them up with the client for prompt resolution. The Bank levies default interest in case of deviations and, thus, ensures compliance with the agreed EHS norms. If there are significant deviations that could affect the viability of the project, the Bank reserves the right to either reduce its exposure or recall the loan.

V. **Integrated Reporting (IR)**

The Bank has taken a step forward in the Integrated Reporting Journey that it embarked upon last year. It will create an Integrated Report based on the principles enunciated by the International Integrated Reporting Council which will be hosted on the website of the Bank.

**Subsidiary Companies**

Your Bank has two subsidiaries, HDB Financial Services Limited (HDBFSL) and HDFC Securities Limited (HSL). HDBFSL is a leading NBFC that caters primarily to segments not covered by the Bank while HSL is among India's largest retail broking firms. The financial results of the subsidiaries have been prepared in accordance with notified Indian Accounting Standards ('Ind-AS') with effect from April 1, 2018 (April 1, 2017 being the transition date). Accordingly, the financial results for the comparative reporting period have also been prepared in accordance therewith.

The detailed financial performance of the companies is given below.

1) **HDB Financial Services Limited**

HDBFSL's Net Interest Income grew 17.2 per cent to ₹ 3,378.8 crore for the year ended March 31, 2019, from ₹ 2,882.2 crore in the previous year. This resulted in a Net Profit rise of 23.6 per cent to ₹ 1,153.2 crore from ₹ 933 crore. Net NPA levels stood at 1.12 per cent on March 31, 2019.

The company is a leading NBFC that caters to the growing needs of an aspirational India, serving both Retail and Small and Medium Commercial Clients. It has a wide range of financial solutions that help customers meet their growing financial needs.

**The Enablers:**

**Compelling Product Offering**

HDBFSL brings in a compelling product offering leading to customer convenience. It offers financial services at one place be it secured / unsecured loans, investments or insurance. The company offers instant loan approvals for consumer loans with intelligent web application forms as well as personalised credit appraisal for large business loans.

With a seamless distribution channel and a committed workforce, HDBFS brings in convenience to customers.

**Focus on Phygital: Physical cum Digital**

With its ever-growing network of 1,350 branches across 961 cities/towns, HDBFS is reaching out to customers spread across the country. Over 85 per cent of its branches are outside the top 25 cities of India. This means that a branch and customer relationship manager are never too far from the customer.

By leveraging digitization, it offers financial solutions to individuals. For instance, they can access their loan account through the website www.hdbfs.com.The self-service mobile application and customer service portal "HDB On-The-Go" aims to bring account management at a customer's fingertips. All this means that financial borrowing is now an effortless experience for customers.

This would not have been possible without a committed workforce of over 93,000. The quest for growth has also been balanced by a robust risk management framework which has enabled net NPA levels of about 1 per cent (among the lowest in the industry) and strong credit ratings. HDBFSL's long-term debt is rated AAA/stable by CARE & CRISIL and its short-term debt is rated A1+ by CARE & CRISIL, indicating the highest degree of safety regarding timely servicing of financial obligations.

**BPO Services**

Another revenue stream for the company has been Business Process Outsourcing (BPO) solutions to HDFC Bank. The BPO services division delivers back-office services such as forms processing, documents verification, finance and accounting services and correspondence management. HDBFS also delivers front office services such as contact centre management, outbound marketing and collection services.

As on March 31, 2019, HDFC Bank held 95.5 per cent stake in the company.

2) **HDFC Securities Limited**

HSL's Total Income was ₹ 782.1 crore as against ₹ 800.1 crore in the previous year. Net Profit was ₹ 329.8 crore as against ₹ 344.7 crore.

The company has a customer base of 21.4 lakh to whom it offers a large bouquet of financial services. In the year under review, HSL had 7 lakh transacting customers, the third highest number of active (transacting) customers among all broking houses.

The focus on digitisation continued but the percentage of customers accessing HSL's services digitally decreased to 68 per cent from 70 per cent in the previous year. The percentage accessing it through the mobile app increased to 37 per cent from 33 per cent.

In a conscious effort to rationalize the distribution network with greater emphasis on digital offerings, HSL consolidated its existing branches to end with 278 branches across 165 cities/towns at the end of the year.

The company's performance must be seen in the context of the overall macroeconomic scenario. While the capital market indices did grow on a year on year basis the gains were not as significant as in the previous year. Globally this was due to the Federal Reserve's interest rate hikes, volatile oil prices and the US - China trade war. Domestic factors that impeded capital market performance were the NBFC crisis and a potential India-Pakistan conflict towards the end of the year.

In the year under review, HSL also won many industry accolades. Special mention must be made of the Digital Excellence Awards for Conversational Investing which it won in the Economic Times BFSI Innovation Tribe Awards 2018 and in the Digital Excellence Awards 2018. HSL was also judged as India's Most Ethical Company in Financial Services by World CSR Congress. It also won the Most Attractive Brand in the category of Retail Broking awarded by Trust Research Advisory (TRA). In the Outlook Money Awards 2018, HSL was the runner up in the Best Retail Broker category.

As on March 31, 2019, your Bank held 97.3 per cent stake in HSL.

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

**Other Statutory Disclosures**

**Number of Meetings of the Board, attendance, meetings and constitution of various Committees**

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

**Extract of Annual Return**

Pursuant to Section 134 (2) (a) and Section 92 (3) of the Companies Act, 2013, the extract of the Annual Return in the prescribed format (MGT-9) is annexed as **ANNEXURE 3** to this Report. Further, the Annual Return of the Bank in the prescribed Form MGT-7 is available on the website of the Bank at the link **www.hdfcbank.com**

**Requirement for maintenance of cost records:**

The Bank is not required to maintain cost records as specified by the Central Government under section 148(1) of the Companies Act, 2013

**Directors' Responsibility Statement**

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

- In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any
- We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank as on March 31, 2019 and of the profit of the Bank for the year ended on that date
- We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities

- We have prepared the annual accounts on a going concern basis
- We have laid down internal financial controls to be followed by the Bank and ensure that such internal financial controls were adequate and operating effectively
- We have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and were operating effectively.

**Compliance with Secretarial Standards**

The Bank is in compliance with all applicable Secretarial Standards as notified from time to time.

**Auditors**

The Bank's current Statutory Auditors are S. R. Batliboi & Co. LLP, Chartered Accountants. S. R. Batliboi & Co. LLP were appointed as Statutory Auditor at the previous AGM of the Bank, to hold office till the conclusion of the ensuing AGM. It is now proposed to appoint S. R. Batliboi & Co. LLP, Chartered Accountants, as Statutory Auditor of the Bank for period of three years with effect from the conclusion of the ensuing AGM, such that their total appointment does not exceed 4 years, which is the maximum permissible term as per Reserve Bank of India, at such fees as detailed in the Notice of the 25th AGM of the Bank.

During the year ended March 31, 2019, fees paid to the Statutory Auditors (S.R. Batliboi & Co. LLP) and its network firms are as follows:

(₹ in crores)

| Fees (including taxes) | HDFC Bank to Statutory Auditors | HDFC Bank to network firms of Statutory Auditors | Subsidiaries of HDFC Bank to Statutory Auditors and its network firms |
|---|---|---|---|
| Statutory Audit | 2.50 | - | - |
| Certification & other attest services* | 1.30 | - | - |
| Non-audit services | - | - | - |
| Outlays and Taxes* | 0.49 | - | - |
| Total | 4.29 | - | - |

*includes fees classified under share issue expenses, towards certification and other attest services in respect of capital raised during the year.

**Disclosure under Foreign Exchange Management Act, 1999**

As far as FEMA compliances in relation to strategic downstream investments in the Bank's subsidiaries is concerned, during the year under review, there have been no strategic downstream investments made by Bank in its subsidiaries. Accordingly, the Bank has obtained a certificate from its statutory auditors to this effect.

**Related Party Transactions**

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

**Particulars of Loans, Guarantees or Investments**

Pursuant to Section 186 (11) of the Companies Act, 2013, the provisions of Section 186 of Companies Act, 2013, except sub-section (1), do not apply to a loan made, guarantee given or security provided or any investment made by a banking company in the ordinary course of business. The particulars of investments made by the Bank are disclosed in Schedule 8 of the Financial Statements as per the applicable provisions of Banking Regulation Act, 1949.

**Financial Statements of Subsidiaries and Associates**

In terms of Section 134 of the Companies Act, 2013 and read with Rule 8 (1) of the Companies (Accounts) Rules, 2014 the performance and financial position of the Bank's subsidiaries and associates are enclosed as **ANNEXURE 5** to this report. There were no entities which became or ceased to be the Bank's subsidiaries, associates or joint ventures during the year.

**Whistle Blower Policy / Vigil Mechanism**

The Bank encourages an open and transparent system of working and dealing amongst its stakeholders. While the Bank's "Code of Conduct & Ethics Policy" directs employees to uphold company values and conduct business with integrity and highest ethical standards, the Bank has also adopted a "Whistle Blower Policy" which encourages its employees and various stakeholders to bring to the notice of the Bank any issue involving compromise/ violation of ethical norms, legal or regulatory provisions, actual or suspected fraud etc., without any fear of reprisal, discrimination, harassment or victimization of any kind. All such concerns/ complaints are received by the Chief of Internal Vigilance of the Bank and/or by the Whistle Blower Committee through a dedicated email ID or by way of letters etc. All such complaints are enquired into by the appropriate authority within the Bank while ensuring confidentiality of the identity of such complainants. On the basis of their investigation, if the allegations are proved be correct, then the Competent Authority shall recommend to the appropriate Disciplinary Authority to take suitable action against the responsible official and required corrective measures in consultation with the concerned stakeholders. The decision of the Whistle Blower Committee is final and binding on all. Preventive measures or any other action considered necessary is also taken forward by the Competent Authority.

Details of Whistle Blower complaints received and subsequent action taken and the functioning of the Whistle Blower mechanism are reviewed periodically by the Audit Committee of the Board. During the Financial year 2018-19, a total of 56 such complaints were received and taken up for investigation which has resulted in certain staff actions in 15 cases post investigation.

**Statement on Declaration by Independent Directors**

Mrs. Shyamala Gopinath, Mr. Malay Patel, Mr. Umesh Chandra Sarangi are the Independent Directors whereas Mr. Sanjiv Sachar, Mr. M. D. Ranganath and Mr. Sandeep Parekh are the Additional Independent Directors on the Board of the Bank as on March 31, 2019. All the Independent Directors and Additional Independent Directors have given their respective declarations under Section 149 (6) and (7) of the Companies Act, 2013 and the Rules made thereunder. In the opinion of the Board, the Independent Directors fulfil the conditions relating to their status as Independent Directors as specified in Section 149 of the Companies Act, 2013 and the Rules made thereunder and are independent of the management.

**Board Performance Evaluation**

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

Your Bank has in place a process wherein declarations are obtained from the Directors regarding fulfilment of the 'fit and proper' criteria in accordance with RBI guidelines.

The declarations from the Directors other than members of the NRC are placed before the NRC and the declarations of the members of the NRC are placed before the Board. Assessment on whether the Directors fulfil the said criteria is made by the NRC and the Board on an annual basis. In addition, the framework / policy approved by the NRC provides for a performance evaluation of the Non-Independent Directors by the Independent Directors on key personal and professional attributes. In addition to the above parameters, the Board also evaluates fulfillment of the independence criteria as specified in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 by the Independent Directors of the Bank and their independence from the management. Such performance evaluation has been duly completed as above. As Mr. Sandeep Parekh and Mr. M. D. Ranganath were recently appointed as Additional Independent Directors on the Board of the Bank with effect from January 19, 2019 and January 31, 2019 respectively, they abstained from participating in the above Board Performance Evaluation process.

**Policy on Appointment and Remuneration of Directors and Key Managerial Personnel**

Your Bank has in place a Policy for appointment and 'fit and proper' criteria for Directors of the Bank. The Policy lays down the criteria for identification of persons who are qualified and 'fit and proper' to become Directors on the Board- such as academic qualifications, competence, track record, integrity, etc. which shall be considered by the NRC while recommending appointment of Directors. The Policy is available on the website of the Bank at the link **https://www.hdfcbank.com/assets/pdf/Policy-for-appointment-and-fit-proper-criteria-for-directors.pdf**

The remuneration of Whole Time Directors, Key Managerial Personnel and Senior Management is governed by the Compensation Policy of the Bank. The same is available at the web-link **https://www.hdfcbank.com/assets/pdf/Compensation-Policy.pdf**. The Compensation Policy of the Bank, duly reviewed and recommended by the NRC has been articulated in line with the relevant Reserve Bank of India guidelines.

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

Your Bank's approach is to have a pay for performance culture based on the belief that the Performance Management System provides a sound basis for assessing performance holistically. The compensation system should also take into account factors such as roles, skills / competencies, experience and grade / seniority to differentiate pay appropriately on the basis of contribution, skill and availability of talent on account of competitive market forces. The details of the Compensation Policy are also included in Schedule 18 Notes forming part of the Accounts - Note no. 24. Non-Executive Directors are paid remuneration by way of sitting fees for attending meetings of the Board and its Committees, which are determined by the Board based on applicable regulatory prescriptions.

Further, expenses incurred by them for attending meetings of the Board and Committees are reimbursed at actuals. Pursuant to the relevant RBI guidelines and approval of the shareholders, each of the Non-Executive Directors, other than the Chairperson, are paid profit-related commission of ₹ 1,000,000 (Rupees Ten Lakh Only) per annum.

Mr. Aditya Puri is the Non-Executive Chairman of HDB Financial Services Limited, subsidiary of the Bank. Mr. Puri does not receive any remuneration from the subsidiary. None of the Directors of your Bank other than Mr. Puri is a director of the Bank's subsidiaries as on March 31, 2019.

**Succession Planning**

The Bank's Nomination and Remuneration Committee (NRC) also oversees matters of succession planning of its Directors, Senior Management and Key executives of the Bank. With respect to the tenure of the current Managing Director ending in October 2020, the Board will identify a successor and work to ensure that this is done in a manner that will allow appropriate time for an effective transition of responsibilities. Towards this end, the Nomination & Remuneration Committee of the Board will constitute a Search Committee to undertake a global search of both internal and external candidates.

**Significant and Material Orders Passed By Regulators**

During the year under review, there were no significant and material Orders passed by any regulators or courts or tribunals against the Bank impacting the going-concern status and Bank's operations in future.

**Directors and Key Managerial Personnel**

In compliance with Section 152 of the Companies Act, 2013, Mr. Srikanth Nadhamuni will retire by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

During the year, Mr. Partho Datta and Mr. Bobby Parikh ceased to be Directors of the Bank from close of business hours on September 29, 2018 and January 26, 2019 respectively, on completing the maximum permitted tenure of eight years as per Banking Regulation Act, 1949. Your Directors place on record their sincere appreciation for the contribution made by Mr. Partho Datta and Mr. Bobby Parikh during their tenure with the Bank and wishes them well in their future endeavors.

Mr. Paresh Sukthankar, Deputy Managing Director, tendered his resignation from the Board of the Bank on August 10, 2018 which came into effect from November 8, 2018. The Board places on record their sincere appreciation for the contribution made by Mr. Paresh Sukthankar during his tenure with the Bank and wishes him well in his future endeavors.

Mr. Sanjiv Sachar, Mr. Sandeep Parekh and Mr. M. D. Ranganath were appointed as Additional Independent Directors on the Board of the Bank with effect from July 21, 2018, January 19, 2019 and January 31, 2019 respectively, subject to the approval of the shareholders.

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

**Particulars of Employees**

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

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

**(A) Conservation of Energy**

Your Bank has undertaken several initiatives in this area such as:

- Installation of green locks and AC controllers in air conditioning machines in order to save energy and support go-green initiative
- Installation of energy capacitors at high consumption offices to control the power factor and to reduce energy consumption
- All main signboards in branches switched off post 10 p. m.
- Put controls on usage of lifts, ACs, common passage lights and other electrical equipment
- Reduction of contract demand at Kanjurmarg Hub,
- Replacement of CFL Lamps with LED fixtures at Kanjurmarg Hub / WBO / Fort Mumbai / Bank House Indore
- Provision of LED lamps at branches and offices
- Provision of solar panels for captive power generation at our offices in Pune and Bhubaneswar, Noida (Sector 4)

Monitoring and energy saving initiative for 100 branches resulting in power saving of over 10 per cent. The Bank won an award in National Energy Efficiency Circle Competition 2017 - Winner Best Energy Efficient Case study held by CII in May 2017. Considering the benefits accrued, it further extended the monitoring programme to an additional 500 branches across the country and the results have shown power savings over 10%.

**(B) Technology Absorption**

Your Bank has been at the forefront of using technology absorption and evaluates innovative technology with multiple fintech partners. It has launched a formal Consumer Durable Loans portfolio and product with on-line real-time Digital API based collaboration with third party and fintech application sourcing platforms. Your Bank is leveraging API based Service Oriented Architecture and Middleware for enabling digital initiatives and empowering relationship managers at branches with digital products and services platforms. Your Bank has also begun using robotics and artificial intelligence in digital commerce, corporate supply chain and payment settlement systems to reduce time to market and turnaround time.

**(C) Foreign Exchange Earnings and Outgo**

During the year, the total foreign exchange earned by the Bank was ₹ 1,720.4 crores (on account of net gains arising on all exchange / derivative transactions) and the total foreign exchange outgo was ₹ 2,130.5 crores towards the operating and capital expenditure requirements.

**Secretarial Audit**

In terms of Section 204 of the Companies Act, 2013 and the Rules made thereunder, M/s. BNP & Associates, Practicing Company Secretaries had been appointed as Secretarial Auditors of the Bank for the financial year 2018-19. The report of the Secretarial Auditors is enclosed as **ANNEXURE 8** to this Report. There are no observations / qualifications / comments in the Report of the Secretarial Auditor.

**Corporate Governance**

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

**Business Responsibility Report**

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

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

The relevant information is included in the Corporate Governance Report

**Acknowledgement**

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

**Conclusion**

It has been a challenging year for the Indian economy externally as well as internally. The good news is that despite the challenges of volatile oil prices, trade wars, rising interest rates, and domestic uncertainties due to the impending general elections in India and slowing consumption demand, India remained the world's fastest growing economy. Your Bank which grew faster than the system in the year under review is well poised to tap the opportunities of what is still an under penetrated market by leveraging its strong balance sheet and franchise.

As always, your Bank will continue to be judicious. It will continue to leverage its distribution strength and digital platforms to offer a similar experience to customers across urban, semi-urban and rural India.

Needless to say, the Bank will continue to focus on its five core values, namely, Customer Focus, Operational Excellence, Product Leadership, People and Sustainability. Its commitment to the highest possible standards of corporate governance remains unwavering even as it embarks on the next stage of its evolution to continue delivering sustainable growth to all its stakeholders.

On behalf of the Board of Directors
Mrs. Shyamala Gopinath
Chairperson

Mumbai, May 22, 2019

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**UPDATED STATEMENT**

The Board of Directors of the Bank, had at its meeting dated March 7, 2019, approved the re-appointment of S.R. Batliboi & Co. LLP (ICAI Firm Registration Number: 301003E/300005) as Statutory Auditors of the Bank for a period of 3 years from the conclusion of 25th Annual General Meeting, subject to approval of the Reserve Bank of India (RBI) and the shareholders of the Bank. At the said meeting, the Board had accordingly approved the Notice for 25th Annual General Meeting containing a Board recommended resolution for consideration of shareholders for re-appointment of the said firm as Statutory Auditors along with the explanatory statement therefor, as also the Director's Report. Thereafter on June 03, 2019, RBI has issued a Press Release stating that in terms of RBI's Enforcement Action Framework, RBI will not approve S.R. Batliboi & Co. LLP, Chartered Accountants (ICAI Firm Registration Number: 301003E/300005) for carrying out statutory audit assignments in commercial banks for one year starting from April 01, 2019. Consequently, the Bank was required to appoint a new statutory auditor with effect from current Financial Year 2019-2020. As a result, pursuant to the recommendation of the Audit Committee of the Bank, the Board of Directors vide their resolution dated June 7, 2019 and in supersession of their earlier resolution dated March 7, 2019, have approved the appointment of MSKA & Associates, Chartered Accountants (ICAI Firm Registration No. 105047W) as Statutory Auditors for the Financial Years 2019-2020 to 2022-23, subject to the approval of the RBI and the shareholders of the Bank, and has accordingly approved the Notice for 25th Annual General Meeting with a recommended resolution for appointment of the said firm as Statutory Auditors along with the explanatory statement therefor.

By the order of the Board

Santosh Haldankar
Vice President- Legal
& Company Secretary
(Membership No. ACS 19201)

June 7, 2019

## ANNEXURE 1 to the Directors' Report

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

**EMPLOYEES' STOCK OPTIONS AS ON MARCH 31, 2019**

| Schemes | Date of Share-holders Approval | Total No of Options Approved Face value of ₹ 2/- each | Exercise Price (Rs) FV ₹ 2/- | 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, 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| Plan-E-ESOS XIX | 30th June, 2010 | 10,00,00,000 | 680.00 | 6,224,900 | | | 37,00,800 | | 25,400 | 24,98,700 |
| Plan D-ESOS XX | 16th June, 2007 | 7,50,00,000 | 680.00 | 16,35,700 | | | 9,75,800 | | | 6,59,900 |
| Plan C-ESOS XXI | 17th June, 2005 | 5,00,00,000 | 680.00 | 31,41,500 | | | 16,60,500 | | | 14,81,000 |
| Plan C-ESOS XXIII | 17th June, 2005 | 5,00,00,000 | 835.50 | 1,20,000 | | | 62,600 | | 1,000 | 56,400 |
| Plan F-ESOS XXIV | 27th June, 2013 | 10,00,00,000 | 835.50 | 1,70,32,350 | | | 66,79,250 | | 12,600 | 1,03,40,500 |
| Plan F-ESOS XXV | 27th June, 2013 | 10,00,00,000 | 1,092.65 | 3,04,04,300 | | 1,15,82,500 | 95,71,600 | 1,62,300 | 15,700 | 2,06,54,700 |
| Plan F-ESOS XXVI | 27th June, 2013 | 10,00,00,000 | 1,097.80 | 3,000 | | 900 | | | | 3,000 |
| Plan F-ESOS XXVII | 27th June, 2013 | 10,00,00,000 | 1,433.20 | 1,68,65,850 | | 57,25,915 | 1,121,754 | 2,520,085 | | 1,32,24,011 |
| Plan F-ESOS XXVIII | 27th June, 2013 | 10,00,00,000 | 1,462.15 | 16,200 | | 6,500 | | | | 16,200 |
| Plan G-ESOS XXIX | 21st July, 2016 | 10,00,00,000 | 2,061.20 | | 1,91,19,000 | | | 5,23,000 | | 1,85,96,000 |
| Plan G-ESOS XXX | 21st July, 2016 | 10,00,00,000 | 2,006.05 | | 4,40,000 | | | | | 4,40,000 |
| Plan G-ESOS XXXI | 21st July, 2016 | 10,00,00,000 | 2,090.45 | | 3,36,000 | | | | | 3,36,000 |
| **Total :-** | | | | **7,54,43,800** | **1,98,95,000** | **1,73,15,815** | **2,37,72,304** | **32,05,385** | **54,700** | **6,83,06,411** |

| | |
|---|---|
| Options Exercised during the aforesaid period | 2,37,72,304 |
| Share Capital Money received during the above period (₹) | 47,544,608.00 |
| Share Premium Money received during the above period (₹) | 21,960,605,639.80 |
| Perquisite Tax Amount collected during the aforesaid period (₹) | 9,592,626,161.00 |
| Total Amount collected during the aforesaid period (₹) | 31,600,776,408.80 |

*Note:*

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

| | |
|---|---|
| Vesting Requirements | Except for the death / permanent disablement or retirement of the employee, the options will vest only if the employee is in the continuous and uninterrupted employment of the Bank as on the date of vesting and has fulfilled the performance criteria for the vesting. |
| Maximum Term of Options | Provided the employee is in the continuous employment of the Bank, the options vested will lapse in case the same are not exercised by the employee within 4 years from the date of vesting. For options granted during the year, the options vested will lapse in case the same are not exercised by the employee within 2 years from the date of vesting. Except in the case of death / permanent disablement or retirement of the employee, all unvested options get forfeited on the employee's last working date in the Bank. |
| Source of shares | Primary |
| Variation in terms of ESOS | Nil |

i. DETAILS OF OPTIONS GRANTED TO CURRENT DIRECTORS AND SENIOR MANAGERIAL PERSONNEL

| Sr. No. | Employee Name | Grade | No. of options |
|---|---|---|---|
| 1 | Aditya Puri | Managing Director | 4,92,000 |
| 2 | Kaizad Bharucha | Executive Director | 1,71,000 |
| 3 | Abhay Aima | Group Head | 1,62,000 |
| 4 | Arvind Kapil | Group Head | 1,18,000 |
| 5 | Arvind Vohra | Group Head | 1,55,000 |
| 6 | Ashima Bhat | Group Head | 1,14,000 |
| 7 | Ashish Parthasarthy | Group Head | 1,62,000 |
| 8 | Ashok Khanna | Group Head | 64,000 |
| 9 | Benjamin Frank | Group Head | 1,14,000 |
| 10 | Bhavesh Zaveri | Group Head | 1,62,000 |
| 11 | Chakrapani Venkatachari | Group Head | 1,38,000 |
| 12 | Dhiraj Relli (on deputation to HDFC Securities Limited, the Bank's subsidiary) | Group Head | 1,14,000 |
| 13 | Jimmy Tata | Group Head | 1,62,000 |
| 14 | Munish Mittal | Group Head | 1,18,000 |
| 15 | Nirav Shah | Group Head | 1,18,000 |
| 16 | Nitin Chugh | Group Head | 1,14,000 |
| 17 | Parag Rao | Group Head | 1,18,000 |
| 18 | Rahul Shukla | Group Head | 1,62,000 |

| Sr. No. | Employee Name | Grade | No. of options |
|---|---|---|---|
| 19 | Rajesh Kumar R. | Group Head | 1,14,000 |
| 20 | Rakesh K. Singh | Group Head | 1,38,000 |
| 21 | S. Sampathkumar | Group Head | 61,000 |
| 22 | Sashidhar Jagdishan | Chief Financial Officer | 1,62,000 |
| 23 | Smita Bhagat | Group Head | 1,14,000 |
| 24 | Srinivasan Vaidyanathan | Group Head | 1,55,000 |
| 25 | Vinay Razdan | Group Head | 1,55,000 |
| 26 | Santosh Haldankar | Vice President (Legal) & Company Secretary | 13,000 |

| | |
|---|---|
| ii. Other employees who receive 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 percent of the issued capital (excluding outstanding warrants and conversions) | None |
| iv. 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 ₹ 77.9 |
| v. 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 ₹ 535.9 crore. Consequently, profit after tax would have been lower by ₹ 535.9 crore and the basic EPS of the Bank would have been ₹ 76.6 per share (lower by ₹ 2.0 per share) and the diluted EPS would have been ₹ 75.9 per share (lower by ₹ 2.0 per share) |
| vi. 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 ₹ 925.8 and the weighted average fair value is ₹ 329.8 |
| vii. A description of the method and significant assumptions used during the year to estimate the fair value of options, at the time of grant including the following weighted average information: | The Securities and 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 | 7.23 percent to 8.31 percent |
| II. Expected life | 1 to 6 years |
| III. Expected volatility | 14.53 percent to 18.68 percent |
| IV. Expected dividends | 0.62 percent to 0.65 percent |
| V. The price of the underlying share in the market at the time of option grant | The market price per share was ₹ 2061.20, ₹ 2006.05 and ₹ 2090.45 the time of grant of options under ESOS XXIX, ESOS XXX and ESOS XXXI respectively. |
| VI. The weighted average market price of Bank's shares on NSE at the time of option grant | ₹ 2066.01, ₹ 2002.53 and ₹ 2099.48 the time of grant of options under ESOS XXIX, ESOS XXX and ESOS XXXI respectively. |
| VII. Method used and assumptions made to incorporate effects of expected early exercise | The exercise multiple, which is based on historical data of early option exercise decisions of the employees, incorporates early exercise price effect in the valuation of ESOPs. The exercise multiple indicates that option holders tend to exercise their options when the share price reaches a particular multiple of the exercise price. |
| VIII. How expected volatility was determined, including explanation of the extent to which expected volatility was based on historical volatility | Stock expected volatility is completely based on GARCH volatility forecasting model using historical stock prices from the market. |
| IX. Whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition | Stock price and risk free interest rate are variables based on actual market data at the time of ESOP valuation. |

## ANNEXURE 2 to the Directors' Report

**HDFC Bank Annual CSR Report 2018–2019**

1. **Brief outline of the CSR Policy**

   The Bank's CSR is implemented under the aegis of 'Parivartan' which is the umbrella brand for all the Bank's social initiatives. Parivartan aims to bring about a transformation in the communities in which the Bank operates through multiple initiatives in the areas of Education, Skill training and Livelihood Enhancement, Health Care, Environmental Sustainability and Rural Development. The Bank's programs are guided by CSR Policy duly approved by the Board which is driven by the vision of "Creating Sustainable Communities". The CSR policy and programs are aligned to comply with the requirements of Section 135 of the Companies Act, 2013 and are monitored by a Board level committee. The Bank's CSR Policy can be found on the corporate Website at https://www.hdfcbank.com/csr/pdf/CSR_Policy.pdf

2. **Composition of CSR Committee**

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

   - Mr. Umesh Chandra Sarangi, Chairman (Independent Director)
   - Mr. Aditya Puri
   - Mr. Malay Patel (Independent Director)
   - Mr. Sanjiv Sachar (Additional Independent Director)

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

   ₹ 21,960.4 crore

4. **Prescribed CSR Expenditure (two percent of the amount as in item 3 above)**

   ₹ 439.2 crore

5. **Details of CSR spent during the financial year**

   - Total amount spent during the financial year: ₹ 443.8 crore
   - Amount unspent, if any: ₹ 0 crore
   - The manner in which the amount is spent during the financial year is detailed below

| Sr. No. | CSR project/activity | Sector (Schedule VII) | Projects or programs 1.Local area or others 2.State and district | Amount outlay (project-wise) (₹ crore) | Amount spent (₹ crore) 1.Direct expenditure 2.Overheads | Cumulative expenditure up to reporting period (₹ crore) | Amount spent: Direct or through *implementing agency (₹crore) |
|---|---|---|---|---|---|---|---|
| (I) | (II) | (III) | (IV) | (V) | (VI) | (VII) | (VIII) |
| 1 | Promoting Education | Promotion of Education | Pan India | 48.52 | 1) 3.70<br>2) 0.52 | 148.44 | Directly by the Bank: Given in column (VI)<br>Implementing Agency: 44.30 |
| 2 | Skill Training and Livelihood Enhancement | Skill development and Vocational Training | Pan India | 24.45 | 1) 4.01<br>2) 0.26 | 102.68 | Directly by the Bank: Given in column (VI)<br>Implementing Agency: 20.18 |

| Sr. No. | CSR project/activity | Sector (Schedule VII) | Projects or programs 1.Local area or others 2.State and district | Amount outlay (project-wise) (₹ crore) | Amount spent (₹ crore) 1.Direct expenditure 2.Overheads | Cumulative expenditure up to reporting period (₹ crore) | Amount spent: Direct or through *implementing agency (₹crore) |
|---|---|---|---|---|---|---|---|
| (I) | (II) | (III) | (IV) | (V) | (VI) | (VII) | (VIII) |
| 3 | Health Care | Preventive and Curative Healthcare | Pan India | 17.34 | 1) 17.15<br>2) 0.19 | 71.63 | Directly by the Bank: Given in column (VI) |
| 4 | Environmental Sustainability | Environment | Pan India | 0.71 | 1) 0.71<br>2) 0.01 | 4.12 | Directly by the Bank: Given in column (VI) |
| 5 | Eradicating Poverty | Eradicating poverty | Pan India | 13.17 | 1) 0<br>2) 0.14 | 24.17 | Directly by the Bank: Given in column (VI)<br>Implementing Agency: 13.03 |
| 6 | Rural Development | Rural Development Projects | Pan India | 339.59 | 1) 192.43<br>2) 3.63 | 1077.39 | Directly by the Bank: Given in column (VI)<br>Implementing Agency:143.52 |

*Details of the implementing agencies are listed below:

**Promotion of Education**: Banasthali Vidyapith, CBM India Trust, International Foundation for Research and Education, K. C. Mahindra Education Trust , Magic Bus India Foundation, Meljol, Moinee, Save the Children India, Seva Sahayog Foundation, Sri Aurobindo Society, Teach to Lead; **Rural Development** : Abhyuday Sansthan, Action for Agricultural Renewal in Maharashtra, Action For Food Production, Action for Social Advancement, Aga Khan Foundation, Aga Khan Rural Support Programme India, Ambuja Cement Foundation, Anarde Foundation, AROH Foundation, BAIF Development Research Foundation, Centre for Advance Research and Development, Collectives for Integrated Livelihood Initiatives, Community Advancement & Rural Development Society, Family Health India, Foundation for Ecological Security, FXB India Suraksha, Gram Vikas, Gramin Vikas Trust, Gramya Vikash Mancha, Haritika, Indo Global Social Service Society, Integrated Development Foundation, KGVK, Krushi Vikas Va Gramin Prashikshan Sanstha, M.S. Swaminathan Research Foundation, MYRADA, Nav Bharat Jagriti Kendra, Network For Enterprise Enhancement and Development Support, Participatory Action for Community Empowerment, Participatory Action for Community Empowerment, Peoples Action for National Integration, Prayatn Sanstha, Professional Assistance for Development Action, S.M. Sehgal Foundation, Sahbagi Shikshan Kendra, Sai Jyoti Gramodoyog Samaj Sewa Samiti, Sanjeevani Inst. for Empowerment & Development, Shikhar Yuva Manch, Shramik Bharti, Society for Action in Community Health, Society for the Upliftment of Villagers & Development of Himalayan Areas (SUVIDHA), Ugam Gramin Vikas Sanstha Umra, Vikas Sahyog Pratishthan, Vrutti, Watershed Organisation Trust, World Vision India, Yuva Rural Association; **Skills Training & Livelihood Enhancement**: Access Development Services, Antarang Foundation, End Poverty, Friends Union for Energizing Lives, Head Held High Foundation, Pan IIT Alumni Reach for India Foundation, Pratham Education Foundation, Pune City Connect Development Foundation, Tata Institute of Social Sciences; **Other Donations**: Abhinav, Common Service Centre (CSC), Yuva Unstoppable, The Aangan Trust

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

   NA

7. **A responsibility statement of CSR committee:**

   The CSR Committee confirms that the implementation and monitoring of the CSR activities of the Bank are in compliance with the CSR objectives and CSR Policy of the Company

| | |
|---|---|
| Mr. Aditya Puri<br>Managing Director | Mr. Umesh Chandra Sarangi<br>Chairman - CSR Committee |

## ANNEXURE 3 to the Directors' Report

**Form No. MGT-9**

**Extract of the Annual Return as on the financial year ended March 31, 2018**

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

### I. REGISTRATION AND OTHER DETAILS:

i. CIN: L65920MH1994PLC080618

ii. Registration Date: August 30, 1994

iii. Name of the Company: HDFC Bank Limited

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

v. Address of the Registered office and contact details:

HDFC Bank Limited

HDFC Bank House, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013. Tel: 022 3976 0000

vi. Whether listed: Yes

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

**Datamatics Business Solutions Limited (Formerly known as Datamatics Financial Services Limited)**
Plot No. B5, Part B, Cross Lane, MIDC, Marol, Andheri East, Mumbai 400 093.
Tel: 022- 6671 2213/14, E-mail: hdinvestors@datamaticsbpm.com

### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY:

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

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

### III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:

| Sr. No. | Name and Address of the Company | CIN/ GLN | Holding / Subsidiary / Associate | Percentage of shares held | Applicable section |
|---|---|---|---|---|---|
| 1 | **HDB Financial Services Limited** Radhika, 2nd Floor, Law Garden Road, Navrangpura, Ahmedabad - 380 009. | U65993GJ2007PLC051028 | Subsidiary | 95.53 | Sec 2(87) of Companies Act, 2013 |
| 2 | **HDFC Securities Limited** I Think, Techno Campus, Building-B, "Alpha" office, 8th Floor, opposite Crompton Greaves, Kanjurmarg (East), Mumbai - 400 042. | U67120MH2000PLC152193 | Subsidiary | 97.29 | Sec 2(87) of Companies Act, 2013 |

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

### (i) Category-wise Share Holding

| Category code | Category of shareholder | No. of Shares held at the beginning of the year | | | | No. of Shares held at the end of the year | | | | Percentage Change during the year |
|---|---|---|---|---|---|---|---|---|---|---|
| (I) | (II) | Demat | Physical | Total | Percentage of total shares | Demat | Physical | Total | Percentage of total shares | |
| **(A)** | **Promoters** | | | | | | | | | |
| 1 | Indian | | | | | | | | | |
| (a) | Individuals/HUF | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (b) | Central Government | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (c) | State Government(s) | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (d) | Bodies Corporate ( # ) | 543,216,100 | 0 | 543,216,100 | 20.93# | 582,312,917 | 0 | 582,312,917 | 21.38 | 0.45 |
| (e) | Banks / FI | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (f) | Any Other (specify) | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| | **Sub Total (A)(1)** | **543,216,100** | **0** | **543,216,100** | **20.93** | **582,312,917** | **0** | **582,312,917** | **21.38** | **0.45** |
| **2** | **Foreign** | | | | | | | | | |
| (a) | NRIs - Individuals | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (b) | Other - Individuals | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (c) | Bodies Corporate | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (d) | Banks / FI | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (e) | Qualified Foreign Investor | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (f) | Any Other (specify) | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| | **Sub Total (A)(2)** | **0** | **0** | **0** | **0.00** | **0** | **0** | **0** | **0.00** | **0.00** |
| | **Total Shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)** | **543,216,100** | **0** | **543,216,100** | **20.93** | **582,312,917** | **0** | **582,312,917** | **21.38** | **0.45** |
| **(B)** | **Public shareholding** | | | | | | | | | |
| **1** | **Institutions** | | | | | | | | | |
| (a) | Mutual Funds | 256,405,086 | 2,000 | 256,407,086 | 9.88 | 292,857,184 | 2,000 | 292,859,184 | 10.75 | 0.87 |
| (b) | Banks / FI | 2,962,278 | 8,115 | 2,970,393 | 0.11 | 2,732,591 | 8,105 | 2,740,696 | 0.10 | -0.01 |
| (c) | Central Government | 2,784,112 | 0 | 2,784,112 | 0.11 | 4,341,880 | 0 | 4,341,880 | 0.16 | 0.05 |
| (d) | State Government(s) | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (e) | Venture Capital Funds | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (f) | Insurance Companies | 56,983,145 | 0 | 56,983,145 | 2.20 | 60,886,798 | 0 | 60,886,798 | 2.24 | 0.04 |
| (g) | FIIs | 857,889,653 | 2,000 | 857,891,653 | 33.06 | 850,769,414 | 2,000 | 850,771,414 | 31.24 | -1.82 |
| (h) | Foreign Venture Capital Funds | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (i) | Qualified Foreign Investor | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |

| Category code | Category of shareholder | No. of Shares held at the beginning of the year | | | | No. of Shares held at the end of the year | | | | Percentage Change during the year |
|---|---|---|---|---|---|---|---|---|---|---|
| (I) | (II) | Demat | Physical | Total | Percentage of total shares | Demat | Physical | Total | Percentage of total shares | |
| (j) | Alternate Investment Funds | 1,443,123 | 0 | 1,443,123 | 0.06 | 4,204,026 | 0 | 4,204,026 | 0.15 | 0.10 |
| (k) | Other (specify) | 0 | 0 | 0 | 0.00 | 1056 | 0 | 1,056 | 0.00 | 0.00 |
| | **Sub Total (B)(1)** | **1,178,467,397** | **12,115** | **1,178,479,512** | **45.41** | **1,215,792,949** | **12,105** | **1,215,805,054** | **44.64** | **-0.77** |
| **2** | **Non-institutions** | | | | | | | | | |
| (a) | Bodies Corporate | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (a)(i) | Indian | 152,990,372 | 121,430 | 153,111,802 | 5.90 | 148,783,648 | 110,920 | 148,894,568 | 5.47 | -0.43 |
| (a)(ii) | Overseas | 0 | 270 | 270 | 0.00 | 0 | 270 | 270 | 0.00 | 0.00 |
| (b) | Individuals | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (b)(i) | Individuals - shareholders holding nominal share capital up to ₹ 1 Lakh | 158,476,509 | 13,810,769 | 172,287,278 | 6.64 | 165,544,268 | 9,714,018 | 175,258,286 | 6.44 | -0.20 |
| (b)(ii) | Individual shareholders holding nominal share capital in excess of ₹ 1 Lakh | 61,550,251 | 191,000 | 61,741,251 | 2.38 | 63,168,012 | 113,000 | 63,281,012 | 2.32 | -0.06 |
| (c) | Qualified Foreign Investor | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (d) | Other (specify) | 2,762,224 | 0 | 2,762,224 | 0.11 | 2,757,539 | 0 | 2,757,539 | 0.10 | -0.01 |
| d-i | NRI Rep | 1,990,585 | 38,385 | 2,028,970 | 0.08 | 1,946,790 | 33,380 | 1,980,170 | 0.07 | -0.01 |
| d-ii | NRI Non -Rept | 8,471,200 | 1,925 | 8,473,125 | 0.33 | 7,524,679 | 2,080 | 7,526,759 | 0.28 | -0.05 |
| d-iii | Foreign Bodies | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| d-iv | Foreign National | 1,588 | 0 | 1,588 | 0.00 | 1,888 | 0 | 1,888 | 0.00 | 0.00 |
| | **Sub Total (B)(2)** | **386,242,729** | **14,163,779** | **400,406,508** | **15.43** | **389,726,824** | **9,973,668** | **399,700,492** | **14.68** | **-0.75** |
| | **Total Public Shareholding (B)=(B)(1)+(B)(2)** | **1,564,710,126** | **14,175,894** | **1,578,886,020** | **60.84** | **1,605,519,773** | **9,985,773** | **1,615,505,546** | **59.32** | **-1.52** |
| | **Total (A+B)** | **2,107,926,226** | **14,175,894** | **2,122,102,120** | **81.77** | **2,187,832,690** | **9,985,773** | **2,197,818,463** | **80.70** | **-1.07** |
| **(C)** | **Custodians for GDRs and ADRs** | **472,988,147** | **0** | **472,988,147** | **18.23** | **525,488,147** | **0** | **525,488,147** | **19.30** | **1.07** |
| | **GRAND TOTAL (A)+(B)+(C)** | **2,580,914,373** | **14,175,894** | **2,595,090,267** | **100.00** | **2,713,320,837** | **9,985,773** | **2,723,306,610** | **100.00** | **0.00** |

*# Promoters are Indian Companies incorporated under the Indian Companies Act 1956 and are managed by Indian management. Foreign shareholding in the principal promoter company exceeds 51 per cent of their paid up share capital and accordingly the shareholding of the company in the Bank may be deemed as indirect foreign shareholding in terms of the extant FDI Policy.*

*The percentage of share capital held by the promoters has been calculated after including the equity shares underlying the depository receipts of the Bank in the total number of equity shares. Pursuant to the Circular No. CIR/CFD/CMD/13/2015 dated November 30, 2015 issued by the Securities and Exchange Board of India ("SEBI"), the percentage of promoter shareholding after excluding the equity shares underlying depository receipts from the total number of shares would be 26.50% of Bank's share capital.*

(ii) **Shareholding of Promoters**

| Sr. No. | Shareholder's Name | Shareholding at the beginning of the year | | | Shareholding at the end of the year | | | Percentage change in shareholding during the year** |
|---|---|---|---|---|---|---|---|---|
| | | No.of Shares | Percentage of total Shares | Percentage of Shares Pledged / encumbered to total shares | No.of Shares | Percentage of total Shares | Percentage of Shares Pledged / encumbered to total shares | |
| 1 | HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED | 39,32,11,100 | 15.15 | 0.00 | 43,23,07,917 | 15.87 | 0.00 | 0.72 |
| 2 | HDFC INVESTMENTS LIMITED | 15,00,00,000 | 5.78 | 0.00 | 15,00,00,000 | 5.51 | 0.00 | (0.27) |
| 3 | HDFC HOLDINGS LIMITED | 5,000 | 0.00 | 0.00 | 5,000 | 0.00 | 0.00 | 0.00 |
| | **Total** | **54,32,16,100** | **20.93** | **0.00** | **58,23,12,917** | **21.38** | **0.00** | **0.45** |

(iii) **Change in Promoters' Shareholding:**

| Shareholder's Name | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|---|---|---|---|---|
| | No. of shares | Percentage of total Shares | No. of shares | Percentage of total Shares |
| At the beginning of the year | 54,32,16,100 | 20.93 | | |
| Date wise Increase / Decrease in Promoters shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment / transfer / bonus / sweat / equity etc.)<br>Increase during the year (Allotment of Equity Shares to HDFC Limited on preferential basis on July 17, 2018) | 3,90,96,817 | 1.48 | 58,23,12,917 | 22.41** |
| At the end of the year | | | 58,23,12,917 | 21.38** |

** *In addition to the preferential allotment to HDFC Limited, the change in percentage to share capital is also on account of issuance and allotment of additional equity shares under the QIP Issue, ADR Issue and upon exercise of equity stock options by the employees.*

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

| Sr. No. | Name | Remarks | Date *** | Shareholding at the beginning of the year | | Cumulative shareholding during the year | |
|---|---|---|---|---|---|---|---|
| | | | | No. of shares | Percentage of total shares | No. of shares | Percentage of total shares |
| 1 | Europacific Growth Fund | At the beginning of the Year | 31-Mar-2018 | 98,865,874 | 3.81 | | |
| | | Increase | 06-Apr-2018 | 1,525,637 | 0.06 | 100,391,511 | 3.87 |
| | | Increase | 13-Apr-2018 | 2,880,742 | 0.11 | 103,272,253 | 3.98 |
| | | Increase | 20-Apr-2018 | 1,286,742 | 0.05 | 104,558,995 | 4.03 |
| | | Increase | 27-Apr-2018 | 467,063 | 0.02 | 105,026,058 | 4.04 |
| | | Increase | 04-May-2018 | 312,565 | 0.01 | 105,338,623 | 4.06 |
| | | Increase | 18-May-2018 | 450,815 | 0.02 | 105,789,438 | 4.07 |
| | | Increase | 25-May-2018 | 313,758 | 0.01 | 106,103,196 | 4.09 |
| | | Increase | 08-Jun-2018 | 933,268 | 0.04 | 107,036,464 | 4.11 |
| | | Increase | 23-Nov-2018 | 540,000 | 0.02 | 107,576,464 | 3.96 |
| | | Increase | 30-Nov-2018 | 2,138,440 | 0.08 | 109,714,904 | 4.04 |

| Sr. No. | Name | Remarks | Date *** | Shareholding at the beginning of the year | | Cumulative shareholding during the year | |
|---|---|---|---|---|---|---|---|
| | | | | No. of shares | Percentage of total shares | No. of shares | Percentage of total shares |
| | | Increase | 07-Dec-2018 | 1,143,229 | 0.04 | 110,858,133 | 4.08 |
| | | Increase | 14-Dec-2018 | 28,833 | 0.00 | 110,886,966 | 4.08 |
| | | Increase | 28-Dec-2018 | 40,381 | 0.00 | 110,927,347 | 4.08 |
| | | Increase | 11-Jan-2019 | 10,752 | 0.00 | 110,938,099 | 4.08 |
| | | Increase | 18-Jan-2019 | 11,399 | 0.00 | 110,949,498 | 4.08 |
| | | Increase | 01-Feb-2019 | 163,966 | 0.01 | 111,113,464 | 4.08 |
| | | Increase | 08-Feb-2019 | 994,043 | 0.04 | 112,107,507 | 4.12 |
| | | Increase | 15-Feb-2019 | 30,000 | 0.00 | 112,137,507 | 4.12 |
| | | Increase | 22-Feb-2019 | 35,957 | 0.00 | 112,173,464 | 4.12 |
| | | At the END of the Year | 30-Mar-2019 | | | 112,173,464 | 4.12 |
| 2 | SBI-ETF NIFTY 50 | At the beginning of the Year | 31-Mar-2018 | 44,994,003 | 1.73 | | |
| | | Increase | 06-Apr-2018 | 337,541 | 0.01 | 45,331,544 | 1.75 |
| | | Increase | 13-Apr-2018 | 272,039 | 0.01 | 45,603,583 | 1.76 |
| | | Increase | 20-Apr-2018 | 114,601 | 0.00 | 45,718,184 | 1.76 |
| | | Decrease | 27-Apr-2018 | (706,686) | (0.03) | 45,011,498 | 1.73 |
| | | Increase | 04-May-2018 | 703281 | 0.03 | 45,714,779 | 1.76 |
| | | Decrease | 11-May-2018 | (295,590) | (0.01) | 45,419,189 | 1.75 |
| | | Increase | 18-May-2018 | 539,499 | 0.02 | 45,958,688 | 1.77 |
| | | Decrease | 25-May-2018 | (274,265) | (0.01) | 45,684,423 | 1.76 |
| | | Decrease | 01-Jun-2018 | (544,744) | (0.02) | 45,139,679 | 1.73 |
| | | Increase | 08-Jun-2018 | 1,086,823 | 0.04 | 46,226,502 | 1.78 |
| | | Increase | 15-Jun-2018 | 75,840 | 0.00 | 46,302,342 | 1.78 |
| | | Decrease | 22-Jun-2018 | (73,549) | (0.00) | 46,228,793 | 1.78 |
| | | Decrease | 29-Jun-2018 | (2,102,749) | (0.08) | 44,126,044 | 1.69 |
| | | Increase | 06-Jul-2018 | 1,866,752 | 0.07 | 45,992,796 | 1.77 |
| | | Decrease | 13-Jul-2018 | (69,482) | (0.00) | 45,923,314 | 1.76 |
| | | Increase | 16-Jul-2018 | 35,818 | 0.00 | 45,959,132 | 1.77 |
| | | Decrease | 17-Jul-2018 | (171,993) | (0.01) | 45,787,139 | 1.73 |
| | | Decrease | 20-Jul-2018 | (1,044,625) | (0.04) | 44,742,514 | 1.69 |
| | | Decrease | 27-Jul- 2018 | (478,911) | (0.02) | 44,263,603 | 1.68 |
| | | Increase | 01-Aug-2018 | 231,450 | 0.01 | 44,495,053 | 1.68 |
| | | Increase | 03-Aug-2018 | 2,490,427 | 0.09 | 46,985,480 | 1.73 |
| | | Decrease | 10-Aug-2018 | (296,515) | (0.01) | 46,688,965 | 1.72 |
| | | Increase | 17-Aug-2018 | 66,969 | 0.00 | 46,755,934 | 1.73 |
| | | Increase | 24-Aug-2018 | 29,449 | 0.00 | 46,785,383 | 1.72 |
| | | Decrease | 31-Aug-2018 | (571,800) | (0.02) | 46,213,583 | 1.70 |
| | | Increase | 07-Sep-2018 | 2,608,458 | 0.10 | 48,822,041 | 1.80 |
| | | Increase | 14-Sep-2018 | 236,385 | 0.01 | 49,058,426 | 1.81 |
| | | Increase | 21-Sep-2018 | 200,560 | 0.01 | 49,258,986 | 1.81 |
| | | Increase | 28-Sep-2018 | 297213 | 0.01 | 49,556,199 | 1.82 |
| | | Increase | 05-Oct-2018 | 1,533,994 | 0.06 | 51,090,193 | 1.88 |

| Sr. No. | Name | Remarks | Date *** | Shareholding at the beginning of the year | | Cumulative shareholding during the year | |
|---|---|---|---|---|---|---|---|
| | | | | No. of shares | Percentage of total shares | No. of shares | Percentage of total shares |
| | | Increase | 12-Oct-2018 | 298,049 | 0.01 | 51388,242 | 1.89 |
| | | Decrease | 19-Oct-2018 | (94,981) | 0.00 | 51,293,261 | 1.89 |
| | | Increase | 26-Oct-2018 | 293,655 | 0.01 | 51,586,916 | 1.90 |
| | | Increase | 31-Oct-2018 | 704,906 | 0.03 | 52,291,822 | 1.92 |
| | | Increase | 02-Nov-2018 | 703,107 | 0.03 | 52,994,929 | 1.95 |
| | | Increase | 09-Nov-2018 | 177,085 | 0.01 | 53,172,014 | 1.96 |
| | | Increase | 16-Nov-2018 | 230,729 | 0.01 | 53,402,743 | 1.97 |
| | | Increase | 23-Nov-2018 | 1,095,560 | 0.04 | 54,498,303 | 2.01 |
| | | Decrease | 30-Nov-2018 | (390,469) | (0.01) | 54,107,834 | 1.99 |
| | | Increase | 07-Dec-2018 | 79,206 | 0.00 | 54,187,040 | 1.99 |
| | | Decrease | 14-Dec-2018 | (160,447) | (0.01) | 54,026,593 | 1.99 |
| | | Increase | 21-Dec-2018 | 159,078 | 0.01 | 54,185,671 | 1.99 |
| | | Increase | 28-Dec-2018 | 102,597 | 0.00 | 54,288,268 | 2.00 |
| | | Increase | 31-Dec-2018 | 64,957 | 0.00 | 54,353,225 | 2.00 |
| | | Increase | 04-Jan-2019 | 863,631 | 0.03 | 55,216,856 | 2.03 |
| | | Increase | 11-Jan-2019 | 514,347 | 0.02 | 55,731,203 | 2.05 |
| | | Increase | 18-Jan-2019 | 239,293 | 0.01 | 55,970,496 | 2.06 |
| | | Increase | 25-Jan-2019 | 324,778 | 0.01 | 56,295,274 | 2.07 |
| | | Increase | 01-Feb-2019 | 361,948 | 0.01 | 56,657,222 | 2.08 |
| | | Increase | 08-Feb-2019 | 513,183 | 0.02 | 57,170,405 | 2.10 |
| | | Increase | 15-Feb-2019 | 135,843 | 0.01 | 57,306,248 | 2.11 |
| | | Increase | 22-Feb-2019 | 211,601 | 0.01 | 57,517,849 | 2.11 |
| | | Increase | 01-Mar-2019 | 257,557 | 0.01 | 57,775,406 | 2.12 |
| | | Increase | 08-Mar-2019 | 413,004 | 0.02 | 58,188,410 | 2.14 |
| | | Increase | 15-Mar-2019 | 519,405 | 0.02 | 58,707,815 | 2.16 |
| | | Increase | 22-Mar-2019 | 1,364,705 | 0.05 | 60,072,520 | 2.21 |
| | | Increase | 29-Mar-2019 | 307,024 | 0.01 | 60,379,544 | 2.22 |
| | | At the END of the Year | 30-Mar-2019 | | | 60,379,544 | 2.22 |
| 3 | LIFE INSURANCE CORPORATION OF INDIA | At the beginning of the Year | 31-Mar-2018 | 51,535,018 | 1.99 | | |
| | | Increase | 21-Sep-2018 | 197,760 | 0.01 | 51,732,778 | 1.91 |
| | | Increase | 28-Sep-2018 | 970,075 | 0.04 | 52,702,853 | 1.94 |
| | | Increase | 05-Oct-2018 | 618,164 | 0.02 | 53,321,017 | 1.96 |
| | | Increase | 12-Oct-2018 | 1,007,401 | 0.04 | 54,328,418 | 2.00 |
| | | Increase | 19-Oct-2018 | 6,600 | 0.00 | 54335,018 | 2.00 |
| | | Increase | 18-Jan-2019 | 343,650 | 0.01 | 54,678,668 | 2.01 |
| | | Increase | 25-Jan-2019 | 198,377 | 0.01 | 54,877,045 | 2.02 |
| | | Increase | 01-Feb-2019 | 220,278 | 0.01 | 55,097,323 | 2.03 |
| | | Increase | 08-Feb-2019 | 525,273 | 0.02 | 55,622,596 | 2.05 |
| | | Increase | 15-Feb-2019 | 194,068 | 0.01 | 55,816,664 | 2.05 |
| | | At the END of the Year | 30-Mar-2019 | | | 55,816,664 | 2.05 |

| Sr. No. | Name | Remarks | Date *** | Shareholding at the beginning of the year | | Cumulative shareholding during the year | |
|---|---|---|---|---|---|---|---|
| | | | | No. of shares | Percentage of total shares | No. of shares | Percentage of total shares |
| 4 | ICICI PRUDENTIAL LIFE INSURANCE COMPANY LIMITED | At the beginning of the Year | 31-Mar-2018 | 32,162,374 | 1.24 | | |
| | | Increase | 06-Apr-2018 | 109,744 | 0.00 | 32,272,118 | 1.24 |
| | | Increase | 13-Apr-2018 | 6,153 | 0.00 | 32,278,271 | 1.24 |
| | | Increase | 20-Apr-2018 | 106,421 | 0.00 | 32,384,692 | 1.25 |
| | | Decrease | 27-Apr-2018 | (553,246) | (0.02) | 31,831,446 | 1.23 |
| | | Increase | 04-May-2018 | 153,320 | 0.01 | 31,984,766 | 1.23 |
| | | Decrease | 11-May-2018 | (161,809) | (0.01) | 31,822,957 | 1.23 |
| | | Decrease | 18-May-2018 | (146,226) | (0.01) | 31,676,731 | 1.22 |
| | | Decrease | 25-May-2018 | (592,019) | (0.02) | 31,084,712 | 1.20 |
| | | Increase | 01-Jun-2018 | 27,057 | 0.00 | 31,111,769 | 1.20 |
| | | Decrease | 08-Jun-2018 | (38,665) | 0.00 | 31,073,104 | 1.19 |
| | | Increase | 15-Jun-2018 | 268,262 | 0.01 | 31,341,366 | 1.20 |
| | | Decrease | 22-Jun-2018 | (452,182) | (0.02) | 30,889,184 | 1.19 |
| | | Decrease | 29-Jun-2018 | (929,510) | (0.04) | 29,959,674 | 1.15 |
| | | Increase | 06-Jul-2018 | 459,212 | 0.02 | 30,418,886 | 1.17 |
| | | Decrease | 13-Jul-2018 | (48,579) | 0.00 | 30,370,307 | 1.17 |
| | | Increase | 16-Jul-2018 | 120,091 | 0.01 | 30,490,398 | 1.17 |
| | | Decrease | 17-Jul-2018 | (40,262) | 0.00 | 30,450,136 | 1.15 |
| | | Decrease | 20-Jul-2018 | (173,905) | (0.01) | 30,276,231 | 1.15 |
| | | Decrease | 27-Jul-2018 | (1,534,180) | (0.06) | 28,742,051 | 1.09 |
| | | Increase | 01-Aug-2018 | 400,000 | 0.02 | 29,142,051 | 1.10 |
| | | Increase | 03-Aug-2018 | 618,657 | 0.02 | 29,760,708 | 1.10 |
| | | Decrease | 10-Aug-2018 | (87,548) | 0.00 | 29,673,160 | 1.10 |
| | | Decrease | 17-Aug-2018 | (66,431) | 0.00 | 29,606,729 | 1.09 |
| | | Decrease | 24-Aug-2018 | (4,730) | 0.00 | 29,601,999 | 1.09 |
| | | Increase | 31-Aug-2018 | 196,229 | 0.01 | 29,798,228 | 1.10 |
| | | Increase | 07-Sep-2018 | 656,186 | 0.02 | 30,454,414 | 1.12 |
| | | Decrease | 14-Sep-2018 | (442,553) | (0.02) | 30,011,861 | 1.11 |
| | | Decrease | 21-Sep-2018 | (404,163) | (0.02) | 29,607,698 | 1.09 |
| | | Increase | 28-Sep-2018 | 195,598 | 0.01 | 29,803,296 | 1.10 |
| | | Increase | 05-Oct-2018 | 964,030 | 0.04 | 30,767,326 | 1.13 |
| | | Decrease | 12-Oct-2018 | (225298) | (0.01) | 30,542,028 | 1.12 |
| | | Increase | 19-Oct-2018 | 224,946 | 0.01 | 30,766,974 | 1.13 |
| | | Decrease | 26-Oct-2018 | (134,250) | (0.01) | 30,632,724 | 1.13 |
| | | Increase | 31-Oct-2018 | 141,922 | 0.01 | 30,774,646 | 1.13 |
| | | Decrease | 02-Nov-2018 | (407,584) | (0.02) | 30,367,062 | 1.12 |
| | | Increase | 09-Nov-2018 | 377,594 | 0.01 | 30,744,656 | 1.13 |
| | | Increase | 16-Nov-2018 | 62,809 | 0.00 | 30,807,465 | 1.13 |
| | | Decrease | 23-Nov-2018 | (46,766) | 0.00 | 30,760,699 | 1.13 |
| | | Decrease | 30-Nov-2018 | (207,969) | (0.01) | 30,552,730 | 1.12 |
| | | Increase | 07-Dec-2018 | 168,474 | 0.01 | 30,721,204 | 1.13 |
| | | Decrease | 14-Dec-2018 | (193,397) | (0.01) | 30,527,807 | 1.12 |
| | | Increase | 21-Dec-2018 | 229,256 | 0.01 | 30,757,063 | 1.13 |

| Sr. No. | Name | Remarks | Date *** | Shareholding at the beginning of the year | | Cumulative shareholding during the year | |
|---|---|---|---|---|---|---|---|
| | | | | No. of shares | Percentage of total shares | No. of shares | Percentage of total shares |
| | | Decrease | 28-Dec-2018 | (23,261) | 0.00 | 30,733,802 | 1.13 |
| | | Increase | 31-Dec-2018 | 16,712 | 0.00 | 30,750,514 | 1.13 |
| | | Increase | 04-Jan-2019 | 500,225 | 0.02 | 31,250,739 | 1.15 |
| | | Decrease | 11-Jan-2019 | (113,766) | 0.00 | 31,136,973 | 1.15 |
| | | Decrease | 18-Jan-2019 | (210,848) | (0.01) | 30,926,125 | 1.14 |
| | | Increase | 25-Jan-2019 | 351,484 | 0.01 | 31,277,609 | 1.15 |
| | | Decrease | 01-Feb-2019 | (692,701) | (0.03) | 30,584,908 | 1.12 |
| | | Increase | 08-Feb-2019 | 350,905 | 0.01 | 30,935,813 | 1.14 |
| | | Decrease | 15-Feb-2019 | (151,689) | (0.01) | 30,784,124 | 1.13 |
| | | Decrease | 22-Feb-2019 | (284,867) | (0.01) | 30,499,257 | 1.12 |
| | | Decrease | 01-Mar-2019 | 222,394 | 0.01 | 30,276,863 | 1.11 |
| | | Increase | 08-Mar-2019 | 352,531 | 0.01 | 30,629,394 | 1.13 |
| | | Increase | 15-Mar-2019 | 213,786 | 0.01 | 30,843,180 | 1.13 |
| | | Decrease | 22-Mar-2019 | (187,200) | (0.01) | 30,655,980 | 1.13 |
| | | Decrease | 29-Mar-2019 | (154,328) | (0.01) | 30,501,652 | 1.12 |
| | | At the END of the Year | 30-Mar-2019 | | | 30,501,652 | 1.12 |
| 5 | HDFC TRUSTEE COMPANY LTD - A/C HDFC HYBRID EQUITY FUND | At the beginning of the Year | 31-Mar-2018 | 32,557,853 | 1.26 | | |
| | | Increase | 06-Apr-2018 | 31,521 | 0.00 | 32,589,374 | 1.26 |
| | | Decrease | 13-Apr-2018 | (4,657) | 0.00 | 32,584,717 | 1.26 |
| | | Increase | 20-Apr-2018 | 65,636 | 0.00 | 32,650,353 | 1.26 |
| | | Decrease | 27-Apr-2018 | (1,720) | 0.00 | 32,648,633 | 1.26 |
| | | Decrease | 04-May-2018 | (175,562) | (0.01) | 32,473,071 | 1.25 |
| | | Decrease | 11-May-2018 | (175,205) | (0.01) | 32,297,866 | 1.24 |
| | | Decrease | 18-May-2018 | (217,879) | (0.01) | 32,079,987 | 1.24 |
| | | Decrease | 25-May-2018 | (353,980) | (0.01) | 31,726,007 | 1.22 |
| | | Decrease | 01-Jun-2018 | (596,881) | (0.02) | 31,129,126 | 1.20 |
| | | Decrease | 08-Jun-2018 | (825,512) | (0.03) | 30,303,614 | 1.16 |
| | | Decrease | 15-Jun-2018 | (342,845) | (0.01) | 29,960,769 | 1.15 |
| | | Decrease | 22-Jun-2018 | (550,579) | (0.02) | 29,410,190 | 1.13 |
| | | Decrease | 29-Jun-2018 | (112,814) | 0.00 | 29,297,376 | 1.13 |
| | | Decrease | 06-Jul-2018 | (785,593) | (0.03) | 28,511,783 | 1.10 |
| | | Decrease | 13-Jul-2018 | (77,882) | 0.00 | 28,433,901 | 1.09 |
| | | Increase | 16-Jul-2018 | 378 | 0.00 | 28,434,279 | 1.09 |
| | | Increase | 17-Jul-2018 | 219 | 0.00 | 28,434,498 | 1.08 |
| | | Increase | 20-Jul-2018 | 2112 | 0.00 | 28,436,610 | 1.08 |
| | | Decrease | 27-Jul-2018 | (8,321) | 0.00 | 28,428,289 | 1.07 |
| | | Decrease | 03-Aug-2018 | (220,232) | (0.01) | 28,208,057 | 1.04 |
| | | Increase | 10-Aug-2018 | 1,977 | 0.00 | 28,210,034 | 1.04 |
| | | Increase | 17-Aug-2018 | 3,728 | 0.00 | 28,213,762 | 1.04 |
| | | Increase | 24-Aug-2018 | 77,821 | 0.00 | 28,291,583 | 1.04 |
| | | Increase | 31-Aug-2018 | 32,228 | 0.00 | 28,323,811 | 1.04 |
| | | Decrease | 07-Sep-2018 | (202,483) | (0.01) | 28,121,328 | 1.04 |
| | | Increase | 14-Sep-2018 | 135,654 | 0.01 | 28,256,982 | 1.04 |
| | | Increase | 21-Sep-2018 | 105,427 | 0.00 | 28,362,409 | 1.05 |

| Sr. No. | Name | Remarks | Date *** | Shareholding at the beginning of the year | | Cumulative shareholding during the year | |
|---|---|---|---|---|---|---|---|
| | | | | No. of shares | Percentage of total shares | No. of shares | Percentage of total shares |
| | | Increase | 28-Sep-2018 | 161,386 | 0.01 | 28,523,795 | 1.05 |
| | | Increase | 05-Oct-2018 | 28,436 | 0.00 | 28,552,231 | 1.05 |
| | | Decrease | 12-Oct-2018 | (76,769) | 0.00 | 28,475,462 | 1.05 |
| | | Increase | 19-Oct-2018 | 336,243 | 0.01 | 28,811,705 | 1.06 |
| | | Increase | 26-Oct-2018 | 7,438 | 0.00 | 28,819,143 | 1.06 |
| | | Increase | 31-Oct-2018 | 315,160 | 0.01 | 29,134,303 | 1.07 |
| | | Increase | 02-Nov-2018 | 174,932 | 0.01 | 29,309,235 | 1.08 |
| | | Increase | 09-Nov-2018 | 32,318 | 0.00 | 29,341,553 | 1.08 |
| | | Increase | 16-Nov-2018 | 76,063 | 0.00 | 29,417,616 | 1.08 |
| | | Increase | 23-Nov-2018 | 2,688 | 0.00 | 29,420,304 | 1.08 |
| | | Decrease | 30-Nov-2018 | (248,685) | (0.01) | 29,171,619 | 1.07 |
| | | Increase | 07-Dec-2018 | 7,719 | 0.00 | 29,179,338 | 1.07 |
| | | Increase | 14-Dec-2018 | 633,251 | 0.02 | 29,812,589 | 1.10 |
| | | Increase | 21-Dec-2018 | 4,451 | 0.00 | 29,817,040 | 1.10 |
| | | Increase | 28-Dec-2018 | 9,329 | 0.00 | 29,826,369 | 1.10 |
| | | Increase | 31-Dec-2018 | 4,650 | 0.00 | 29,831,019 | 1.10 |
| | | Increase | 04-Jan-2019 | 71,366 | 0.00 | 29,902,385 | 1.10 |
| | | Increase | 11-Jan-2019 | 38,342 | 0.00 | 29,940,727 | 1.10 |
| | | Increase | 18-Jan-2019 | 26,354 | 0.00 | 29,967,081 | 1.10 |
| | | Increase | 25-Jan-2019 | 4,108 | 0.00 | 29,971,189 | 1.10 |
| | | Increase | 01-Feb-2019 | 10,464 | 0.00 | 29,981,653 | 1.10 |
| | | Decrease | 08-Feb-2019 | (42,656) | 0.00 | 29,938,997 | 1.10 |
| | | Decrease | 15-Feb-2019 | (36,031) | 0.00 | 29,902,966 | 1.10 |
| | | Increase | 22-Feb-2019 | 8,103 | 0.00 | 29,911,069 | 1.10 |
| | | Decrease | 01-Mar-2019 | (260,907) | (0.01) | 29,650,162 | 1.09 |
| | | Increase | 08-Mar-2019 | 766 | 0.00 | 29,650,928 | 1.09 |
| | | Increase | 15-Mar-2019 | 104,756 | 0.00 | 29,755,684 | 1.09 |
| | | Increase | 22-Mar-2019 | 3,487 | 0.00 | 29,759,171 | 1.09 |
| | | Increase | 29-Mar-2019 | 24,395 | 0.00 | 29,783,566 | 1.09 |
| | | At the END of the Year | 30-Mar-2019 | | | 29,783,566 | 1.09 |
| 6 | Government Of Singapore | At the beginning of the Year | 31-Mar-2018 | 28,625,304 | 1.10 | | |
| | | Decrease | 06-Apr-2018 | (44,995) | 0.00 | 28,580,309 | 1.10 |
| | | Increase | 04-May-2018 | 3,726 | 0.00 | 28,584,035 | 1.10 |
| | | Increase | 25-May-2018 | 11,856 | 0.00 | 28,595,891 | 1.10 |
| | | Decrease | 01-Jun-2018 | (591,863) | (0.02) | 28,004,028 | 1.08 |
| | | Increase | 08-Jun-2018 | 202,487 | 0.01 | 28,206,515 | 1.08 |
| | | Increase | 15-Jun-2018 | 30,000 | 0.00 | 28,236,515 | 1.09 |
| | | Increase | 22-Jun-2018 | 34,425 | 0.00 | 28,270,940 | 1.09 |
| | | Increase | 29-Jun-2018 | 5,990 | 0.00 | 28,276,930 | 1.09 |
| | | Increase | 06-Jul-2018 | 42,446 | 0.00 | 28,319,376 | 1.09 |
| | | Increase | 13-Jul-2018 | 21,742 | 0.00 | 28,341,118 | 1.09 |
| | | Decrease | 17-Jul-2018 | (17,578) | 0.00 | 28,323,540 | 1.07 |
| | | Decrease | 20-Jul-2018 | (9,656) | 0.00 | 28,313,884 | 1.07 |
| | | Decrease | 27-Jul-2018 | (1,398) | 0.00 | 28,312,486 | 1.07 |
| | | Increase | 03-Aug-2018 | 68,467 | 0.00 | 28,380,953 | 1.05 |

| Sr. No. | Name | Remarks | Date *** | Shareholding at the beginning of the year | | Cumulative shareholding during the year | |
|---|---|---|---|---|---|---|---|
| | | | | No. of shares | Percentage of total shares | No. of shares | Percentage of total shares |
| | | Increase | 24-Aug-2018 | 11,376 | 0.00 | 28,392,329 | 1.05 |
| | | Decrease | 31-Aug-2018 | (231,825) | (0.01) | 28,160,504 | 1.04 |
| | | Decrease | 07-Sep-2018 | (116,783) | 0.00 | 28,043,721 | 1.03 |
| | | Decrease | 14-Sep-2018 | (965,366) | (0.04) | 27,078,355 | 1.00 |
| | | Decrease | 21-Sep-2018 | (354699) | (0.01) | 26,723,656 | 0.98 |
| | | Decrease | 28-Sep-2018 | (104,864) | 0.00 | 26,618,792 | 0.98 |
| | | Decrease | 12-Oct-2018 | (113,043) | 0.00 | 26,505,749 | 0.98 |
| | | Increase | 26-Oct-2018 | 10,055 | 0.00 | 26,515,804 | 0.98 |
| | | Increase | 09-Nov-2018 | 48,683 | 0.00 | 26,564,487 | 0.98 |
| | | Increase | 16-Nov-2018 | 125,757 | 0.01 | 26,690,244 | 0.98 |
| | | Increase | 30-Nov-2018 | 98,306 | 0.00 | 26,788,550 | 0.99 |
| | | Increase | 14-Dec-2018 | 4,082 | 0.00 | 26,792,632 | 0.99 |
| | | Increase | 28-Dec-2018 | 19,142 | 0.00 | 26,811,774 | 0.99 |
| | | Decrease | 11-Jan-2019 | (141,574) | (0.01) | 26,670,200 | 0.98 |
| | | Increase | 18-Jan-2019 | 92,091 | 0.00 | 26,762,291 | 0.98 |
| | | Increase | 25-Jan-2019 | 20,823 | 0.00 | 26,783,114 | 0.98 |
| | | Decrease | 01-Feb-2019 | (283,029) | (0.01) | 26,500,085 | 0.97 |
| | | Increase | 08-Feb-2019 | 4,441 | 0.00 | 26,504,526 | 0.97 |
| | | Increase | 15-Feb-2019 | 55,714 | 0.00 | 26,560,240 | 0.98 |
| | | Increase | 22-Feb-2019 | 124,615 | 0.01 | 26,684,855 | 0.98 |
| | | Increase | 01-Mar-2019 | 22,238 | 0.00 | 26,707,093 | 0.98 |
| | | Increase | 15-Mar-2019 | 727,757 | 0.03 | 27,434,850 | 1.01 |
| | | Increase | 29-Mar-2019 | 103,975 | 0.00 | 27,538,825 | 1.01 |
| | | At the END of the Year | 30-Mar-2019 | | | 27,538,825 | 1.01 |
| 7 | ADITYA BIRLA SUN LIFE TRUSTEE PRIVATE LIMITED A/C ADITYA BIRLA SUN LIFE FRONTLINE EQUITY FUND | At the beginning of the Year | 31-Mar-2018 | 21,133,191 | 0.81 | | |
| | | Decrease | 06-Apr-2018 | (2,000) | 0.00 | 21,131,191 | 0.81 |
| | | Increase | 13-Apr-2018 | 230,000 | 0.01 | 21,361,191 | 0.82 |
| | | Increase | 20-Apr-2018 | 12,237 | 0.00 | 21,373,428 | 0.82 |
| | | Increase | 27-Apr-2018 | 250,000 | 0.01 | 21,623,428 | 0.83 |
| | | Increase | 04-May-2018 | 323,300 | 0.01 | 21,946,728 | 0.85 |
| | | Increase | 11-May-2018 | 70,000 | 0.00 | 22,016,728 | 0.85 |
| | | Increase | 18-May-2018 | 200,000 | 0.01 | 22,216,728 | 0.86 |
| | | Increase | 25-May-2018 | 920,984 | 0.04 | 23,137,712 | 0.89 |
| | | Increase | 01-Jun-2018 | 68,200 | 0.00 | 23,205,912 | 0.89 |
| | | Increase | 08-Jun-2018 | 274,489 | 0.01 | 23,480,401 | 0.90 |
| | | Decrease | 15-Jun-2018 | (222,500) | 0.01 | 23,257,901 | 0.89 |
| | | Increase | 22-Jun-2018 | 66,100 | 0.00 | 23,324,001 | 0.90 |
| | | Decrease | 20-Jul-2018 | (2,904) | 0.00 | 23,321,097 | 0.88 |
| | | Increase | 27-Jul-2018 | 100,000 | 0.00 | 23,421,097 | 0.89 |
| | | Increase | 01-Aug-2018 | 1,851,850 | 0.07 | 25,272,947 | 0.95 |
| | | Decrease | 03-Aug-2018 | (101,946) | 0.00 | 25,171,001 | 0.93 |
| | | Increase | 10-Aug-2018 | 62,494 | 0.00 | 25,233,495 | 0.93 |
| | | Increase | 17-Aug-2018 | 828 | 0.00 | 25,234,323 | 0.93 |
| | | Increase | 24-Aug-2018 | 55,278 | 0.00 | 25,289,601 | 0.93 |
| | | Decrease | 31-Aug-2018 | (30,000) | 0.00 | 25,259,601 | 0.93 |

| Sr. No. | Name | Remarks | Date *** | Shareholding at the beginning of the year | | Cumulative shareholding during the year | |
|---|---|---|---|---|---|---|---|
| | | | | No. of shares | Percentage of total shares | No. of shares | Percentage of total shares |
| | | Increase | 07-Sep-2018 | 250,000 | 0.01 | 25,509,601 | 0.94 |
| | | Increase | 14-Sep-2018 | 396,000 | 0.02 | 25,905,601 | 0.95 |
| | | Increase | 28-Sep-2018 | 7,000 | 0.00 | 25,912,601 | 0.95 |
| | | Increase | 12-Oct-2018 | 596,000 | 0.02 | 26,508,601 | 0.98 |
| | | Increase | 19-Oct-2018 | 50,000 | 0.00 | 26,558,601 | 0.98 |
| | | Increase | 26-Oct-2018 | 20,556 | 0.00 | 26,579,157 | 0.98 |
| | | Increase | 31-Oct-2018 | 33,300 | 0.00 | 26,612,457 | 0.98 |
| | | Increase | 02-Nov-2018 | 93,500 | 0.00 | 26,705,957 | 0.98 |
| | | Increase | 09-Nov-2018 | 427,232 | 0.02 | 27,133,189 | 1.00 |
| | | Decrease | 23-Nov-2018 | (140,000) | (0.01) | 26,993,189 | 0.99 |
| | | Decrease | 30-Nov-2018 | (43,500) | 0.00 | 26,949,689 | 0.99 |
| | | Decrease | 07-Dec-2018 | (8,000) | 0.00 | 26,941,689 | 0.99 |
| | | Increase | 14-Dec-2018 | 3,000 | 0.00 | 26,944,689 | 0.99 |
| | | Increase | 21-Dec-2018 | 52,768 | 0.00 | 26,997,457 | 0.99 |
| | | Decrease | 28-Dec-2018 | (76,362) | 0.00 | 26,921,095 | 0.99 |
| | | Decrease | 31-Dec-2018 | (500) | 0.00 | 26,920,595 | 0.99 |
| | | Increase | 04-Jan-2019 | 173,000 | 0.01 | 27,093,595 | 1.00 |
| | | Increase | 11-Jan-2019 | 45,000 | 0.00 | 27,138,595 | 1.00 |
| | | Decrease | 25-Jan-2019 | (50,000) | 0.00 | 27,088,595 | 1.00 |
| | | Increase | 01-Feb-2019 | 22,250 | 0.00 | 27,110,845 | 1.00 |
| | | Decrease | 08-Feb-2019 | (22,250) | 0.00 | 27,088,595 | 1.00 |
| | | Decrease | 15-Feb-2019 | (39,425) | 0.00 | 27,049,170 | 0.99 |
| | | Increase | 22-Feb-2019 | 56,150 | 0.00 | 27,105,320 | 1.00 |
| | | Decrease | 01-Mar-2019 | (239,550) | (0.01) | 26,865,770 | 0.99 |
| | | Decrease | 08-Mar-2019 | (1,400) | 0.00 | 26,864,370 | 0.99 |
| | | Decrease | 15-Mar-2019 | (127,207) | (0.01) | 26,737,163 | 0.98 |
| | | Increase | 22-Mar-2019 | 3,533 | 0.00 | 26,740,696 | 0.98 |
| | | Decrease | 29-Mar-2019 | (42,559) | 0.00 | 26,698,137 | 0.98 |
| | | At the END of the Year | 30-Mar-2019 | | | 26,698,137 | 0.98 |
| 8 | RELIANCE CAPITAL TRUSTEE CO LTD A/C RELIANCE ETF - BANK BEES INVESTMENT A/C | At the beginning of the Year | 31-Mar-2018 | 25,072,466 | 0.97 | | |
| | | Increase | 06-Apr-2018 | 363,455 | 0.01 | 25,435,921 | 0.98 |
| | | Decrease | 13-Apr-2018 | (70,405) | 0.00 | 25,365,516 | 0.98 |
| | | Decrease | 20-Apr-2018 | (83,166) | 0.00 | 25,282,350 | 0.97 |
| | | Decrease | 27-Apr-2018 | (455,936) | (0.02) | 24,826,414 | 0.96 |
| | | Increase | 04-May-2018 | 115,619 | 0.00 | 24,942,033 | 0.96 |
| | | Increase | 11-May-2018 | 702,935 | 0.03 | 25,644,968 | 0.99 |
| | | Decrease | 18-May-2018 | (302,167) | (0.01) | 25,342,801 | 0.98 |
| | | Decrease | 25-May-2018 | (165,768) | (0.01) | 25,177,033 | 0.97 |
| | | Decrease | 01-Jun-2018 | (21,000) | 0.00 | 25,156,033 | 0.97 |
| | | Decrease | 08-Jun-2018 | (2,783,183) | (0.11) | 22,372,850 | 0.86 |
| | | Decrease | 15-Jun-2018 | (70,111) | 0.00 | 22,302,739 | 0.86 |
| | | Decrease | 22-Jun-2018 | (579,979) | (0.02) | 21,722,760 | 0.83 |
| | | Decrease | 29-Jun-2018 | (24,653) | 0.00 | 21,698,107 | 0.83 |
| | | Increase | 06-Jul-2018 | 147,698 | 0.01 | 21,845,805 | 0.84 |

| Sr. No. | Name | Remarks | Date *** | Shareholding at the beginning of the year | | Cumulative shareholding during the year | |
|---|---|---|---|---|---|---|---|
| | | | | No. of shares | Percentage of total shares | No. of shares | Percentage of total shares |
| | | Decrease | 13-Jul-2018 | (510,797) | (0.02) | 21,335,008 | 0.82 |
| | | Increase | 16-Jul-2018 | 21,609 | 0.00 | 21,356,617 | 0.82 |
| | | Increase | 17-Jul-2018 | 15,549 | 0.00 | 21,372,166 | 0.81 |
| | | Decrease | 20-Jul-2018 | (160,108) | (0.01) | 21,212,058 | 0.80 |
| | | Increase | 27-Jul-2018 | 192,656 | 0.01 | 21,404,714 | 0.81 |
| | | Increase | 01-Aug-2018 | 810,150 | 0.03 | 22,214,864 | 0.84 |
| | | Decrease | 03-Aug-2018 | (129,960) | (0.01) | 22,084,904 | 0.82 |
| | | Increase | 10-Aug-2018 | 315,046 | 0.01 | 22,399,950 | 0.83 |
| | | Increase | 17-Aug-2018 | 526,551 | 0.02 | 22,926,501 | 0.85 |
| | | Increase | 24-Aug-2018 | 88,050 | 0.00 | 23,014,551 | 0.85 |
| | | Increase | 31-Aug-2018 | 962,462 | 0.04 | 23,977,013 | 0.88 |
| | | Increase | 07-Sep-2018 | 1,448,769 | 0.05 | 25,425,782 | 0.94 |
| | | Increase | 14-Sep-2018 | 299,434 | 0.01 | 25,725,216 | 0.95 |
| | | Increase | 21-Sep-2018 | 20,627 | 0.00 | 25,745,843 | 0.95 |
| | | Increase | 28-Sep-2018 | 314,885 | 0.01 | 26,060,728 | 0.96 |
| | | Decrease | 05-Oct-2018 | (495,469) | (0.02) | 25,565,259 | 0.94 |
| | | Decrease | 12-Oct-2018 | (967,952) | (0.04) | 24,597,307 | 0.91 |
| | | Increase | 19-Oct-2018 | 27,139 | 0.00 | 24,624,446 | 0.91 |
| | | Decrease | 26-Oct-2018 | (275,292) | (0.01) | 24,349,154 | 0.90 |
| | | Increase | 31-Oct-2018 | 854,966 | 0.03 | 25,204,120 | 0.93 |
| | | Decrease | 02-Nov-2018 | (135,586) | (0.01) | 25,068,534 | 0.92 |
| | | Increase | 09-Nov-2018 | 352,321 | 0.01 | 25,420,855 | 0.94 |
| | | Decrease | 16-Nov-2018 | (44,462) | 0.00 | 25,376,393 | 0.93 |
| | | Decrease | 23-Nov-2018 | (824,213) | (0.03) | 24,552,180 | 0.90 |
| | | Decrease | 30-Nov-2018 | (186,524) | (0.01) | 24,365,656 | 0.90 |
| | | Decrease | 07-Dec-2018 | (29,268) | 0.00 | 24,336,388 | 0.90 |
| | | Increase | 14-Dec-2018 | 339,225 | 0.01 | 24,675,613 | 0.91 |
| | | Decrease | 21-Dec-2018 | (391,341) | (0.01) | 24,284,272 | 0.89 |
| | | Increase | 28-Dec-2018 | 55,434 | 0.00 | 24,339,706 | 0.90 |
| | | Increase | 31-Dec-2018 | 25,815 | 0.00 | 24,365,521 | 0.90 |
| | | Increase | 04-Jan-2019 | 170,774 | 0.01 | 24,536,295 | 0.90 |
| | | Increase | 11-Jan-2019 | 497,870 | 0.02 | 25,034,165 | 0.92 |
| | | Increase | 18-Jan-2019 | 110,196 | 0.00 | 25,144,361 | 0.93 |
| | | Increase | 25-Jan-2019 | 120,246 | 0.00 | 25,264,607 | 0.93 |
| | | Increase | 01-Feb-2019 | 1,039,814 | 0.04 | 26,304,421 | 0.97 |
| | | Decrease | 08-Feb-2019 | (436,981) | (0.02) | 25,867,440 | 0.95 |
| | | Increase | 15-Feb-2019 | 602,825 | 0.02 | 26,470,265 | 0.97 |
| | | Increase | 22-Feb-2019 | 168,036 | 0.01 | 26,638,301 | 0.98 |
| | | Decrease | 01-Mar-2019 | (14,849) | 0.00 | 26,623,452 | 0.98 |
| | | Increase | 08-Mar-2019 | 147,947 | 0.01 | 26,771,399 | 0.98 |
| | | Increase | 15-Mar-2019 | 16,807 | 0.00 | 26,788,206 | 0.98 |
| | | Increase | 22-Mar-2019 | 48,013 | 0.00 | 26,836,219 | 0.99 |
| | | Decrease | 29-Mar-2019 | (775,427) | (0.03) | 26,060,792 | 0.96 |
| | | At the END of the Year | 30-Mar-2019 | | | 26,060,792 | 0.96 |

| Sr. No. | Name | Remarks | Date *** | Shareholding at the beginning of the year | | Cumulative shareholding during the year | |
|---|---|---|---|---|---|---|---|
| | | | | No. of shares | Percentage of total shares | No. of shares | Percentage of total shares |
| 9 | KOTAK BANKING ETF | At the beginning of the Year | 31-Mar-2018 | 16,451,543 | 0.63 | | |
| | | Decrease | 06-Apr-2018 | (362,610) | (0.01) | 16,088,933 | 0.62 |
| | | Decrease | 13-Apr-2018 | (9,513) | 0.00 | 16,079,420 | 0.62 |
| | | Increase | 20-Apr-2018 | 13,092 | 0.00 | 16,092,512 | 0.62 |
| | | Decrease | 27-Apr-2018 | (315,704) | (0.01) | 15,776,808 | 0.61 |
| | | Increase | 04-May-2018 | 423,385 | 0.02 | 16,200,193 | 0.62 |
| | | Increase | 11-May-2018 | 431,622 | 0.02 | 16,631,815 | 0.64 |
| | | Increase | 18-May-2018 | 621,053 | 0.02 | 17,252,868 | 0.66 |
| | | Decrease | 25-May-2018 | (19,310) | 0.00 | 17,233,558 | 0.66 |
| | | Increase | 01-Jun-2018 | 100,054 | 0.00 | 17,333,612 | 0.67 |
| | | Decrease | 08-Jun-2018 | (3,17,640) | (0.01) | 17,015,972 | 0.65 |
| | | Increase | 15-Jun-2018 | 322,193 | 0.01 | 17,338,165 | 0.67 |
| | | Increase | 22-Jun-2018 | 143,092 | 0.01 | 17,481,257 | 0.67 |
| | | Decrease | 29-Jun-2018 | (76,402) | 0.00 | 17,404,855 | 0.67 |
| | | Increase | 06-Jul-2018 | 12,309 | 0.00 | 17,417,164 | 0.67 |
| | | Decrease | 13-Jul-2018 | (42,796) | 0.00 | 17,374,368 | 0.67 |
| | | Increase | 20-Jul-2018 | 72,178 | 0.00 | 17,446,546 | 0.66 |
| | | Increase | 27-Jul-2018 | 59,783 | 0.00 | 17506,329 | 0.66 |
| | | Increase | 01-Aug-2018 | 347,200 | 0.01 | 17,853,529 | 0.67 |
| | | Increase | 03-Aug-2018 | 139,430 | 0.01 | 17,992,959 | 0.66 |
| | | Increase | 10-Aug-2018 | 243,936 | 0.01 | 18,236,895 | 0.67 |
| | | Decrease | 17-Aug-2018 | (409,813) | (0.02) | 17,827,082 | 0.66 |
| | | Increase | 24-Aug-2018 | 19,672 | 0.00 | 17,846,754 | 0.66 |
| | | Increase | 31-Aug-2018 | 694,641 | 0.03 | 18,541,395 | 0.68 |
| | | Increase | 07-Sep-2018 | 43,878 | 0.00 | 18,585,273 | 0.69 |
| | | Increase | 14-Sep-2018 | 23,726 | 0.00 | 18,608,999 | 0.69 |
| | | Increase | 21-Sep-2018 | 31,372 | 0.00 | 18,640,371 | 0.69 |
| | | Increase | 28-Sep-2018 | 66,138 | 0.00 | 18,706,509 | 0.69 |
| | | Increase | 05-Oct-2018 | 892,308 | 0.03 | 19,598,817 | 0.72 |
| | | Increase | 12-Oct-2018 | 4,854 | 0.00 | 19,603,671 | 0.72 |
| | | Increase | 19-Oct-2018 | 474,971 | 0.02 | 20,078,642 | 0.74 |
| | | Increase | 26-Oct-2018 | 18,986 | 0.00 | 20,097,628 | 0.74 |
| | | Increase | 31-Oct-2018 | 406,387 | 0.02 | 20,504,015 | 0.75 |
| | | Increase | 02-Nov-2018 | 416,875 | 0.02 | 20,920,890 | 0.77 |
| | | Decrease | 09-Nov-2018 | (20,116) | 0.00 | 20,900,774 | 0.77 |
| | | Decrease | 16-Nov-2018 | (656,651) | (0.02) | 20,244,123 | 0.75 |
| | | Decrease | 23-Nov-2018 | (749,756) | (0.03) | 19,494,367 | 0.72 |
| | | Decrease | 30-Nov-2018 | (387,142) | (0.01) | 19,107,225 | 0.70 |
| | | Increase | 07-Dec-2018 | 124,790 | 0.01 | 19,232,015 | 0.71 |

| Sr. No. | Name | Remarks | Date *** | Shareholding at the beginning of the year | | Cumulative shareholding during the year | |
|---|---|---|---|---|---|---|---|
| | | | | No. of shares | Percentage of total shares | No. of shares | Percentage of total shares |
| | | Increase | 14-Dec-2018 | 53,506 | 0.00 | 19,285,521 | 0.71 |
| | | Increase | 21-Dec-2018 | 19,454 | 0.00 | 19,304,975 | 0.71 |
| | | Increase | 28-Dec-2018 | 394,51 | 0.00 | 19,344,426 | 0.71 |
| | | Decrease | 31-Dec-2018 | (1,477) | 0.00 | 19,342,949 | 0.71 |
| | | Increase | 04-Jan-2019 | 20,651 | 0.00 | 19,363,600 | 0.71 |
| | | Increase | 11-Jan-2019 | 90,001 | 0.00 | 19,453,601 | 0.72 |
| | | Increase | 18-Jan-2019 | 51405 | 0.00 | 19,505,006 | 0.72 |
| | | Increase | 25-Jan-2019 | 152,509 | 0.01 | 19657,515 | 0.72 |
| | | Increase | 01-Feb-2019 | 284,741 | 0.01 | 19,942,256 | 0.73 |
| | | Increase | 08-Feb-2019 | 78,249 | 0.00 | 20,020,505 | 0.74 |
| | | Increase | 15-Feb-2019 | 537,457 | 0.02 | 20,557,962 | 0.76 |
| | | Increase | 22-Feb-2019 | 20,964 | 0.00 | 20,578,926 | 0.76 |
| | | Increase | 01-Mar-2019 | 33,105 | 0.00 | 20,612,031 | 0.76 |
| | | Increase | 08-Mar-2019 | 426,789 | 0.02 | 21,038,820 | 0.77 |
| | | Increase | 15-Mar-2019 | 73,579 | 0.00 | 21,112,399 | 0.78 |
| | | Decrease | 22-Mar-2019 | (48,407) | 0.00 | 21,063,992 | 0.77 |
| | | Decrease | 29-Mar-2019 | (892,682) | (0.03) | 20,171,310 | 0.74 |
| | | At the END of the Year | 30-Mar-2019 | | | 20,171,310 | 0.74 |
| 10 | UTI - NIFTY EXCHANGE TRADED FUND | At the beginning of the Year | 31-Mar-2018 | 16,982,626 | 0.65 | | |
| | | Increase | 06-Apr-2018 | 72170 | 0.00 | 17,054,796 | 0.66 |
| | | Decrease | 13-Apr-2018 | (40762) | 0.00 | 17,014,034 | 0.66 |
| | | Increase | 20-Apr-2018 | 74,999 | 0.00 | 17,089,033 | 0.66 |
| | | Decrease | 27-Apr-2018 | (46,950) | 0.00 | 17,042,083 | 0.66 |
| | | Increase | 04-May-2018 | 23,203 | 0.00 | 17,065,286 | 0.66 |
| | | Increase | 11-May-2018 | 84,817 | 0.00 | 17,150,103 | 0.66 |
| | | Decrease | 18-May-2018 | (18,582) | 0.00 | 17,131,521 | 0.66 |
| | | Increase | 25-May-2018 | 69,853 | 0.00 | 17,201,374 | 0.66 |
| | | Decrease | 01-Jun-2018 | (227,335) | (0.01) | 16,974,039 | 0.65 |
| | | Decrease | 08-Jun-2018 | (64,619) | 0.00 | 16,909,420 | 0.65 |
| | | Increase | 15-Jun-2018 | 42,908 | 0.00 | 16,952,328 | 0.65 |
| | | Increase | 22-Jun-2018 | 25,181 | 0.00 | 16,977,509 | 0.65 |
| | | Decrease | 29-Jun-2018 | (69,427) | 0.00 | 16,908,082 | 0.65 |
| | | Increase | 06-Jul-2018 | 88,958 | 0.00 | 16,997,040 | 0.65 |
| | | Decrease | 13-Jul-2018 | (57,620) | 0.00 | 16,939,420 | 0.65 |
| | | Increase | 16-Jul-2018 | 8,403 | 0.00 | 16,947,823 | 0.65 |
| | | Increase | 17-Jul-2018 | 6,974 | 0.00 | 16,954,797 | 0.64 |
| | | Decrease | 20-Jul-2018 | (89,178) | 0.00 | 16,865,619 | 0.64 |
| | | Increase | 27-Jul-2018 | 50,129 | 0.00 | 16,915,748 | 0.64 |
| | | Increase | 03-Aug-2018 | 23,801 | 0.00 | 16,939,549 | 0.63 |

| Sr. No. | Name | Remarks | Date *** | Shareholding at the beginning of the year | | Cumulative shareholding during the year | |
|---|---|---|---|---|---|---|---|
| | | | | No. of shares | Percentage of total shares | No. of shares | Percentage of total shares |
| | | Decrease | 10-Aug-2018 | (205,580) | (0.01) | 16,733,969 | 0.62 |
| | | Increase | 17-Aug-2018 | 27,225 | 0.00 | 16,761,194 | 0.62 |
| | | Decrease | 24-Aug-2018 | (113,896) | 0.00 | 16,647,298 | 0.61 |
| | | Increase | 31-Aug-2018 | 31,074 | 0.00 | 16,678,372 | 0.61 |
| | | Increase | 07-Sep-2018 | 90,929 | 0.00 | 16,769,301 | 0.62 |
| | | Increase | 14-Sep-2018 | 66,367 | 0.00 | 16,835,668 | 0.62 |
| | | Increase | 21-Sep-2018 | 70,810 | 0.00 | 16,906,478 | 0.62 |
| | | Decrease | 28-Sep-2018 | (111,406) | 0.00 | 16,795,072 | 0.62 |
| | | Increase | 05-Oct-2018 | 177,225 | 0.01 | 16,972,297 | 0.63 |
| | | Increase | 12-Oct-2018 | 2,655 | 0.00 | 16,974,952 | 0.63 |
| | | Decrease | 19-Oct-2018 | (145,815) | (0.01) | 16,829,137 | 0.62 |
| | | Increase | 26-Oct-2018 | 9,038 | 0.00 | 16,838,175 | 0.62 |
| | | Decrease | 31-Oct-2018 | (8,763) | 0.00 | 16,829,412 | 0.62 |
| | | Increase | 02-Nov-2018 | 218,623 | 0.01 | 17,048,035 | 0.63 |
| | | Increase | 09-Nov-2018 | 155,556 | 0.01 | 17,203,591 | 0.63 |
| | | Increase | 16-Nov-2018 | 221,457 | 0.01 | 17,425,048 | 0.64 |
| | | Increase | 23-Nov-2018 | 43,256 | 0.00 | 17,468,304 | 0.64 |
| | | Decrease | 30-Nov-2018 | (25,215) | 0.00 | 17,443,089 | 0.64 |
| | | Increase | 07-Dec-2018 | 34,412 | 0.00 | 17,477,501 | 0.64 |
| | | Decrease | 14-Dec-2018 | (54,878) | 0.00 | 17,422,623 | 0.64 |
| | | Increase | 21-Dec-2018 | 48,340 | 0.00 | 17,470,963 | 0.64 |
| | | Increase | 28-Dec-2018 | 16,252 | 0.00 | 17,487,215 | 0.64 |
| | | Increase | 31-Dec-2018 | 9,258 | 0.00 | 17,496,473 | 0.64 |
| | | Increase | 04-Jan-2019 | 127,831 | 0.01 | 17,624,304 | 0.65 |
| | | Increase | 11-Jan-2019 | 167,349 | 0.01 | 17,791,653 | 0.65 |
| | | Increase | 18-Jan-2019 | 81,492 | 0.00 | 17,873,145 | 0.66 |
| | | Increase | 25-Jan-2019 | 115,376 | 0.00 | 17,988,521 | 0.66 |
| | | Increase | 01-Feb-2019 | 97,006 | 0.00 | 18,085,527 | 0.67 |
| | | Increase | 08-Feb-2019 | 103,568 | 0.00 | 18,189,095 | 0.67 |
| | | Increase | 15-Feb-2019 | 77,370 | 0.00 | 18,266,465 | 0.67 |
| | | Increase | 22-Feb-2019 | 43,045 | 0.00 | 18,309,510 | 0.67 |
| | | Increase | 01-Mar-2019 | 136,738 | 0.01 | 18,446,248 | 0.68 |
| | | Increase | 08-Mar-2019 | 75,754 | 0.00 | 18,522,002 | 0.68 |
| | | Increase | 15-Mar-2019 | 138,755 | 0.01 | 18,660,757 | 0.69 |
| | | Increase | 22-Mar-2019 | 66,198 | 0.00 | 18,726,955 | 0.69 |
| | | Increase | 29-Mar-2019 | 56,786 | 0.00 | 18,783,741 | 0.69 |
| | | At the END of the Year | 30-Mar-2019 | | | 18,783,741 | 0.69 |

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

*Increase = Purchase of shares of the Bank* *Decrease = Sale of shares of the Bank*

**(v) Shareholding of Directors and Key Managerial Personnel**

| Sr. No. | Name | Remarks | Date *** | Shareholding at the beginning of the year | | Cumulative shareholding during the year | |
|---|---|---|---|---|---|---|---|
| | | | | No. of shares | Percentage of total shares | No. of shares | Percentage of total shares |
| 1 | Aditya Puri | At the beginning of the Year | 31-Mar-2018 | 35,66,544 | 0.14 | | |
| | | Increase | 01-Jun-2018 | 3,20,000 | 0.00 | 38,86,544 | 0.15 |
| | | Decrease | 08-Jun-2018 | (1,82,000) | 0.00 | 37,04,544 | 0.14 |
| | | At the END of the Year | 30-Mar-2019 | | | 37,04,544 | 0.14 |
| 2 | Kaizad Maneck Bharucha | At the beginning of the Year | 31-Mar-2018 | 9,50,051 | 0.04 | | |
| | | Decrease | 11-May-2018 | (10,000) | 0.00 | 9,40,051 | 0.04 |
| | | Decrease | 18-May-2018 | (20,000) | 0.00 | 9,20,051 | 0.04 |
| | | Increase | 01-Jun-2018 | 57,000 | 0.00 | 9,77,051 | 0.04 |
| | | Increase | 29-Jun-2018 | 3,000 | 0.00 | 9,80,051 | 0.04 |
| | | Increase | 26-Oct-2018 | 10,000 | 0.00 | 9,90,051 | 0.04 |
| | | Decrease | 15-Mar-2019 | (70,000) | 0.00 | 9,20,051 | 0.03 |
| | | Decrease | 22-Mar-2019 | (29,000) | 0.00 | 8,91,051 | 0.03 |
| | | At the END of the Year | 30-Mar-2019 | | | 8,91,051 | 0.03 |
| | Jointly With Relatives | At the beginning of the Year | 31-Mar-2018 | 500 | 0.00 | | |
| | | At the END of the Year | 30-Mar-2019 | | | 500 | 0.00 |
| 3 | Keki Minoo Mistry | At the beginning of the Year | 31-Mar-2018 | 2,91,915 | 0.01 | | |
| | | At the END of the Year | 30-Mar-2019 | | | 2,91,915 | 0.01 |
| | Jointly With Relatives | At the beginning of the Year | 31-Mar-2018 | 4,215 | 0.00 | | |
| | | At the END of the Year | 30-Mar-2019 | | | 4,215 | 0.00 |
| 4 | Sashidhar Jagdishan | At the beginning of the Year | 31-Mar-2018 | 6,73,594 | 0.03 | | |
| | | Increase | 01-Jun-2018 | 80,000 | 0.00 | 7,53,594 | 0.03 |
| | | Decrease | 08-Jun-2018 | (45,500) | 0.00 | 7,08,094 | 0.03 |
| | | At the END of the Year | 30-Mar-2019 | | | 7,08,094 | 0.03 |

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

*Increase = Allotment of equity shares on exercise of equity stock options*

*Decrease = Sale of shares of the Bank during the year*

## V. INDEBTEDNESS

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

| | Secured Loans excluding deposits [1] | Unsecured Loans [2] | Deposits [3] | Total Indebtedness |
|---|---|---|---|---|
| Indebtedness at the beginning of the financial year | | | | |
| i) Principal Amount | 14,240.0 | 108,865.0 | | 123,105.0 |
| ii) Interest due but not paid | - | - | | - |
| iii) Interest accrued but not due | 2.4 | 1,837.7 | | 1,840.1 |
| Total (i+ii+iii) | 14,242.4 | 110,702.7 | | 124,945.1 |
| Change in Indebtedness during the financial year | | | | |
| • Addition | 3,164.6 | 663.1 | | 3,827.7 |
| • Reduction | - | (9,179.8) | | (9,179.8) |
| **Net change** | **3,164.6** | **(8,516.7)** | | **(5,352.1)** |
| Indebtedness at the end of the financial year | | | | |
| i) Principal Amount | 17,400.0 | 99,685.1 | | 117,085.1 |
| ii) Interest due but not paid | - | - | | - |
| iii) Interest accrued but not due | 7.0 | 2,500.9 | | 2,507.9 |
| **Total (i+ii+iii)** | **17,407.0** | **102,186.0** | | **119,593.0** |

(1) Secured borrowings represent borrowings under collateralized borrowing and lending obligations and transactions under liquidity adjustment facility and marginal standing facility.

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

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

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:

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

| Sr. No. | Particulars of Remuneration | Name of Managing Director / Whole Time Director / Manager | | | Total Amount |
|---|---|---|---|---|---|
| | | Aditya Puri (Managing Director) | Paresh Sukthankar (Deputy Managing Director)$ | Kaizad Bharucha (Executive Director) | |
| 1 | Gross Salary | | | | |
| | a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961 | 107,337,805 | 56,067,467 | 49,377,786 | 212,783,058 |
| | b) Value of perquisites u/s. 17(2) of Income Tax Act, 1961 except stock options | 22,689,694 | 5,073,966 | 6,978,736 | 34,742,396 |
| | c) Profits in lieu of salary under section 17(3) of Income Tax Act, 1961. | - | - | - | - |
| 2 | Stock options exercised during the year*** | 42,20,80,000 | 1,37,46,41,250 | 9,20,98,470 | 1,888,819,720 |
| 3 | Sweat Equity | - | - | - | - |
| 4 | Commission | - | - | - | - |
| | - as per cent of profits | | | | |
| | - others, specify | | | | |
| 5 | Others * | 6,677,227 | 2,202,412 | 2,422,032 | 11,301,671 |
| | **Total (A) **** | **136,704,726** | **63,343,845** | **58,778,554** | **258,827,125** |
| | Ceiling as per the Act^ | | | | |

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

* Includes Provident Fund and tax exempted portion of Superannuation.

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

$ Mr. Paresh Sukthankar resigned from the Bank with effect from November 8, 2018.

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

**B. Remuneration to other Directors:**

(₹)

| Sr. No. | Name of Director | Particulars of Remuneration | | | Total Amount |
|---|---|---|---|---|---|
| | | Fees for attending Board / committee meetings | Commission# | Others | |
| | **Independent Directors** | | | | |
| 1 | Mrs. Shyamala Gopinath | 3,000,000 | - | 3,500,000 | 6,500,000 |
| 2 | Mr. Partho Datta* | 1,050,000 | 1,000,000 | - | 2,050,000 |
| 3 | Mr. Bobby Parikh* | 2,150,000 | 1,000,000 | - | 3,150,000 |
| 4 | Mr. Malay Patel | 2,950,000 | 1,000,000 | - | 3,950,000 |
| 5 | Mr. Umesh Chandra Sarangi | 2,000,000 | 1,000,000 | - | 3,000,000 |
| 6 | Mr. Sanjiv Sachar $ | 1,000,000 | - | - | 1,000,000 |
| 7 | Mr. Sandeep Parekh $ | 350,000 | - | - | 350,000 |
| 8 | Mr. M.D. Ranganath $ | 250,000 | - | - | 250,000 |
| | **Sub total (i)** | **1,2750,000** | **4,000,000** | **3,500,000** | **20,250,000** |
| | Other Non-Executive Directors | | | | |
| 9 | Mr. Keki Mistry | 2,050,000 | 1,000,000 | - | 3,050,000 |
| 10 | Mr. Srikanth Nadhamuni | 1,400,000 | 1,000,000 | - | 2,400,000 |
| | **Sub total (ii)** | **3,450,000** | **2,000,000** | | **5,450,000** |
| | **Total (i+ii)** | **16,200,000** | **6,000,000** | **3,500,000** | **25,700,000** |
| | Ceiling as per the Act^ | | | | |

*# Refers to commission for FY 2017-18, paid out in FY 2018-19.*

**Mr. Partho Datta and Mr. Bobby Parikh ceased to be directors of the Bank with effect from September 29, 2018 and January 26, 2019 respectively*

*$ Mr. Sanjiv Sachar, Mr. Sandeep Parekh and Mr. M.D. Ranganath were appointed as Directors of the Bank with effect from July 21, 2018, January 19, 2019 and January 31, 2019 respectively.*

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

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

(₹)

| Sr. No. | Particulars of Remuneration | Key Managerial Personnel | | | |
|---|---|---|---|---|---|
| | | Mr. Sanjay Dongre (Company Secretary till May 31, 2018) | Mr. Santosh Haldankar (Company Secretary from June 1, 2018) | Mr. Sashidhar Jagdishan (Chief Financial Officer) | Total |
| 1 | **Gross salary** | | | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 2,927,446 | 3,706,271 | 24,302,834 | 30,936,551 |
| | (b) Value of perquisites u/s 17(2) of Income-tax Act, 1961 except stock options | 610,590 | 167,948 | 489,724 | 1,268,262 |
| | (c) Profits in lieu of salary under section 17(3) of Income-tax Act, 1961 | - | | - | - |
| 2 | Stock options exercised during the year*** | 88,416,435 | - | 105,520,000 | 193,936,435 |
| 3 | Sweat Equity | - | | - | - |
| 4 | Commission | - | | - | - |
| | - as percent of profits | | | | |
| | - others, specify | | | | |
| 5 | Others* | 32,656 | 104,680 | 575,916 | 713,252 |
| | **Total**** | **3,570,692** | **3,978,899** | **25,368,474** | **32,918,065** |

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

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

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

## VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES:

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

## ANNEXURE 4 to the Directors' Report

### Form No. AOC - 2

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

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

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

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

**(₹ crore)**

| (a) Name(s) of the related party | HDFC Limited | | | | | HDB Financial Services Limited | | | | | | HDFC Securities Limited | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Nature of relationship | Promoter of the Bank | | | | | Subsidiary of the Bank | | | | | | Subsidiary of the Bank | |
| (b) Nature of contracts /arrangements / transactions | Receipt of Deposits | Income from sourcing of home loans | Purchase of home loans and payment of servicing fees | Derivative and Foreign exchange transactions | Syndicator / Arranger & Investor | Receipt of Deposits | Payment towards collection services availed | Payment of Back Office Support Service Fees | Payment of Sales Support Service Fees | Credit facility provided | Syndicator / Arranger & Investor | Securitisation | Receipt of Deposits |
| (c) Duration of the contracts / arrangements / transactions | Varying maturities | 1 year | 1 year | Varying maturities | Varying maturities | Varying maturities | Until termination | 5 years | 2 years | Up to 42 months | Varying maturities | Varying maturities | Varying maturities |
| (d) Salient terms of the contracts or arrangements or transactions including the value, if any: | Term and demand deposits placed with the Bank. | The Bank sources home loans for HDFC Ltd. through its branches / channels. | The Bank has an option to purchase up to 70% of the loans sourced by it. HDFC Ltd. continues servicing of the assigned portfolio for which Bank pays servicing fees. | Derivative and foreign exchange transactions with the Bank. | Syndicator / Arranger & Investor for NCDs / Bonds. | Term and demand deposits placed with the Bank. | Services availed for follow-up and collection of customer dues. | Back office support services such as data processing availed by the Bank. | Sales support services for loans and third party products provided by the Bank. | Term Loans provided. | Syndicator / Arranger & Investor for NCDs / Bonds. | Investment in Pass Through Certificates. | Term and demand deposits placed with the Bank. |
| | Outstanding Value: 3,290.99 | Value: 261.11 | Home loans purchased: 23,982.42 Servicing fees: 462.39 | Outstanding Credit Exposure : 79.12 | Investment Value: 685.00 | Outstanding Value: 408.83 | Value: 154.97 | Value: 691.56 | Value: 1,070.35 | Outstanding Value: 3,104.74 Interest earned : 214.21 | Investment Value: 2,180.58 Interest earned: 80.29 | Value: 963.22 | Outstanding Value : 205.29 |
| (e) Date(s) of approval by the Board, if any: | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | NA | N.A. |
| (f) Amount paid as advances, if any: | Nil | Nil | Nil | Nil | Nil | Nil | Security deposit: 9.75 | Nil | Nil | Nil | Nil | Nil | Nil |

- The above mentioned transactions were entered into by the Bank in its ordinary course of business. Materiality threshold is as prescribed in Rule (3) of the Companies (Meetings of Board and its Powers) Amendment Rules, 2017.

## ANNEXURE 5 to the Directors' Report

**Performance and financial position of subsidiaries and associates of the Bank as on March 31, 2019**

**(₹ crore)**

| Name of entity | Net assets as of March 31, 2019 | | Profit or loss for the year ended March 31, 2019 | |
|---|---|---|---|---|
| | As % of consolidated net assets** | Amount*** | As % of consolidated profit or loss | Amount*** |
| **Parent:** | | | | |
| HDFC Bank Limited | 97.09% | 1,49,206.32 | 94.38% | 21,078.14 |
| **Subsidiaries*:** | | | | |
| 1. HDFC Securities Limited | 0.76% | 1,167.80 | 1.56% | 347.95 |
| 2. HDB Financial Services Limited | 4.77% | 7,326.28 | 5.15% | 1,151.09 |
| Minority Interest in all subsidiaries | 0.33% | 501.79 | 0.51% | 113.18 |

**The subsidiaries are domestic entities*

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

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

## ANNEXURE 6 to the Directors' Report

Disclosures on Remuneration

1. **Ratio of Remuneration of each director to the median employees' remuneration for the FY 2018-19**

| Designation | Ratio |
|---|---|
| Managing Director | 248:1 |
| Executive Director | 109:1 |

*Note:*

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

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

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

d. *The Deputy Managing Director, Mr. Paresh Sukthankar resigned from the Bank with effect from November 8, 2018 and hence has not been covered in the above calculations.*

2. **Percentage increase in remuneration of each Director, CFO, CEO, CS or Manager, if any, in the FY 2018-19**

| Designation | Percentage Increase |
|---|---|
| Managing Director | 20.00 |
| Executive Director | 15.00 |
| Chief Financial Officer | 10.00 |
| Company Secretary up to May 31, 2018 ** | 3.50 |
| Company Secretary from June 01, 2018 *** | 14.95 |

*** Mr. Sanjay Dongre retired from the services of the Bank with effect from the close of business hours May 31, 2018.*

**** Mr. Santosh Haldankar was appointed as the Company Secretary of the Bank with effect from June 01, 2018.*

3. **Percentage Increase in the median remuneration of employees in the FY 2018-19**

The percentage increase in median remuneration of employees in the FY 2018-19 was **10.31** percent.This excludes front line sales staff.

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

As of March 31, 2019 the number of permanent employees on the rolls of the Bank was 98,061.

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

| | | |
|---|---|---|
| The average percentage increase for Key Managerial Personnel | : | 13.08 per cent |
| The average percentage increase for Non Managerial Staff | : | 9.16 per cent |

The average percentage increase in the salaries is primarily on account of annual fixed pay increase and promotions.

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

## ANNEXURE 7 to the Directors' Report

**Statement under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 for year ended March 31, 2019**

| Sr. No | Name of the Employee | Designation | Date of joining the Bank | Qualifications | Age | Exp. | Total (₹) | Last Employment |
|---|---|---|---|---|---|---|---|---|
| | **Persons in service for the whole year and drawing emoluments more than ₹ 1,02,00,000/- per annum**<br>**Details of top ten employees in terms of remuneration drawn** | | | | | | | |
| 1 | Aditya Puri | Managing Director | 12-Sep-94 | B.Com, CA. | 68 | 46 | 136,704,726 | Citibank |
| 2 | Kaizad M. Bharucha | Executive Director | 04-Oct-95 | B.Com | 53 | 33 | 58,778,554 | SBI Commercial & Intl. Bank Ltd. |
| 3 | Abhay Aima | Group Head | 02-Jan-95 | Grad. from National Defence Academy | 56 | 32 | 30,240,753 | INDSEC Securities & Finance Ltd. |
| 4 | Navin Puri | Group Head | 01-Feb-99 | B. Com, MBA, CA. | 60 | 36 | 28,622,181 | ANZ Grindlays Bank |
| 5 | Ashish Parthasarthy | Group Head | 01-Nov-94 | B.E., PGDM | 51 | 30 | 28,231,386 | INDSEC Investments Ltd. |
| 6 | Bhavesh Zaveri | Group Head | 13-Apr-98 | M.Com., CAIIB | 53 | 30 | 27,835,275 | Barclays Bank |
| 7 | Roli Jamthe* | Vice President | 05-Apr-11 | MBA, BSC, PGDSM | 41 | 18 | 27,810,322 | Royal Bank Of Scotland |
| 8 | Rakesh Singh | Group Head | 11-Apr-11 | MBA, BSc | 50 | 26 | 27,287,098 | Roth Child |
| 9 | Sashidhar Jagdishan | Group Head | 05-Feb-96 | B.Sc., ACA., M.A. (Economics) | 54 | 30 | 25,368,474 | Deutsche Bank |
| 10 | Nirav Shah | Group Head | 15-Jul-99 | MMS, B.Com | 47 | 24 | 24,378,499 | Global Trust Bank |
| | **Persons in service for the whole year and drawing emoluments more than ₹ 1,02,00,000/- per annum, other than above** | | | | | | | |
| 1 | Jimmy Tata | Group Head | 15-Dec-94 | B.Com., M.F.M., CFA | 52 | 31 | 23,644,770 | Apple Industries Ltd. |
| 2 | Payal Mandhyan* | Vice President | 18-Jan-05 | PGDBM | 40 | 15 | 23,610,468 | India Bulls Securities Ltd. |
| 3 | Umashankar Gopalan* | Vice President | 13-Dec-12 | B.Com | 50 | 25 | 23,366,065 | ICICI Bank |
| 4 | Harsh S Gupta* | Senior Vice President - II | 04-Sep-00 | PGDBA, B.Sc | 43 | 21 | 22,265,196 | ICICI Cap Ltd |
| 5 | Sheetal Kapadia* | Deputy Vice President | 06-May-09 | PGDMS, B.Com | 42 | 19 | 21,987,124 | ICICI Bank Ltd |
| 6 | V. Chakrapani | Group Head | 24-Nov-94 | B.Com, CAIIB, ACS | 55 | 35 | 21,078,973 | Standard Chartered Bank |
| 7 | Jay Prakash Chandrashekar* | Deputy Vice President | 05-Jul-04 | MBA, BCom | 40 | 18 | 20,395,535 | Global Trust Bank |
| 8 | Ashok Khanna | Group Head | 19-Jun-02 | MA | 62 | 38 | 20,260,375 | Centurion Bank |
| 9 | Arup Kumar Rakshit | Senior Executive Vice President | 01-Aug-06 | PGDM, BE | 50 | 27 | 20,189,197 | ABN Amro Bank |
| 10 | Ashima Khanna Bhat | Group Head | 07-Nov-94 | B. Bus, MMS | 48 | 26 | 19,804,160 | A F Ferguson & Co |
| 11 | Anupama Rajesh Munagekar | Senior Vice President - I | 14-Feb-07 | LL.B, B.Com | 51 | 27 | 19,470,007 | Strategic Capital Corporation Pvt Ltd |
| 12 | Mohammed Hannan Abdul * | Deputy Vice President | 01-Jul-09 | MBA, BSc | 39 | 16 | 19,379,266 | Barclays Bank PLC |
| 13 | Parag Rao | Group Head | 15-Apr-02 | MMS, B.E. | 53 | 30 | 19,282,132 | IBM Global Services |
| 14 | Nitin Chugh | Group Head | 16-Apr-01 | PGDM, B.TECH | 47 | 24 | 19,127,583 | Standered Chartered Bank |
| 15 | Sathyamurthy Sampath Kumar | Group Head | 07-Aug-00 | B.Com | 46 | 29 | 18,995,056 | Integrated Finance Co. Ltd. |
| 16 | Ritesh Sampat | Executive Vice President | 03-Jan-12 | CA, B.Com | 42 | 19 | 18,989,190 | Standard Chartered Bank |
| 17 | Rahul Shukla | Group Head | 01-Mar-18 | MBA, BTech | 50 | 27 | 18,788,164 | Citibank NA |
| 18 | Arvind Kapil | Group Head | 18-Dec-98 | MMS, B.E | 47 | 25 | 18,691,798 | GE Countrywide Consumer Financial Services Ltd. |
| 19 | Rajeev Wariar* | Vice President | 15-Apr-10 | PGDBA, BE | 43 | 20 | 18,635,526 | Citi Bank |
| 20 | Pallava Rathore* | Vice President | 27-Jun-08 | Master's Degree/Diploma | 43 | 18 | 18,320,767 | IDBI Bank Ltd |
| 21 | Sharad Rungta | Executive Vice President | 02-Jun-12 | CFA, CA, B.Com | 41 | 18 | 17,994,118 | Credit Suisse AG |
| 22 | Debajeet Das | Executive Vice President | 06-Aug-96 | MA | 47 | 24 | 17,933,852 | Texport syndicate |
| 23 | Ravi Santhanam | Executive Vice President | 01-Mar-17 | PG Diploma | 49 | 26 | 17,852,896 | Vodafone India |

| Sr. No | Name of the Employee | Designation | Date of joining the Bank | Qualifications | Age | Exp. | Total (₹) | Last Employment |
|---|---|---|---|---|---|---|---|---|
| 24 | Bhaskar C. Panda | Executive Vice President | 21-Nov-97 | BA | 56 | 34 | 17,658,518 | Times Bank Ltd. |
| 25 | Sharad Kourani* | Assistant Vice President | 10-Aug-08 | B.Com | 40 | 23 | 17,272,735 | HDFC Bank Ltd |
| 26 | Smita Bhagat | Group Head | 12-Jul-99 | M.Com, MBA | 53 | 31 | 17,201,384 | PDCOR Ltd. |
| 27 | V S Unnikrishnan* | Senior Vice President - I | 12-Apr-03 | MBA, BSC, PUC, SSC | 43 | 21 | 17,054,499 | Global Trust Bank Ltd |
| 28 | Veeresh Hiremath* | Assistant Vice President | 28-Apr-08 | B.Com | 37 | 13 | 17,045,111 | RAK Bank |
| 29 | Arun Mohanty | Senior Executive Vice President | 09-Nov-05 | BA | 60 | 37 | 16,908,241 | Reserve Bank Of India |
| 30 | Rajinder Babbar | Senior Executive Vice President | 16-Jan-01 | LLB, BSC, HSC, SSC | 51 | 32 | 16,789,248 | Centurion Bank Ltd |
| 31 | Reji John* | Assistant Vice President | 30-Aug-10 | PG Diploma, MA, BA | 37 | 15 | 16,761,985 | Aviva India Life Insurance Co Ltd |
| 32 | Samrat Bose | Senior Vice President - II | 17-May-02 | Master's Degree/Dip - Others, BCom | 42 | 19 | 16,757,173 | Parasmoney Investments |
| 33 | Amit Dayal | Executive Vice President | 19-Dec-94 | B.Sc., DBM | 52 | 28 | 16,692,846 | SBI Comrcl & Intl. Bank Ltd |
| 34 | Doulat Phiroze Kutar | Deputy Vice President | 18-May-10 | MA, BA | 44 | 22 | 16,643,461 | IL & FS Financial Service |
| 35 | Rajesh Kumar Rathanchand | Group Head | 22-May-00 | PGDM, B.Sc. | 47 | 30 | 16,640,105 | Trans America Apple Finance Ltd. |
| 36 | Vivek Nigam | Senior Vice President - II | 03-Apr-17 | MBA, BTech | 50 | 28 | 16,588,425 | ICICI BANK |
| 37 | Benjamin Frank | Group Head | 05-Apr-04 | MBA, B.Sc | 54 | 33 | 16,572,746 | IDBI Bank Ltd. |
| 38 | Munish Mittal | Group Head | 17-Aug-96 | PGDM, B.Sc. | 50 | 32 | 16,399,574 | Bank Of Punjab |
| 39 | Vijay Krishna Mulbagal | Senior Executive Vice President | 02-Jan-07 | PGPM, BSC, HSC, SSC | 48 | 24 | 16,186,877 | Diamond Management & Technology Consultants |
| 40 | Amit Prakash Kapadia | Deputy Vice President | 06-Sep-06 | PGDBM, MCom, BCom | 40 | 14 | 16,006,507 | Citibank N A |
| 41 | Harrish Mahadevan | Deputy Vice President | 06-Apr-11 | BCA | 35 | 14 | 15,786,047 | Citibank |
| 42 | Saroj Kumar Swain | Senior Vice President - I | 25-Aug-04 | MBA, BCom | 41 | 18 | 15,710,397 | Jaquar & Co Ltd |
| 43 | Kinjul Sharma* | Deputy Vice President | 22-Sep-08 | Master's Degree/Dip, B.Com | 37 | 14 | 15,689,831 | Citifinancial |
| 44 | Rahul Bhandari* | Vice President | 05-Feb-02 | PGDBM, B.Com | 41 | 17 | 15,678,826 | Fresher |
| 45 | Sanjay K.Singla | Executive Vice President | 10-Nov-07 | PGDM , B.Com | 59 | 37 | 15,596,339 | State Bank Of India |
| 46 | Sanmoy Chakrabarti | Senior Executive Vice President | 15-Jun-10 | MS, BSC | 43 | 20 | 15,557,357 | Bank Danamon |
| 47 | Pratap Luthra | Vice President | 13-Aug-05 | MBA, BA | 37 | 16 | 15,485,897 | ABN Amro Bank Ltd |
| 48 | Ajay Kumar Kapoor | Senior Executive Vice President | 09-Oct-95 | M.Sc. | 55 | 33 | 15,327,886 | Times Bank Ltd. |
| 49 | Raveesh Kumar Bhatia | Senior Executive Vice President | 03-May-10 | PGDM, B.Com | 53 | 28 | 15,320,547 | Fore Consultants Pvt Ltd |
| 50 | Dnyanesh Tukaram Khairnar* | Vice President | 07-May-07 | MMS, CA, BCom | 39 | 14 | 15,303,665 | ICICI Bank Ltd |
| 51 | Akshat Lakhera | Senior Vice President - I | 09-Sep-10 | PGDM, BSC | 42 | 18 | 15,079,872 | BNP Paribas |
| 52 | Ashtosh Raina | Senior Vice President - I | 03-Sep-07 | CAIIB, B.Sc. | 51 | 28 | 14,948,199 | State Bank Of India |
| 53 | Rashmi Singh | Deputy Vice President | 29-Mar-10 | MBA, BSc | 34 | 11 | 14,801,218 | Religare Macquarie Wealth Management Ltd |
| 54 | Roopesh H. Patil | Senior Vice President - I | 28-Feb-00 | MBA, BCom | 45 | 23 | 14,754,536 | Dalal & Broacha Stock Broking Pvt Ltd |
| 55 | Kapil Bansal | Senior Vice President - I | 30-Sep-04 | PGPM, B.Com | 40 | 20 | 14,606,889 | ICICI Bank Ltd. |
| 56 | Pranav Bharat Shah | Deputy Vice President | 21-Jul-11 | PGDBM, BCom | 38 | 13 | 14,367,957 | Citibank N A |

| Sr. No | Name of the Employee | Designation | Date of joining the Bank | Qualifications | Age | Exp. | Total (₹) | Last Employment |
|---|---|---|---|---|---|---|---|---|
| 57 | Silvestre Anthony Pereira | Vice President | 15-Sep-06 | MBA, PG Diploma, B.Com | 41 | 17 | 14,334,914 | UTI Bank Ltd |
| 58 | Mayuresh Vasant Apte | Executive Vice President | 06-Nov-00 | MMS, B.TECH, C.H.S.E, C.B.S.E | 49 | 26 | 14,280,377 | Centurion Bank Ltd |
| 59 | Sumant Rampal | Executive Vice President | 10-Aug-99 | MBA, B.Com | 43 | 22 | 14,255,296 | Walchnad Capital Ltd. |
| 60 | Ravi Ssn | Executive Vice President | 26-Nov-10 | B.Com | 50 | 26 | 14,253,365 | Deutsche Bank |
| 61 | Beena Shah | Vice President | 26-May-15 | MBA, BCom | 41 | 15 | 14,208,296 | Kotak Mahindra Bank |
| 62 | Rheetu Karthik* | Vice President | 15-Mar-05 | MBA, MA, BA | 47 | 21 | 14,147,399 | MetLife India Insurance Co Ltd |
| 63 | Mathew Varghese* | Assistant Vice President | 15-Jul-10 | MMS, BE | 40 | 17 | 14,115,715 | Citibank |
| 64 | Vitthal Mangesh Kulkarni | Senior Vice President - II | 22-Sep-07 | M.Sc., BE | 47 | 25 | 14,050,562 | Barclays Capital |
| 65 | Suresh Babu Agadkar* | Assistant Vice President | 08-Jan-11 | MBA, BCom | 43 | 22 | 13,995,309 | M/s Centrum Capital Ltd |
| 66 | Sheetal Garg | Deputy Vice President | 05-Sep-11 | MMS, BCom | 40 | 14 | 13,994,751 | DBS Bank Ltd |
| 67 | Vikas Rathore | Deputy Vice President | 16-Jun-08 | MMS, BTech | 35 | 11 | 13,973,943 | Fresher |
| 68 | Charmaine Pereira | Senior Vice President - II | 01-Nov-94 | DBM, BA | 46 | 24 | 13,952,819 | Fresher |
| 69 | Resham A. Mahtani | Senior Vice President - I | 01-May-01 | PGPIM, PGDBM, BA | 43 | 21 | 13,860,372 | Mecklai Financial & Commercial Services Ltd. |
| 70 | Jay Sonawala | Senior Vice President - II | 12-Aug-99 | MMS, B.Com, HSC, I.C.S.E | 42 | 20 | 13,843,873 | Fresher |
| 71 | Sitaram R. Reddy | Deputy Vice President | 01-Dec-11 | MBA, BSc | 39 | 15 | 13,733,395 | Brics Securities Ltd |
| 72 | Madhusoodan Hegde | Senior Executive Vice President | 11-Feb-97 | CAIIB, B.Sc. | 57 | 34 | 13,689,214 | Times Bank Ltd. |
| 73 | Sowjanya Lakshmi Koppineedi | Deputy Vice President | 11-May-05 | MBA, BCom | 36 | 15 | 13,671,802 | JM Morgan Stanley Financial Services Pvt Ltd |
| 74 | Dolreich D'Mello* | Deputy Vice President | 09-Jan-97 | B.Com | 43 | 22 | 13,618,745 | ANZ Grindlays Bank |
| 75 | Niloy Dey | Deputy Vice President | 01-Apr-05 | CFA, MBA, BCom | 43 | 15 | 13,248,278 | ING Vysya Financial Services Ltd |
| 76 | N. Srinivasan | Senior Executive Vice President | 11-Nov-96 | CA, CWA, CS., B.Com | 51 | 29 | 13,240,556 | Credential Finance |
| 77 | Atul Sadashiv Barve | Senior Executive Vice President | 28-Feb-07 | MMS, MA, B.Sc | 55 | 35 | 13,206,373 | IDBI Bank Ltd |
| 78 | Gourab Roy | Executive Vice President | 01-Mar-96 | MCom, BCom | 52 | 26 | 13,198,944 | UTI Bank Ltd |
| 79 | Ameya Shekhar Shenoy | Senior Vice President - I | 20-Mar-06 | MBA, CA, B.Com | 39 | 15 | 13,196,926 | Tionale Enterprises Pvt Ltd |
| 80 | Anil Bhavnani | Senior Executive Vice President | 16-Jun-03 | CS, B.Com | 45 | 25 | 13,170,409 | CitiCorp Finance I Ltd. |
| 81 | Steven Noronha* | Deputy Vice President | 19-Jul-11 | B.Com | 43 | 11 | 13,103,396 | Al Maha Financial Services Ltd |
| 82 | Satyabrata Sahoo | Assistant Vice President | 07-Aug-06 | MBA, BSc | 43 | 16 | 13,031,110 | Way 2 Wealth Securities Pvt Ltd |
| 83 | Benson Benadict | Deputy Vice President | 27-Nov-13 | MBA, BTech | 39 | 14 | 13,010,945 | Standard Chartered Bank |
| 84 | Brijesh Prabhakar | Deputy Vice President | 31-Oct-11 | MBA, BE | 39 | 15 | 12,889,130 | Citibank |
| 85 | Rajesh Sharma | Senior Vice President - II | 15-Nov-00 | CA, CS, B.Com | 43 | 25 | 12,881,821 | LCC Infotech Ltd |
| 86 | Sundaresan M. | Senior Executive Vice President | 02-May-02 | BE (Mechanical), PSG, MBA | 47 | 25 | 12,865,027 | GE Countrywide Consumer Financial Services Ltd. |
| 87 | Nishant Nangia* | Deputy Vice President | 04-Apr-05 | B.Com | 37 | 16 | 12,798,375 | E-Serve International Ltd |
| 88 | Sitanshu Mitra | Senior Executive Vice President | 01-Sep-95 | MBA, B.Sc | 51 | 31 | 12,738,421 | ABN Amro Bank Ltd. |
| 89 | Mohammed Mansoor Azher* | Deputy Vice President | 10-Feb-03 | MBA, BCom | 40 | 16 | 12,706,162 | Fresher |

| Sr. No | Name of the Employee | Designation | Date of joining the Bank | Qualifications | Age | Exp. | Total (₹) | Last Employment |
|---|---|---|---|---|---|---|---|---|
| 90 | Lavesh K Sardana | Executive Vice President | 31-Jul-00 | PG Diploma - Others, PGDBM, BCom | 44 | 23 | 12,680,931 | GE Countrywide Consumer Financial Services Ltd. |
| 91 | Nitish Nagori | Executive Vice President | 01-Jun-10 | PG Diploma - Others, BSc | 48 | 16 | 12,340,036 | ICICI Bank Ltd |
| 92 | Aditya Dhananjai Kumat | Senior Manager | 01-Jun-12 | MBA, BTech | 30 | 7 | 12,001,510 | Fresher |
| 93 | Abheek Barua | Executive Vice President | 16-Feb-15 | M.Sc | 52 | 31 | 11,988,982 | ICRIER |
| 94 | Chandramoulee Palani | Senior Vice President - II | 16-Jun-17 | MBA, BTech | 41 | 18 | 11,825,648 | Credit Agricole |
| 95 | Anurag Pathak | Senior Vice President - I | 29-Oct-12 | PG Diploma - Others, BCom | 45 | 20 | 11,793,316 | BNP Paribas |
| 96 | Satish Chandra | Senior Vice President - I | 16-Dec-04 | B.Com | 51 | 29 | 11,656,292 | Global Trust Bank (Merged into Oriental Bank of Commerce) |
| 97 | Dhruven Subodhchandra Shah* | Assistant Vice President | 02-Jul-15 | BE | 45 | 8 | 11,650,754 | First Wealth |
| 98 | Rajeev Sengupta | Senior Executive Vice President | 21-Sep-07 | PG (Gen Mgmt), BE | 58 | 36 | 11,642,341 | Hutchison Essar Ltd |
| 99 | Sudhir Sreekumaran* | Assistant Vice President | 07-Jul-13 | B.Com | 42 | 15 | 11,634,715 | Citi Bank N-A |
| 100 | Venkatraman Balan Iyer | Executive Vice President | 02-Sep-00 | PG Diploma - Others, BCom | 52 | 32 | 11,586,559 | American Express Bank Ltd |
| 101 | B. P. Tikekar | Senior Executive Vice President | 30-Aug-95 | B.Com | 56 | 36 | 11,580,234 | New Ind Co-Op Bank Ltd |
| 102 | Deepak Kumar Mohanty | Senior Executive Vice President | 24-Dec-03 | MSc, MBA, BSc | 55 | 26 | 11,557,470 | ICICI Bank Ltd |
| 103 | Gaurav Khandelwal | Senior Vice President - II | 17-May-05 | PG Diploma - Others, BE | 40 | 14 | 11,485,665 | IDBI Bank Ltd |
| 104 | Prashant Mehra | Senior Executive Vice President | 28-Dec-98 | MMS, PGDBM, BE | 47 | 25 | 11,476,148 | Maruti Countrywide Auto Financial Services Ltd |
| 105 | Sharad Vijay Goenka | Senior Vice President - II | 27-Jan-11 | CA, BCom | 40 | 16 | 11,464,603 | HSBC |
| 106 | Rohit Pathrabe* | Deputy Vice President | 16-Apr-07 | BE | 41 | 19 | 11,436,981 | HSBC |
| 107 | Sanjay Desai | Executive Vice President | 17-Sep-96 | BSc | 52 | 29 | 11,392,931 | IIT Corporate Service Ltd |
| 108 | Arun Mediratta | Executive Vice President | 05-May-98 | MBA, MA, BA | 51 | 29 | 11,366,946 | Punjab & Sind Bank |
| 109 | Ajit Cherian Kuruvilla | Senior Vice President - II | 23-Aug-99 | Diploma (3-yr Diploma), CA, BCom | 51 | 26 | 11,355,814 | Global Trust Bank |
| 110 | Neeraj Chawla | Senior Vice President - II | 06-Jan-14 | CA, BCom | 42 | 17 | 11,289,067 | CITI Bank |
| 111 | Naresh Chandiramani* | Deputy Vice President | 07-Jul-10 | B.Com | 48 | 17 | 11,242,897 | Citibank |
| 112 | Anand Dusane | Executive Vice President | 01-Jan-96 | CAIIB, MCom, BCom | 46 | 26 | 11,230,143 | State Bank Of Travancore |
| 113 | Vaibhav Jain | Deputy Vice President | 01-Sep-07 | MBA, BCom | 41 | 17 | 11,210,809 | ABN Amro Bank Ltd N.V. |
| 114 | C K Srinivasan* | Deputy Vice President | 01-Sep-16 | BSc | 52 | 32 | 11,147,715 | National Bank of Abu Dhabi |
| 115 | Tarunendra Balram Lachhwani | Deputy Vice President | 17-Jul-12 | MMS, BCom | 37 | 15 | 11,124,072 | Religare Macquarie Wealth Management Ltd |
| 116 | Ahmed Abdulqawi Al Jneibi* | Senior Manager | 18-Oct-17 | BBA | 36 | 6 | 11,103,954 | Tourism Development and Investment Company |
| 117 | Sanjay D Souza | Executive Vice President | 01-Dec-99 | MMS, BE | 52 | 30 | 11,068,492 | Nucleus Securities Ltd |
| 118 | Sammeer Saurabbh | Executive Vice President | 16-Jan-16 | BSc | 51 | 25 | 11,059,578 | DAIWA CAPITAL MARKETS INDIA PVT LTD |
| 119 | Amol Padhye | Senior Vice President - II | 01-Jul-17 | CA, BCom | 38 | 15 | 11,016,870 | Ernst & Young LLP |
| 120 | Winifred Bhatia | Senior Vice President - II | 16-Oct-95 | MMS, MCom, BCom | 53 | 27 | 10,981,692 | Nagarjuna Finance Ltd |
| 121 | Faisal Ikbal Sara | Senior Vice President - II | 05-Dec-01 | PGDBM, Diploma (3-yr Diploma), BCom | 46 | 26 | 10,975,494 | American Express Bank Ltd |
| 122 | Santhosh Machangada Medappa | Senior Vice President - II | 20-Nov-03 | Others, MBA, BSc | 45 | 17 | 10,952,529 | ICICI Home Finanace Co Ltd |
| 123 | Sameer Ratolikar | Executive Vice President | 09-Jan-15 | CISA, BE | 47 | 26 | 10,945,146 | Bank of India |

| Sr. No | Name of the Employee | Designation | Date of joining the Bank | Qualifications | Age | Exp. | Total (₹) | Last Employment |
|---|---|---|---|---|---|---|---|---|
| 124 | Harish Kushalchand Parakh | Assistant Vice President | 20-Dec-11 | PGDBM, BCom | 37 | 14 | 10,941,748 | Barclays Bank PLC |
| 125 | Prashanth Ts | Senior Vice President - II | 16-Jun-00 | PG Diploma - Others, Bachelors Degree - Other | 42 | 19 | 10,918,952 | Fresher |
| 126 | Gagan Salil Malik* | Assistant Vice President | 26-Jun-16 | B.Com | 36 | 15 | 10,908,560 | Standard Chartered Bank |
| 127 | Rajeev Kumar | Senior Vice President - II | 28-Apr-03 | PG Diploma - Others, BSc | 47 | 25 | 10,873,097 | CitiFinancial Retail Services India Ltd |
| 128 | Kishan Ghanshani* | Assistant Vice President | 22-May-16 | B.Com | 47 | 22 | 10,820,619 | Noor Bank |
| 129 | Bardan Sharma | Senior Vice President - II | 23-Nov-11 | Master's Degree/Dip - Others, BCom | 44 | 19 | 10,736,348 | Diageo India Pvt Ltd |
| 130 | Sumedha Malik | Deputy Vice President | 30-Mar-05 | MA, BA | 39 | 14 | 10,695,451 | Kotak Mahindra Old Mutul Life Insurance Co Ltd |
| 131 | Pinal K. Shah | Senior Vice President - II | 01-Jun-98 | CFA, MBA, BE | 50 | 25 | 10,626,166 | Interface Fianancial Services Ltd |
| 132 | Prem Chand | Executive Vice President | 13-Aug-07 | BA | 59 | 42 | 10,601,416 | UTI Bank Ltd |
| 133 | Deepak Narsinh Shinde | Senior Vice President - II | 08-Feb-03 | B.Com | 51 | 31 | 10,586,419 | Centurion Bank Ltd |
| 134 | Faishal Khan* | Deputy Vice President | 10-Aug-06 | PGDBA, BCom | 38 | 16 | 10,580,224 | ICICI Bank Ltd |
| 135 | Bharat Badhwar | Senior Vice President - II | 28-Sep-02 | BA | 46 | 25 | 10,572,638 | Bharti Telenet Ltd |
| 136 | Unmesh Sharma | Senior Vice President - I | 04-Dec-17 | CFA, MBA, BE | 38 | 15 | 10,555,824 | Macquarie Capital Securities |
| 137 | Nasir Khan | Executive Vice President | 14-Nov-11 | MA, BA | 49 | 23 | 10,545,319 | BNY Mellon (India), Pune |
| 138 | Abhishek Bhagat | Senior Vice President - I | 28-Sep-16 | MBA, BCom | 43 | 20 | 10,531,637 | Chryseum Advisors LLP |
| 139 | Ramnath Raikar | Executive Vice President | 16-Mar-98 | BA | 57 | 38 | 10,505,143 | Lloyds Fianance Ltd |
| 140 | Priyanka Bakshi | Senior Vice President - I | 26-Mar-04 | BA | 40 | 19 | 10,474,720 | CitiFinancial India Ltd |
| 141 | Vasudevan Venkatadri | Executive Vice President | 26-Oct-06 | MBA, BCom | 50 | 27 | 10,423,127 | Al-Rajhi Banking & Investment Corporation |
| 142 | Anand Sankararaman | Executive Vice President | 03-Mar-00 | PGDBA, BE | 45 | 24 | 10,365,886 | P&O Nedlloyd (I) Pvt Ltd |
| 143 | Vijapurapu Sundar | Executive Vice President | 20-Feb-15 | Master's Degree/Dip - Others, BCom | 52 | 32 | 10,287,904 | ICICI Bank |
| 144 | Ashish Bains | Senior Vice President - I | 24-Mar-08 | MBA, Diploma (3-yr Diploma), BBA | 41 | 18 | 10,264,377 | CRISIL Ltd |
| 145 | Sandeep Bansal | Deputy Vice President | 20-Jan-11 | PGDBA, BBA | 41 | 16 | 10,260,940 | RBS Bank |
| 146 | Ganesh Babu M | Senior Manager | 15-May-13 | PG Diploma, BE | 29 | 6 | 10,239,567 | Fresher |
| | **Employed for part of the year** | | | | | | | |
| 147 | Paresh Sukthankar | Deputy Managing Director | 01-Sep-94 | B.Com, M.M.S, A.M.P (Harvard Business School) | 56 | 33 | 63,343,845 | Citibank |
| 148 | Ravi Narayan | Group Head | 03-May-99 | MBA, B.TECH | 50 | 25 | 17,085,352 | Bank of America |
| 149 | Neil Percy Francisco | Group Head | 20-May-02 | MBA, M.Sc., BE | 57 | 30 | 15,707,641 | Standard Chartered Bank |
| 150 | Sukarm Bali* | Senior Vice President - I | 23-Jul-99 | CA, B.Com | 52 | 27 | 14,872,556 | Dresdner Bank |
| 151 | Harpuneet Singh | Executive Vice President | 10-Apr-18 | Others, CA | 45 | 20 | 14,802,174 | HSBC Commercial Banking |
| 152 | Fayaz Ainodin Patel* | Deputy Vice President | 02-Aug-10 | MBA, B.Com | 39 | 12 | 12,902,206 | Sharekhan Ltd |
| 153 | Abhishek Bhuwalka | Senior Vice President - I | 10-Jun-99 | MBA, CWA, B.Com | 42 | 23 | 12,104,938 | Matchless Packaging |
| 154 | Manu Joseph* | Deputy Vice President | 13-Nov-11 | MMS, BE | 41 | 17 | 11,767,391 | Citibank |
| 155 | Maheswara P Reddy | Senior Vice President - II | 06-May-02 | MBA, BA | 47 | 23 | 11,576,370 | American Express Bank Ltd |
| 156 | Jagat Dave | Senior Vice President - II | 02-May-18 | MMS, ICWA, BCom | 51 | 26 | 11,194,933 | Ambit Private Ltd |
| 157 | Arvind Vohra | Group Head | 12-Sep-18 | PG Diploma - Others, BE | 47 | 24 | 10,688,522 | Vodafone India Ltd |
| 158 | K. Chandrasekhar | Senior Vice President - II | 30-Aug-95 | BSC | 51 | 30 | 10,620,810 | Citibank |
| 159 | Mahesh Kumar Jugal Kishoretaparia | Senior Vice President - I | 11-Jun-05 | LLB, CS, CA, B.Com | 41 | 17 | 10,527,144 | UTI Bank Ltd |

| Sr. No | Name of the Employee | Designation | Date of joining the Bank | Qualifications | Age | Exp. | Total (₹) | Last Employment |
|---|---|---|---|---|---|---|---|---|
| 160 | Sharad Bishnoi | Executive Vice President | 09-Aug-04 | CAIIB | 53 | 31 | 10,142,795 | Zensar Technologies Ltd |
| 161 | Vinay Razdan | Group Head | 06-Sep-18 | MBA | 52 | 31 | 10,056,798 | Vodafone Idea Ltd |
| 162 | Pushkar Raghavan Surendran | Deputy Vice President | 11-Jan-11 | MBA, BCom | 39 | 16 | 9,762,948 | HSBC |
| 163 | Priyanshu Gaurav | Deputy Vice President | 15-May-06 | Master's Degree/Diploma | 38 | 13 | 8,969,948 | Fresher |
| 164 | Philip Mathew | Group Head | 03-Apr-02 | MA, B.Sc. | 56 | 29 | 8,478,082 | SSKI Investor Services Pvt Ltd |
| 165 | Thomson Jose | Executive Vice President | 01-Dec-99 | PG Diploma - Others, BCom | 44 | 22 | 8,402,475 | Esanda Finance & Leasing Ltd |
| 166 | K. Manohara Raj | Senior Executive Vice President | 06-Dec-96 | CAIIB, B.Com | 61 | 38 | 7,883,798 | Punjab National Bank |
| 167 | Saurabh Jain | Senior Vice President - II | 02-Jul-18 | CA, BCom | 42 | 19 | 7,658,163 | STANDARD CHARTERED BANK |
| 168 | Sai Venkatramana Kosuri | Senior Vice President - I | 27-Apr-05 | LLB, Bcom | 48 | 25 | 7,470,260 | GE Countrywide Consumer Financial Services Ltd |
| 169 | Navneet Singh | Senior Vice President - II | 16-Aug-18 | MBA, BTech | 47 | 26 | 7,199,768 | Avendus Capital Private Limited |
| 170 | Ankush Pitale | Executive Vice President | 28-Jul-14 | MMS | 46 | 22 | 6,721,715 | Religare Capital Markets Pvt. Limited |
| 171 | Kartik Hirachand Nagda | Senior Vice President - II | 29-Nov-04 | MBA, BSc | 43 | 17 | 6,531,699 | GE Countrywide Consumer Financial Services Ltd |
| 172 | Ramen Raymandal | Senior Vice President - II | 10-Aug-16 | PGDBM | 50 | 24 | 5,551,939 | Kotak Mahindra Capital Company (Subsidiary of Kotak Mahindra Bank Ltd.) |
| 173 | Venkatesh Krishnan | Executive Vice President | 27-Sep-18 | CA - 93, B.Com - 88 | 51 | 28 | 5,224,882 | HSBC |
| 174 | Srinivasan Vaidyanathan | Group Head | 01-Dec-18 | MBA, FCA, FCMA, Lic ICSI, FAIA (UK), CMA (USA) | 55 | 31 | 5,099,160 | Citibank |
| 175 | Venkateswaran L | Executive Vice President | 12-Nov-18 | MBA, BTech | 49 | 24 | 4,219,272 | Citibank |
| 176 | Sudesh Puthran | Executive Vice President | 28-Dec-15 | Master's Degree/Dip - Others, BE | 49 | 26 | 3,578,233 | CIBIL |
| 177 | Sanjay Dongre | Executive Vice President | 02-May-95 | B.Com, ACS, CWAINT, LL.B. | 60 | 36 | 3,570,692 | Boehringer Mannheim Ltd |
| 178 | Deepam Sanghi | Senior Vice President - II | 10-Jul-17 | PGDBM, BTech | 44 | 21 | 2,095,382 | Rothschild (India) Private Limited |
| 179 | Nagarajan Chandran | Executive Vice President | 11-Jan-19 | Master's Degree/Dip - Others, BSc | 47 | 13 | 2,014,548 | Bajaj Auto finance |
| 180 | Sonit Singh | Senior Vice President - I | 05-Mar-18 | PG Diploma - Others, MBA, BCom | 40 | 14 | 1,927,370 | Standard Chartered Bank |
| 181 | Ajay Pancholi | Senior Vice President - II | 18-Feb-19 | CA, BCom | 47 | 23 | 1,376,119 | Edelweiss Financial Services Ltd |

**Notes:**

1. Remuneration shown above includes basic salary, allowances, performance bonus, cash allowances in lieu of perquisites or taxable value of perquisites, if availed as computed as per Income-tax rules but excludes gratuity,PF settlement, super annuation settlement, perquisite on ESOP & super annuation perquisite
2. All appointments are terminable by one / three month's notice as the case may be on either side.
3. The above list does not include employees sent on deputation whose salary is reimbursed by the other company.
4. *Employee in overseas location
5. None of the employees listed above hold 2% or more of the paid-up share capital of the Bank as at March 31, 2019.
6. Other than Mr. Aditya Puri, Managing Director who holds 0.14% of the paid up share capital of the Bank, the shareholding of the employees listed above does not exceed 0.05% of the paid up share capital of the Bank as at March 31, 2019.
7. None of the employees listed above is a relative of any director of the Bank.

## ANNEXURE 8 to the Directors' Report

**Form No. MR-3**

**SECRETARIAL AUDIT REPORT**

For the financial year ended 31st March 2019

[Pursuant to section 204 (1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To

**The Members**

**HDFC Bank Limited**

HDFC Bank House,

Senapati Bapat Marg,

Lower Parel (West),

Mumbai - 400 013

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to corporate practices by **HDFC Bank Limited** (hereinafter called the 'Bank') for the audit period covering the financial year from 01st April 2018 to 31st March 2019 ('the audit period'). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing our opinion thereon.

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

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Bank for the financial year ended on 31st March, 2019 according to the provisions of:

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

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

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

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

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

- (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
- (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- (g) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- (h) The Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992;
- (i) The Securities and Exchange Board of India (Bankers to an Issue) Regulations, 1994;
- (j) The Securities and Exchange Board of India (Foreign Portfolio Investors)Regulations,2014;

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

We have also examined compliance with the applicable clauses of the Secretarial Standards issued by The Institute of Company Secretaries of India related to Board meetings and General Meetings;

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

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

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

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

(iii) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment;

**We further report that-**

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

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

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

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

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

a) Pursuant to the approval of the Board of Directors of the Bank and shareholders of the Bank vide their resolutions dated December 20, 2017 and January 19, 2018 respectively, the Share Allotment Committee of the Bank at its meeting held on July 17, 2018 allotted 3,90,96,817 Equity Shares of face value of ₹ 2/- each to Housing Development Finance Corporation Limited on a preferential basis, at a price ₹ 2,174.09 per Equity Share (including a share premium of ₹ 2,172.09 per Equity Share), aggregating to ₹ 84,99,99,98,871.53 (Rupees Eight Thousand Four Hundred and Ninety Nine Crore Ninety Nine Lakhs Ninety Eight Thousand Eight Hundred and Seventy One and Paise Fifty Three only).

b) Pursuant to the approval of the Board of Directors of the Bank and shareholders of the Bank vide their resolutions dated December 20, 2017 and January 19, 2018 respectively, the Share Allotment Committee of the Bank at its meeting held on August 2, 2018 allotted 1,28,47,222 Equity Shares of face value of ₹ 2/- each to eligible Qualified Institutional Buyers, at a price ₹ 2,160 per Equity Share (including a share premium of ₹ 2,158 per Equity Share), aggregating to ₹ 27,74,99,99,520 (Rupees Two Thousand Seven Hundred and Seventy Four Crore Ninety Nine Lakhs Ninety Nine Thousand Five Hundred and Twenty only)

c) Pursuant to the approval of the Board of Directors of the Bank and shareholders of the Bank vide their resolutions dated December 20, 2017 and January 19, 2018 respectively, the Share Allotment Committee of the Bank at its meeting held on August 2, 2018 allotted 5,25,00,000 Equity Shares of face value of ₹ 2/- each in favour of JP Morgan Chase Bank, N.A. as Depository, which are represented by 1,75,00,000 American Depository Receipts (ADRs), at a price USD 104 per ADR, with each ADR representing three underlying Equity Shares of the Bank.

d) Pursuant to the Board Resolution dated April 21, 2018 and Circular Resolution Nos. 24/2018-19 and 27/2018-19 dated November 23, 2018 and December 11, 2018, passed by the Board of Directors ("Board"), the Bank has allotted on a private placement basis 8.44% Unsecured, Redeemable Long Term, Fully Paid-up, Non-Convertible Bonds in the nature of Debentures amounting to ₹ 6000 Crore (60,000 Bonds of face value ₹ 10,00,000/- each) on December 28, 2018.

e) SEBI had, vide its Directions dated February 23, 2018, came to prima facie inference that the Unpublished Price Sensitive Information relating to financials of the Bank for the first quarter of 2017-18 was leaked due to inadequacy of the processes, controls, systems put in place by the Bank to prohibit insider trading and hence, inter alia, directed the Bank to strengthen the same so that the same do not recur in the future and to conduct an internal inquiry into the said leakage and take action against those responsible for the same. Further, SEBI had directed the Bank to complete the inquiry within a period of three months from the date of the SEBI Directions and thereafter file a report with SEBI within seven days thereof. The Bank has submitted the requisite information and reports to SEBI within the prescribed timelines. There is no further update in this regard.

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

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

Place: Mumbai
Date: 22nd May 2019

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

**Annexure A**

To
**The Members,**
**HDFC Bank Limited,**

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

1. The compliance of provisions of all laws, rules, regulations, standards applicable to HDFC Bank Limited (hereinafter called 'the Bank') is the responsibility of the management of the Bank. Our examination was limited to the verification of records and procedures on test check basis for the purpose of issue of the Secretarial Audit Report.
2. Maintenance of secretarial and other records of applicable laws is the responsibility of the management of the Bank. Our responsibility is to issue Secretarial Audit Report, based on the audit of the relevant records maintained and furnished to us by the Bank, along with explanations where so required.
3. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial and other legal records, legal compliance mechanism and corporate conduct. The verification was done on test check basis to ensure that correct facts as reflected in secretarial and other records produced to us. We believe that the processes and practices we followed, provides a reasonable basis for our opinion for the purpose of issue of the Secretarial Audit Report.
4. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Bank.
5. Wherever required, we have obtained the management representation about list of applicable laws, compliance of laws, rules and regulations and major events during the audit period.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the Bank nor of the efficacy or effectiveness with which the management has conducted the affairs of the Bank.

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

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

Place: Mumbai
Date: 22nd May 2019

# INDEPENDENT AUDITOR'S REPORT

## To the Members of HDFC Bank Limited

## Report on the Audit of the Standalone Financial Statements

**Opinion**

We have audited the accompanying standalone financial statements of HDFC Bank Limited ("the Bank"), which comprise the Balance sheet as at March 31, 2019, the Profit and Loss Account, the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 ("the Act") in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2019, its profit and its cash flows for the year ended on that date.

**Basis for Opinion**

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Standalone Financial Statements' section of our report. We are independent of the Bank in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements for the financial year ended March 31, 2019. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the "Auditor's Responsibilities for the Audit of the Standalone Financial Statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the standalone financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying standalone financial statements.

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2"><u>Identification of Non-performing advances and provisioning of advances:</u></td></tr>
<tr><td>
Advances constitute a significant portion of the Bank's assets and the quality of these advances is measured in terms of ratio of Non-Performing Advances ("NPA") to the gross advances of the Bank. The Bank's net advances constitute 65.84 % of the total assets and the gross NPA ratio of the Bank is 1.36% as at March 31, 2019.
The Reserve Bank of India's ("RBI") guidelines on Income recognition and asset classification ("IRAC") prescribe the prudential norms for identification and classification of NPAs and the minimum provision required for such assets. The Bank is also required to apply its judgement to determine the identification and provision required against NPAs by applying quantitative as well as qualitative factors. The risk of identification of NPAs is affected by factors like stress and liquidity concerns in certain sectors.
The provisioning for identified NPAs is estimated based on ageing and classification of NPAs, recovery estimates, value of security and other qualitative factors and is subject to the minimum provisioning norms specified by RBI.
Additionally, the Bank makes provisions on exposures that are not classified as NPAs including advances in certain sectors and identified advances or group advances that can potentially slip into NPA. These are classified as contingency provisions.
The Bank has detailed its accounting policy in this regard in Schedule 17- Significant accounting policies under note C- 2 Advances.
Since the identification of NPAs and provisioning for advances require significant level of estimation and given its significance to the overall audit, we have ascertained identification and provisioning for NPAs as a key audit matter.
</td><td>
The audit procedures performed, among others, included:
- Considering the Bank's policies for NPA identification and provisioning and assessing compliance with the IRAC norms.
- Understanding, evaluating and testing the design and operating effectiveness of key controls (including application controls) around identification of impaired accounts based on the extant guidelines on IRAC.
- Performing other procedures including substantive audit procedures covering the identification of NPAs by the Bank. These procedures included:
- Considering testing of the exception reports generated from the application systems where the advances have been recorded.
- Considering the accounts reported by the Bank and other Banks as Special Mention Accounts ("SMA") in RBI's central repository of information on large credits (CRILC) to identify stress.
- Reviewing account statements and other related information of the borrowers selected based on quantitative and qualitative risk factors.
- Performing inquiries with the credit and risk departments to ascertain if there were indicators of stress or an occurrence of an event of default in a particular loan account or any product category which need to be considered as NPA. Examining the early warning reports generated by the Bank to identify stressed loan accounts.
- Holding specific discussions with the management of the Bank on sectors where there is perceived credit risk and the steps taken to mitigate the risks to identified sectors.
With respect to provisioning of advances, we performed the following procedures:
- Gained an understanding of the Bank's process for provisioning of advances.
- Tested on a sample basis the calculation performed by the management for compliance with RBI regulations and internally laid down policies for provisioning.
- For loan accounts, where the Bank made provisions which were not classified as NPA, we reviewed the Bank's assessment for these provisions.
</td></tr>
</table>

| | |
|---|---|
| **Evaluation of open tax litigations (Direct and Indirect Tax)** | |
| The Bank has material open tax litigations including matters under dispute which involve significant judgment to determine the possible outcome of these disputes.<br><br>Since the assessment of these open tax litigations requires significant level of judgement, we have included this as a key audit matter. | - Gained an understanding of the Bank's process for determining tax liabilities and the tax provisions.<br>- Involved direct and indirect tax specialists to understand the evaluation of likelihood and level of liability for significant tax risks after considering legal precedence, other rulings and new information in respect of open tax positions as at reporting date.<br>- Agreed underlying tax balances to supporting documentation, including correspondence with tax authorities.<br>- Assessed the disclosures within the standalone financial statements in this regard. |
| **Information Technology ("IT") Systems and Controls** | |
| The reliability and security of IT systems plays a key role in the business operations of the Bank. Since large volume of transactions are processed daily, the IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner. These systems also play a key role in the financial accounting and reporting process of the Bank.<br><br>Due to the pervasive nature and complexity of the IT environment we have ascertained IT systems and controls as a key audit matter. | - For testing the IT general controls, application controls and IT dependent manual controls, we involved IT specialists as part of the audit. The team also assisted in testing the accuracy of the information produced by the Bank's IT systems.<br>- Tested the design and operating effectiveness of the Bank's IT access controls over the information systems that are critical to financial reporting. We tested IT general controls (logical access, change management and aspects of IT operational controls). This included testing that requests for access to systems were appropriately reviewed and authorized.<br>- Tested the Bank's periodic review of access rights. We inspected requests of changes to systems for appropriate approval and authorisation. We considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to the audit.<br>- In addition to the above, the design and operating effectiveness of certain automated controls that were considered as key internal controls over financial reporting were tested.<br>- Tested compensating controls and performed alternate procedures, where necessary. In addition, understood where relevant, changes made to the IT landscape during the audit period and tested those changes that had a significant impact on financial reporting. |

**Information Other than the Standalone Financial Statements and Auditor's Report Thereon**

The Bank's Board of Directors is responsible for the other information. The other information received by us comprises the information included in the Basel III - Pillar 3 disclosures and graphical representation of financial highlights (but does not include the financial statements and our auditor's reports thereon), which we obtained prior to the date of this auditor's report, and Annual Report, which is expected to be made available to us after that date.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether such other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those Charged with Governance.

**Responsibilities of Management and those Charged with Governance for the Standalone Financial Statements**

The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank and guidelines and directions issued by Reserve Bank of India from time to time.

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

In preparing the standalone financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are also responsible for overseeing the Bank's financial reporting process.

**Auditor's Responsibilities for the Audit of the Standalone Financial Statements**

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those Charged with Governance, we determine those matters that were of most significance in the audit of the standalone financial statements for the financial year ended March 31, 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Other Matter**

The comparative financial statements of the Bank for the corresponding year ended March 31, 2018 were audited by a predecessor auditor who expressed an unmodified opinion on those financial statements on April 21, 2018.

**Report on Other Legal and Regulatory Requirements**

1. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.
2. As required by sub section (3) of section 30 of the Banking Regulation Act, 1949 , 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. The financial accounting systems of the Bank are centralized and therefore, accounting returns for the purpose of preparing standalone financial statements are not required to be submitted by its branches; we have visited 237 branches for the purpose of our audit.

3. As required by Section 143(3) of the Act, we report that:

   a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

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

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

   d. In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the accounting policies prescribed by RBI;

   e. On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164(2) of the Act;

   f. With respect to the adequacy of the internal financial controls over financial reporting of the Bank with reference to these standalone financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 1" to this report;

   g. In our opinion, the entity being a banking company, the remuneration to whole-time directors during the year ended March 31, 2019 has been paid by the Bank in accordance with the provisions of Section 35B(1) of the Banking Regulation Act, 1949; and

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

      i. The Bank has disclosed the impact of pending litigations on its financial position in its standalone financial statements - Refer Note C17 of Schedule 17, Note 16 (d) of Schedule 18 and Schedule 12 - Contingent liabilities in the standalone financial statements;

      ii. The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer Note C17 of Schedule 17, Note 10 and 16 (d) of Schedule 18 forming part of the standalone financial statements; and

      iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.

**For S. R. Batliboi & Co. LLP**
Chartered Accountants
Firm's Registration No.: 301003E/E300005

per Sudhir Soni
Partner
Membership No.: 41870

Mumbai
April 20, 2019

# ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF HDFC BANK LIMITED

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

To the Members of HDFC Bank Limited

We have audited the internal financial controls over financial reporting of HDFC Bank Limited ("the Bank") as of March 31, 2019 in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

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

**Auditor's Responsibility**

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

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

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

**Meaning of Internal Financial Controls Over Financial Reporting**

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

### Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

### Opinion

In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For S. R. Batliboi & Co. LLP**
Chartered Accountants
Firm's Registration No.: 301003E/E300005

per Sudhir Soni
Partner
Membership No.: 41870

Mumbai
April 20, 2019

# BALANCE SHEET

## As at March 31, 2019

₹ in '000

| | Schedule | As at 31-Mar-19 | As at 31-Mar-18 |
|---|---|---|---|
| **CAPITAL AND LIABILITIES** | | | |
| Capital | 1 | **5,446,613** | 5,190,181 |
| Reserves and surplus | 2 | **1,486,616,908** | 1,057,759,776 |
| Deposits | 3 | **9,231,409,284** | 7,887,706,396 |
| Borrowings | 4 | **1,170,851,238** | 1,231,049,700 |
| Other liabilities and provisions | 5 | **551,082,863** | 457,637,181 |
| | **Total** | **12,445,406,906** | 10,639,343,234 |
| **ASSETS** | | | |
| Cash and balances with Reserve Bank of India | 6 | **467,636,184** | 1,046,704,730 |
| Balances with banks and money at call and short notice | 7 | **345,840,208** | 182,446,097 |
| Investments | 8 | **2,905,878,784** | 2,422,002,416 |
| Advances | 9 | **8,194,012,167** | 6,583,330,908 |
| Fixed assets | 10 | **40,300,043** | 36,072,045 |
| Other assets | 11 | **491,739,520** | 368,787,038 |
| | **Total** | **12,445,406,906** | 10,639,343,234 |
| Contingent liabilities | 12 | **10,247,151,183** | 8,754,882,292 |
| Bills for collection | | **499,528,010** | 427,538,250 |
| 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 S. R. BATLIBOI & CO. LLP**
*Chartered Accountants*
Firm Registration No. 301003E/E300005

**per Sudhir Soni**
*Partner*
Membership No.: 41870

**Mumbai, April 20, 2019**

For and on behalf of the Board

**Shyamala Gopinath**
*Chairperson*

**Aditya Puri**
*Managing Director*

**Keki Mistry**
**Malay Patel**
**Umesh Sarangi**
**Sanjiv Sachar**
**Sandeep Parekh**
**M D Ranganath**
*Directors*

**Kaizad Bharucha**
*Executive Director*

**Santosh Haldankar**
*Vice President (Legal)*
*& Company Secretary*

**Sashidhar Jagdishan**
*Chief Financial Officer*

# PROFIT AND LOSS ACCOUNT

## For the year ended March 31, 2019

₹ in '000

| | | Schedule | Year ended 31-Mar-19 | Year ended 31-Mar-18 |
|---|---|---|---|---|
| **I** | **INCOME** | | | |
| | Interest earned | 13 | **989,720,505** | 802,413,550 |
| | Other income | 14 | **176,258,849** | 152,203,042 |
| | | **Total** | **1,165,979,354** | 954,616,592 |
| **II** | **EXPENDITURE** | | | |
| | Interest expended | 15 | **507,288,285** | 401,464,913 |
| | Operating expenses | 16 | **261,193,700** | 226,903,821 |
| | Provisions and contingencies | | **186,715,716** | 151,380,575 |
| | | **Total** | **955,197,701** | 779,749,309 |
| **III** | **PROFIT** | | | |
| | Net profit for the year | | **210,781,653** | 174,867,283 |
| | Balance in Profit and Loss account brought forward | | **404,534,155** | 326,689,434 |
| | | **Total** | **615,315,808** | 501,556,717 |
| **IV** | **APPROPRIATIONS** | | | |
| | Transfer to Statutory Reserve | | **52,695,413** | 43,716,821 |
| | Dividend (including tax / cess thereon) pertaining to previous year paid during the year, net of dividend tax credits | | **40,525,854** | 33,905,804 |
| | Transfer to General Reserve | | **21,078,165** | 17,486,728 |
| | Transfer to Capital Reserve | | **1,053,354** | 2,355,227 |
| | Transfer to / (from) Investment Reserve Account | | **-** | (442,018) |
| | Transfer to / (from) Investment Fluctuation Reserve | | **7,730,000** | - |
| | Balance carried over to Balance Sheet | | **492,233,022** | 404,534,155 |
| | | **Total** | **615,315,808** | 501,556,717 |
| **V** | **EARNINGS PER EQUITY SHARE (Face value ₹ 2 per share)** | | **₹** | ₹ |
| | Basic | | **78.65** | 67.76 |
| | Diluted | | **77.87** | 66.84 |
| | Significant accounting policies and notes to the financial statements | 17 & 18 | | |
| | The schedules referred to above form an integral part of the Profit and Loss Account. | | | |

As per our report of even date.

For and on behalf of the Board

**For S. R. BATLIBOI & CO. LLP**
*Chartered Accountants*
Firm Registration No. 301003E/E300005

**Shyamala Gopinath**
*Chairperson*

**Aditya Puri**
*Managing Director*

**Keki Mistry**
**Malay Patel**
**Umesh Sarangi**
**Sanjiv Sachar**
**Sandeep Parekh**
**M D Ranganath**
*Directors*

**per Sudhir Soni**
*Partner*
Membership No.: 41870

**Kaizad Bharucha**
*Executive Director*

**Santosh Haldankar**
*Vice President (Legal)*
*& Company Secretary*

**Sashidhar Jagdishan**
*Chief Financial Officer*

**Mumbai, April 20, 2019**

# CASH FLOW STATEMENT

**For the year ended March 31, 2019**

₹ in '000

| | Year ended 31-Mar-19 | Year ended 31-Mar-18 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before income tax | **321,996,620** | 266,972,951 |
| **Adjustments for:** | | |
| Depreciation on fixed assets | **11,401,037** | 9,063,418 |
| (Profit) / loss on revaluation of investments | **152,437** | 1,570,448 |
| Amortisation of premia on held to maturity investments | **4,534,626** | 3,599,102 |
| (Profit) / loss on sale of fixed assets | **(64,341)** | 3,102 |
| Provision / charge for non performing assets | **65,773,639** | 51,784,408 |
| Provision for dimunition in value of investment | **47,066** | 304,543 |
| Provision for standard assets | **6,483,767** | 5,974,259 |
| Dividend from subsidiaries / associates / joint ventures | **(2,044,422)** | (2,416,454) |
| Contingency provisions | **5,028,840** | 3,891,829 |
| | **413,309,269** | 340,747,606 |
| **Adjustments for:** | | |
| (Increase) / decrease in investments | **(488,610,497)** | (282,699,813) |
| (Increase) / decrease in advances | **(1,676,454,898)** | (1,089,405,183) |
| Increase / (decrease) in deposits | **1,343,702,888** | 1,451,309,833 |
| (Increase) / decrease in other assets | **(112,159,253)** | 63,297,493 |
| Increase / (decrease) in other liabilities and provisions | **81,830,094** | (120,347,372) |
| | **(438,382,397)** | 362,902,564 |
| Direct taxes paid (net of refunds) | **(122,164,302)** | (102,161,907) |
| **Net cash flow (used in) / from operating activities** | **(560,546,699)** | 260,740,657 |
| **Cash flows used in investing activities** | | |
| Purchase of fixed assets | **(15,517,953)** | (7,699,194) |
| Proceeds from sale of fixed assets | **212,346** | 95,089 |
| Investment in subsidiaries / associates / joint ventures | **-** | (143,331) |
| Dividend from subsidiaries / associates / joint ventures | **2,044,422** | 2,416,454 |
| **Net cash flow used in investing activities** | **(13,261,185)** | (5,330,982) |

₹ in '000

| | **Year ended 31-Mar-19** | Year ended 31-Mar-18 |
|---|---|---|
| **Cash flows from financing activities** | | |
| Proceeds from issue of equity shares under preferential allotment | **84,999,999** | - |
| Proceeds from issue of shares under Qualified Institutions Placement and American Depository Receipt offering (net of issue expenses) | **150,896,153** | - |
| Money received on exercise of stock options by employees | **22,008,150** | 27,259,099 |
| Proceeds from issue of Additional Tier I and Tier II Capital Bonds | **-** | 100,000,000 |
| Redemption of subordinated debt | **(28,750,000)** | (20,750,000) |
| Increase / (decrease) in borrowings (excluding subordinate debt, perpetual debt and upper Tier II instruments) | **(31,448,462)** | 411,511,034 |
| Dividend paid during the year | **(33,842,896)** | (28,312,716) |
| Tax on dividend paid during the year | **(6,682,958)** | (5,593,088) |
| **Net cash flow from financing activities** | **157,179,986** | 484,114,329 |
| **Effect of exchange fluctuation on translation reserve** | **953,463** | 105,872 |
| **Net increase / (decrease) in cash and cash equivalents** | **(415,674,435)** | 739,629,876 |
| **Cash and cash equivalents as at April 1st** | **1,229,150,827** | 489,520,951 |
| **Cash and cash equivalents as at March 31st** | **813,476,392** | 1,229,150,827 |

As per our report of even date.

**For S. R. BATLIBOI & CO. LLP**
*Chartered Accountants*
Firm Registration No. 301003E/E300005

**per Sudhir Soni**
*Partner*
Membership No.: 41870

**Mumbai, April 20, 2019**

For and on behalf of the Board

**Shyamala Gopinath**
*Chairperson*

**Aditya Puri**
*Managing Director*

**Keki Mistry**
**Malay Patel**
**Umesh Sarangi**
**Sanjiv Sachar**
**Sandeep Parekh**
**M D Ranganath**
*Directors*

**Kaizad Bharucha**
*Executive Director*

**Santosh Haldankar**
*Vice President (Legal)*
*& Company Secretary*

**Sashidhar Jagdishan**
*Chief Financial Officer*

₹ in '000

| | | | As at 31-Mar-19 | As at 31-Mar-18 |
|---|---|---|---|---|
| **SCHEDULE 1 - CAPITAL** | | | | |
| **Authorised capital** | | | | |
| 3,25,00,00,000 (31 March, 2018: 3,25,00,00,000) Equity Shares of ₹ 2/- each | | | **6,500,000** | 6,500,000 |
| **Issued, subscribed and paid-up capital** | | | | |
| 2,72,33,06,610 (31 March, 2018: 2,59,50,90,267) Equity Shares of ₹ 2/- each | | | **5,446,613** | 5,190,181 |
| | | **Total** | **5,446,613** | 5,190,181 |
| **SCHEDULE 2 - RESERVES AND SURPLUS** | | | | |
| I | **Statutory reserve** | | | |
| | Opening balance | | **227,475,679** | 183,758,858 |
| | Additions during the year | | **52,695,413** | 43,716,821 |
| | | **Total** | **280,171,092** | 227,475,679 |
| II | **General reserve** | | | |
| | Opening balance | | **89,155,878** | 71,669,150 |
| | Additions during the year | | **21,078,165** | 17,486,728 |
| | | **Total** | **110,234,043** | 89,155,878 |
| III | **Balance in profit and loss account** | | **492,233,022** | 404,534,155 |
| IV | **Share premium** | | | |
| | Opening balance | | **311,457,310** | 284,263,301 |
| | Additions during the year | | **258,910,728** | 27,194,009 |
| | Deductions during the year [Refer Schedule 18 (4)] | | **(1,262,858)** | - |
| | | **Total** | **569,105,180** | 311,457,310 |
| 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 | | **14,355,910** | 12,000,683 |
| | Additions during the year | | **1,053,354** | 2,355,227 |
| | | **Total** | **15,409,264** | 14,355,910 |
| VII | **Investment reserve account** | | | |
| | Opening balance | | **-** | 442,018 |
| | Additions during the year | | **162,237** | 45,086 |
| | Deductions during the year | | **(162,237)** | (487,104) |
| | | **Total** | **-** | - |
| VIII | **Investment fluctuation reserve** | | | |
| | Opening balance | | **-** | - |
| | Additions during the year | | **7,730,000** | - |
| | | **Total** | **7,730,000** | - |
| IX | **Foreign currency translation account** | | | |
| | Opening balance | | **145,280** | 39,408 |
| | Additions / (deductions) during the year | | **953,463** | 105,872 |
| | | **Total** | **1,098,743** | 145,280 |
| | | **Total** | **1,486,616,908** | 1,057,759,776 |

₹ in '000

| | | As at 31-Mar-19 | As at 31-Mar-18 |
|---|---|---|---|
| **SCHEDULE 3 - DEPOSITS** | | | |
| **A I Demand deposits** | | | |
| (i) From banks | | **34,189,112** | 27,237,788 |
| (ii) From others | | **1,390,788,586** | 1,165,587,962 |
| | **Total** | **1,424,977,698** | 1,192,825,750 |
| **II Savings bank deposits** | | **2,487,003,765** | 2,238,102,098 |
| **III Term deposits** | | | |
| (i) From banks | | **60,287,319** | 72,775,645 |
| (ii) From others | | **5,259,140,502** | 4,384,002,903 |
| | **Total** | **5,319,427,821** | 4,456,778,548 |
| | **Total** | **9,231,409,284** | 7,887,706,396 |
| **B I Deposits of branches in India** | | **9,173,767,517** | 7,847,886,299 |
| **II Deposits of branches outside India** | | **57,641,767** | 39,820,097 |
| | **Total** | **9,231,409,284** | 7,887,706,396 |
| **SCHEDULE 4 - BORROWINGS** | | | |
| **I Borrowings in India** | | | |
| (i) Reserve Bank of India | | **174,000,000** | 138,000,000 |
| (ii) Other banks | | **9,155,858** | 47,848,399 |
| (iii) Other institutions and agencies | | **278,316,800** | 342,299,500 |
| (iv) Upper and lower tier II capital and innovative perpetual debts | | **182,320,000** | 211,070,000 |
| (v) Bonds and Debentures (excluding subordinated debt) | | **186,750,000** | 126,750,000 |
| | **Total** | **830,542,658** | 865,967,899 |
| **II Borrowings outside India** | | **340,308,580** | 365,081,801 |
| | **Total** | **1,170,851,238** | 1,231,049,700 |

*Secured borrowings included in I and II above: Nil (March 31, 2018: Nil) other than borrowings of ₹ 17,400.00 crore (March 31, 2018: ₹ 14,239.95 crore) under Collateralised Borrowing and Lending Obligation and transactions under Liquidity Adjustment Facility and Marginal Standing Facility.*

| | | As at 31-Mar-19 | As at 31-Mar-18 |
|---|---|---|---|
| **SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS** | | | |
| I Bills payable | | **70,403,952** | 82,217,908 |
| II Interest accrued | | **69,509,400** | 56,278,541 |
| III Others *(including provisions)* | | **374,772,935** | 289,244,562 |
| IV Contingent provisions against standard assets | | **36,396,576** | 29,896,170 |
| | **Total** | **551,082,863** | 457,637,181 |

₹ in '000

| | | As at 31-Mar-19 | As at 31-Mar-18 |
|---|---|---|---|
| **SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA** | | | |
| I Cash in hand *(including foreign currency notes)* | | **73,914,902** | 75,323,281 |
| II Balances with Reserve Bank of India: | | | |
| (a) In current accounts | | **391,721,282** | 364,381,449 |
| (b) In other accounts | | **2,000,000** | 607,000,000 |
| | **Total** | **393,721,282** | 971,381,449 |
| | **Total** | **467,636,184** | 1,046,704,730 |
| **SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE** | | | |
| **I In India** | | | |
| (i) Balances with banks: | | | |
| (a) In current accounts | | **3,236,030** | 8,369,114 |
| (b) In other deposit accounts | | **175,545** | 1,169,512 |
| | **Total** | **3,411,575** | 9,538,626 |
| (ii) Money at call and short notice: | | | |
| (a) With banks | | **18,000,000** | - |
| (b) With other institutions | | **77,213,500** | 45,018,623 |
| | **Total** | **95,213,500** | 45,018,623 |
| | **Total** | **98,625,075** | 54,557,249 |
| **II Outside India** | | | |
| (i) In current accounts | | **83,970,273** | 26,124,304 |
| (ii) In deposit accounts | | **2,863,017** | 6,191,625 |
| (iii) Money at call and short notice | | **160,381,843** | 95,572,919 |
| | **Total** | **247,215,133** | 127,888,848 |
| | **Total** | **345,840,208** | 182,446,097 |
| **SCHEDULE 8 - INVESTMENTS** | | | |
| **A Investments in India in** | | | |
| (i) Government securities | | **2,396,593,098** | 1,883,648,036 |
| (ii) Other approved securities | | - | - |
| (iii) Shares | | **3,980,968** | 1,197,947 |
| (iv) Debentures and bonds | | **286,969,969** | 347,873,284 |
| (v) Subsidiaries / joint ventures | | **38,264,875** | 38,264,875 |
| (vi) Others (Units, CDs, CPs, PTCs and security receipts) | | **165,017,843** | 135,541,438 |
| | **Total** | **2,890,826,753** | 2,406,525,580 |
| **B Investments outside India in** | | | |
| (i) Government securities (including Local Authorities) | | **7,236,612** | 4,218,786 |
| (ii) Other investments | | | |
| (a) Shares | | **35,024** | 28,375 |
| (b) Debentures and bonds | | **7,780,395** | 11,229,675 |
| | **Total** | **15,052,031** | 15,476,836 |
| | **Total** | **2,905,878,784** | 2,422,002,416 |

₹ in '000

## SCHEDULE 9 - ADVANCES

| | | | | As at 31-Mar-19 | As at 31-Mar-18 |
|---|---|---|---|---|---|
| A | (i) | Bills purchased and discounted | | **320,438,660** | 216,592,055 |
| | (ii) | Cash credits, overdrafts and loans repayable on demand | | **2,022,142,263** | 1,681,643,640 |
| | (iii) | Term loans | | **5,851,431,244** | 4,685,095,213 |
| | | | **Total** | **8,194,012,167** | 6,583,330,908 |
| B | (i) | Secured by tangible assets* | | **5,705,087,854** | 4,712,405,892 |
| | (ii) | Covered by bank / government guarantees | | **278,716,962** | 191,682,760 |
| | (iii) | Unsecured | | **2,210,207,351** | 1,679,242,256 |
| | | | **Total** | **8,194,012,167** | 6,583,330,908 |

** Including advances against book debts*

| | | | | | |
|---|---|---|---|---|---|
| **C** | **I** | **Advances in India** | | | |
| | | (i) Priority sector | | **2,174,223,445** | 1,728,666,886 |
| | | (ii) Public sector | | **270,921,248** | 137,708,318 |
| | | (iii) Banks | | **9,754,795** | 8,357,208 |
| | | (iv) Others | | **5,489,286,340** | 4,505,343,473 |
| | | | **Total** | **7,944,185,828** | 6,380,075,885 |
| **C** | **II** | **Advances outside India** | | | |
| | | (i) Due from banks | | **35,655,221** | 33,046,352 |
| | | (ii) Due from others | | | |
| | | (a) Bills purchased and discounted | | **860,526** | 1,052,278 |
| | | (b) Syndicated loans | | **16,686,474** | 18,265,990 |
| | | (c) Others | | **196,624,118** | 150,890,403 |
| | | | **Total** | **249,826,339** | 203,255,023 |
| | | | **Total** | **8,194,012,167** | 6,583,330,908 |

*(Advances are net of provisions)*

₹ in '000

| | | As at 31-Mar-19 | As at 31-Mar-18 |
|---|---|---|---|
| **SCHEDULE 10 - FIXED ASSETS** | | | |
| **A** **Premises** *(including land)* | | | |
| **Gross block** | | | |
| At cost on 31 March of the preceding year | | **17,011,976** | 16,110,799 |
| Additions during the year | | **1,079,471** | 978,572 |
| Deductions during the year | | **(106,705)** | (77,395) |
| | **Total** | **17,984,742** | 17,011,976 |
| **Depreciation** | | | |
| As at 31 March of the preceding year | | **5,296,456** | 4,778,473 |
| Charge for the year | | **579,806** | 592,562 |
| On deductions during the year | | **(89,465)** | (74,579) |
| | **Total** | **5,786,797** | 5,296,456 |
| **Net block** | | **12,197,945** | 11,715,520 |
| **B** **Other fixed assets** *(including furniture and fixtures)* | | | |
| **Gross block** | | | |
| At cost on 31 March of the preceding year | | **87,766,853** | 80,918,907 |
| Additions during the year | | **14,702,443** | 7,988,185 |
| Deductions during the year | | **(1,541,302)** | (1,140,239) |
| | **Total** | **100,927,994** | 87,766,853 |
| **Depreciation** | | | |
| As at 31 March of the preceding year | | **63,410,328** | 55,983,854 |
| Charge for the year | | **10,826,104** | 8,471,338 |
| On deductions during the year | | **(1,410,536)** | (1,044,864) |
| | **Total** | **72,825,896** | 63,410,328 |
| **Net block** | | **28,102,098** | 24,356,525 |
| **C** **Assets on lease** *(plant and machinery)* | | | |
| **Gross block** | | | |
| At cost on 31 March of the preceding year | | **4,546,923** | 4,546,923 |
| Additions during the year | | **-** | - |
| | **Total** | **4,546,923** | 4,546,923 |

₹ in '000

| | | | As at 31-Mar-19 | As at 31-Mar-18 |
|---|---|---|---|---|
| | **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** | **40,300,043** | 36,072,045 |
| **SCHEDULE 11 - OTHER ASSETS** | | | | |
| I | Interest accrued | | **118,313,579** | 90,737,523 |
| II | Advance tax / tax deducted at source (net of provisions) | | **19,441,857** | 18,456,556 |
| III | Stationery and stamps | | **345,677** | 333,306 |
| IV | Non banking assets acquired in satisfaction of claims | | **-** | - |
| V | Bond and share application money pending allotment | | **146,197** | - |
| VI | Security deposit for commercial and residential property | | **5,112,892** | 5,004,128 |
| VII | Others* | | **348,379,318** | 254,255,525 |
| | | **Total** | **491,739,520** | 368,787,038 |

**Includes deferred tax asset (net) of ₹ 4,352.14 crore (previous year: ₹ 3,344.02 crore) and deposits placed with NABARD / SIDBI / NHB on account of shortfall in lending to priority sector of ₹ 10,832.25 crore (previous year: ₹ 13,357.25 crore)*

| | | | As at 31-Mar-19 | As at 31-Mar-18 |
|---|---|---|---|---|
| **SCHEDULE 12 - CONTINGENT LIABILITIES** | | | | |
| I | Claims against the bank not acknowledged as debts - taxation | | **12,612,436** | 11,359,333 |
| II | Claims against the bank not acknowledged as debts - others | | **1,190,364** | 1,042,772 |
| III | Liability on account of outstanding forward exchange contracts | | **5,561,859,469** | 4,344,675,713 |
| IV | Liability on account of outstanding derivative contracts | | **3,639,008,146** | 3,482,687,822 |
| V | Guarantees given on behalf of constituents: | | | |
| | - In India | | **536,870,994** | 448,741,092 |
| | - Outside India | | **752,190** | 557,296 |
| VI | Acceptances, endorsements and other obligations | | **475,617,760** | 395,452,699 |
| VII | Other items for which the Bank is contingently liable | | **19,239,824** | 70,365,565 |
| | | **Total** | **10,247,151,183** | 8,754,882,292 |

₹ in '000

| | | | Year ended 31-Mar-19 | Year ended 31-Mar-18 |
|---|---|---|---|---|
| **SCHEDULE 13 - INTEREST EARNED** | | | | |
| I | Interest / discount on advances / bills | | **775,441,902** | 626,617,888 |
| II | Income from investments | | **199,974,579** | 162,223,679 |
| III | Interest on balance with RBI and other inter-bank funds | | **6,357,012** | 5,238,842 |
| IV | Others | | **7,947,012** | 8,333,141 |
| | | **Total** | **989,720,505** | 802,413,550 |
| **SCHEDULE 14 - OTHER INCOME** | | | | |
| I | Commission, exchange and brokerage | | **138,055,432** | 113,938,744 |
| II | Profit / (loss) on sale of investments (net) | | **4,020,717** | 10,817,025 |
| III | Profit / (loss) on revaluation of investments (net) | | **(152,437)** | (1,570,448) |
| IV | Profit / (loss) on sale of building and other assets (net) | | **64,341** | (3,102) |
| V | Profit / (loss) on exchange / derivative transactions (net) | | **17,203,935** | 15,234,978 |
| VI | Income earned by way of dividends from subsidiaries / associates and / or joint ventures abroad / in India | | **2,044,422** | 2,416,454 |
| VII | Miscellaneous income | | **15,022,439** | 11,369,391 |
| | | **Total** | **176,258,849** | 152,203,042 |
| **SCHEDULE 15 - INTEREST EXPENDED** | | | | |
| I | Interest on deposits | | **410,518,998** | 327,713,471 |
| II | Interest on RBI / inter-bank borrowings | | **95,063,879** | 72,903,298 |
| III | Other interest | | **1,705,408** | 848,144 |
| | | **Total** | **507,288,285** | 401,464,913 |
| **SCHEDULE 16 - OPERATING EXPENSES** | | | | |
| I | Payments to and provisions for employees | | **77,617,595** | 68,057,439 |
| II | Rent, taxes and lighting | | **14,821,006** | 14,197,682 |
| III | Printing and stationery | | **5,244,100** | 4,803,103 |
| IV | Advertisement and publicity | | **1,573,670** | 1,652,205 |
| V | Depreciation on bank's property | | **11,401,037** | 9,063,418 |
| VI | Directors' fees / remuneration, allowances and expenses | | **32,788** | 29,596 |
| VII | Auditors' fees and expenses | | **36,230** | 26,301 |
| VIII | Law charges | | **1,419,023** | 1,648,413 |
| IX | Postage, telegram, telephone etc. | | **4,074,980** | 4,456,040 |
| X | Repairs and maintenance | | **12,618,088** | 12,933,744 |
| XI | Insurance | | **10,414,269** | 8,273,244 |
| XII | Other expenditure* | | **121,940,914** | 101,762,636 |
| | | **Total** | **261,193,700** | 226,903,821 |

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

# SCHEDULE 17 - Significant accounting policies appended to and forming part of the financial statements for the year ended March 31, 2019

## A BACKGROUND

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

## B BASIS OF PREPARATION

The financial statements have been prepared and presented under the historical cost convention and accrual basis of accounting, unless otherwise stated and are in accordance with Generally Accepted Accounting Principles in India ('GAAP'), statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, Accounting Standards ('AS') specified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016, in so far as they apply to banks.

**Use of estimates**

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

## C PRINCIPAL ACCOUNTING POLICIES

### 1 Investments

**Classification:**

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

Purchase and sale transactions in securities are recorded under settlement date of accounting, except in the case of equity shares where trade date accounting is followed.

**Basis of classification:**

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

**Acquisition cost:**

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

**Disposal of investments:**

Profit / Loss on sale of investments under the aforesaid three categories is recognised in the Profit and Loss Account. Cost of investments is based on the weighted average cost method. The profit from sale of investment under HTM category, net of taxes and transfer to statutory reserve is appropriated from the Profit and Loss Account 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 categorised under HFT category and netted off from investments in the Balance Sheet. The short position is marked to market and loss, if any, is charged to the Profit and Loss Account while gain, if any, is ignored. Profit / Loss on settlement of the short position is recognised in the Profit and Loss Account.

**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’) / Financial Benchmarks India Pvt Ltd. (‘FBIL’), 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 / FBIL.

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

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 published by FIMMDA / FBIL.

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.

Investment in unquoted venture capital fund are categorised under HTM category for the initial period of three years and valued at cost. Such investment is required to be transferred to AFS thereafter.

Pass Through Certificates (PTC) including Priority Sector-PTCs are valued by using FIMMDA credit spread as applicable for the NBFC category, based on the credit rating of the respective PTC over the YTM rates for government securities published by FIMMDA / FBIL.

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

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

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

**Repurchase and reverse repurchase transactions:**

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

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

**2 Advances**

**Classification:**

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

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

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

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

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

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

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

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

**3 Securitisation and transfer of assets**

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

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

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

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

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

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

The Bank enters into transactions for the sale or purchase of Priority Sector Lending Certificates (PSLCs). In the case of a sale transaction, the Bank sells the fulfilment of priority sector obligation and in the case of a purchase transaction the Bank buys the fulfilment of priority sector obligation through the RBI trading platform. There is no transfer of risks or loan assets. The fee received for the sale of PSLCs is recorded as miscellaneous Income and the fee paid for purchase of the PSLCs is recorded as other Expenditure in Profit and Loss Account. These are amortised over the period of the Certificate.

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

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

**4 Fixed assets and depreciation**

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

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

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

- Improvements to lease hold premises are charged off over the remaining primary period of lease.
- Software and system development expenditure is depreciated over a period of 5 years.
- For assets purchased and sold during the year, depreciation is provided on pro-rata basis by the Bank.
- Whenever there is a revision of the estimated useful life of an asset, the unamortised depreciable amount is charged over the revised remaining useful life of the said asset.
- Profit on sale of immovable property net of taxes and transfer to statutory reserve, are transferred to capital reserve account.
- Assets costing less than ₹ 5,000 individually are fully depreciated in the year of purchase.

**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 Profit and Loss Account to the extent the carrying amount of assets exceeds their estimated recoverable amount.

**6 Translation of foreign currency items**

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 and offshore banking units) 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 Profit and Loss Account.

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 disposal of the non-integral foreign operations in accordance with AS - 11, The Effects of Changes in Foreign Exchange Rates.

Foreign currency denominated contingent liabilities on account of foreign exchange and derivative 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 Foreign exchange and derivative contracts**

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

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

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 Profit and Loss Account.

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 Profit and Loss Account 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 Profit and Loss Account.

**8 Revenue recognition**

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

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

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

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

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

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

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

9 **Employee Benefits**

**Employee Stock Option Scheme ('ESOS'):**

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

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

**Gratuity:**

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

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

**Superannuation:**

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

**Provident fund:**

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

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

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

**Leave encashment / Compensated absences:**

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

**Pension:**

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

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

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

**New Pension Scheme (NPS):**

In respect of employees who opt for contribution to the NPS, the Bank contributes certain percentage of the basic salary of employees to the aforesaid scheme, a defined contribution plan, which is managed and administered by pension fund management companies. The Bank has no liability other than its contribution, and recognises such contributions as an expense in the year incurred.

**10 Debit and credit cards reward points**

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

**11 Bullion**

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

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

**12 Lease accounting**

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

**13 Income tax**

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

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

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

**14 Earnings per share**

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

**15 Share issue expenses**

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

**16 Segment information**

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

**17 Accounting for provisions, contingent liabilities and contingent assets**

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

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

A disclosure of contingent liability is made when there is:

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

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

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

**Onerous contracts**

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

**18 Cash and cash equivalents**

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

**19 Corporate social responsibility**

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

## SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

Amounts in notes forming part of the financial statements for the year ended March 31, 2019 are denominated in rupee crore to conform to extant RBI guidelines, except where stated otherwise.

**1. Proposed dividend**

The Board of Directors, at their meeting held on, April 20, 2019 have proposed a dividend of ₹ 15 per equity share (previous year: ₹ 13.00 per equity share) aggregating ₹ 4,924.64 crore (previous year: ₹ 4,067.07 crore) inclusive of tax on dividend. The proposal is subject to the approval of shareholders at the Annual General Meeting. In terms of the revised Accounting Standard (AS) 4 'Contingencies and Events Occurring After the Balance Sheet Date', the Bank has not appropriated the proposed dividend from the Profit and Loss Account. However, the effect of the proposed dividend has been reckoned in determining capital funds in the computation of the capital adequacy ratios.

**2. Capital adequacy**

The Bank's capital to risk-weighted assets ratio ('Capital Adequacy Ratio') as at March 31, 2019 is calculated in accordance with the RBI guidelines on Basel III capital regulations ('Basel III'). The phasing-in of the minimum capital ratio requirement under Basel III is as follows:

**(% of RWAs)**

| Minimum ratio of capital to risk-weighted assets | As at March 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| Common equity tier 1 (CET1) | 7.375 | 7.525 | 8.200 |
| Tier I capital | 8.875 | 9.025 | 9.700 |
| Total capital | 10.875 | 11.025 | 11.700 |

The above minimum CET1, tier I and total capital ratio requirements include capital conservation buffer (CCB) and additional capital applicable to us as Domestic-Systemically Important Bank (D-SIB).

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

**(₹ crore)**

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Tier I capital | 147,022.76 | 106,004.90 |
| *Of which CET1 capital* | 139,172.76 | 98,004.90 |
| Tier II capital | 12,434.88 | 12,535.47 |
| Total capital | 159,457.64 | 118,540.37 |
| Total risk weighted assets | 931,929.87 | 800,125.98 |
| **Capital adequacy ratios under Basel III** | | |
| Tier I | 15.78% | 13.25% |
| *Of which CET1* | 14.93% | 12.25% |
| Tier II | 1.33% | 1.57% |
| **Total** | **17.11%** | **14.82%** |

During the year ended March 31, 2019, the Bank has not raised Additional Tier I and Tier II capital. During the previous year, the Bank had raised debt capital eligible for inclusion in Additional Tier I capital and Tier II capital under the Basel III capital regulations amounting to ₹ 8,000.00 crore and ₹ 2,000.00 crore respectively.

As on March 31, 2019, the Bank's subordinated and perpetual debt capital instruments amounted to ₹ 10,232.00 crore (previous year: ₹ 13,107.00 crore) and ₹ 8,000.00 crore (previous year: ₹ 8,000.00 crore) respectively.

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

**Capital infusion**

Pursuant to the shareholder and regulatory approvals, the Bank on July 17, 2018, made a preferential allotment of 3,90,96,817 equity shares to Housing Development Finance Corporation Limited at a price of ₹ 2,174.09 per equity share (including share premium of ₹ 2,172.09 per equity share), aggregating to ₹ 8,500.00 crore and on August 2, 2018, concluded a Qualified Institutional Placement (QIP) of 1,28,47,222 equity shares at a price of ₹ 2,160.00 per equity share aggregating to ₹ 2,775.00 crore and an American Depository Receipt (ADR) offering of 1,75,00,000 ADR (representing 5,25,00,000 equity shares) at a price of USD 104 per ADR, aggregating to USD 1,820.00 million (equivalent ₹12,440.90 crore). Consequent to the above issuances, share capital increased by ₹ 20.89 crore and share premium increased by ₹ 23,568.72 crore, net of share issue expenses of ₹ 126.29 crore.

During the year ended March 31, 2019, the Bank allotted 2,37,72,304 equity shares (previous year: 3,25,44,550 equity shares) aggregating to face value ₹ 4.75 crore (previous year: ₹ 6.51 crore) in respect of stock options exercised. Accordingly, the share capital increased by ₹ 4.75 crore (previous year: ₹ 6.51 crore) and the share premium increased by ₹ 2,196.06 crore (previous year: ₹ 2,719.40 crore).

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

| **Particulars** | **March 31, 2019** | **March 31, 2018** |
|---|---|---|
| Opening balance | 519.02 | 512.51 |
| Addition pursuant to Preferential allotment / QIP / ADR offering | 20.89 | - |
| Addition pursuant to stock options exercised | 4.75 | 6.51 |
| Closing balance | 544.66 | 519.02 |

**3. Earnings per equity share**

Basic and diluted earnings per equity share of the Bank have been calculated based on the net profit after tax of ₹ 21,078.17 crore (previous year: ₹ 17,486.73 crore) and the weighted average number of equity shares outstanding during the year of 2,68,00,34,029 (previous year: 2,58,05,38,505).

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

| **Particulars** | **For the years ended** | |
|---|---|---|
| | **March 31, 2019** | **March 31, 2018** |
| Nominal value per share (₹) | 2.00 | 2.00 |
| Basic earnings per share (₹) | 78.65 | 67.76 |
| Effect of potential equity shares (per share) (₹) | (0.78) | (0.92) |
| Diluted earnings per share (₹) | 77.87 | 66.84 |

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

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

| Particulars | For the years ended | |
|---|---|---|
| | March 31, 2019 | March 31, 2018 |
| Weighted average number of equity shares used in computing basic earnings per equity share | 2,68,00,34,029 | 2,58,05,38,505 |
| Effect of potential equity shares outstanding | 2,66,37,645 | 3,55,30,885 |
| Weighted average number of equity shares used in computing diluted earnings per equity share | 2,70,66,71,674 | 2,61,60,69,390 |

**4. Reserves and Surplus**

**Statutory Reserve**

The Bank has made an appropriation of ₹ 5,269.54 crore (previous year: ₹ 4,371.68 crore) out of profits for the year ended March 31, 2019 to the Statutory Reserve pursuant to the requirements of Section 17 of the Banking Regulation Act, 1949 and RBI guidelines dated September 23, 2000.

**Capital Reserve**

During the year ended March 31, 2019, the Bank appropriated ₹ 105.34 crore (previous year: ₹ 235.52 crore), being the profit from sale of investments under HTM category and profit on sale of immovable properties, net of taxes and transfer to statutory reserve, from the Profit and Loss Account to the Capital Reserve.

**General Reserve**

The Bank has made an appropriation of ₹ 2,107.82 crore (previous year: ₹ 1,748.67 crore) out of profits for the year ended March 31, 2019 to the General Reserve.

**Investment Fluctuation Reserve**

In accordance with RBI guidelines, banks are required to create an Investment Fluctuation Reserve (IFR) equivalent to 2% of their HFT and AFS investment portfolios, within a period of three years starting fiscal 2019. Accordingly, during the year ended March 31, 2019, the Bank has made an appropriation of ₹ 773.00 crore, to the Investment Fluctuation Reserve from the Profit and Loss Account.

**Investment Reserve Account**

During the year ended March 31, 2019, the net transfer between Investment Reserve Account and Profit and Loss Account was Nil (previous year: ₹ 44.20 crore (net) transferred by the Bank from the Investment Reserve Account to the Profit and Loss Account) as per the RBI guidelines.

**Draw down from reserves**

**Share Premium**

The Bank has not undertaken any drawdown from share premium during the year ended March 31, 2019 except towards share issue expenses of ₹ 126.29 crore, incurred for the equity raised through the QIP and ADR offering, which have been adjusted against the share premium account in terms of section 52 of the Companies Act, 2013. There had been no drawdown from reserves during the year ended March 31, 2018.

**5. Dividend on shares allotted pursuant to exercise of stock options**

The Bank may allot equity shares after the Balance Sheet date but before the book closure date pursuant to the exercise of any employee stock options. These equity shares will be eligible for full dividend for the year ended March 31, 2019, if approved at the ensuing Annual General Meeting.

**6. Accounting for employee share based payments**

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

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

The vesting conditions applicable to the options are at the discretion of the NRC. These options are exercisable on vesting, for a period as set forth by the NRC at the time of grant. The period in which the options may be exercised cannot exceed five years from date of expiry of vesting period. During the years ended March 31, 2019 and March 31, 2018, no modifications were made to the terms and conditions of ESOPs as approved by the NRC.

*Activity in the options outstanding under the Employee Stock Option Plans*

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2019:

| Particulars | Number of options | Weighted average exercise price (₹) |
|---|---|---|
| Options outstanding, beginning of year | 7,54,43,800 | 1,050.22 |
| Granted during the year | 1,98,95,000 | 2,060.47 |
| Exercised during the year | 2,37,72,304 | 925.79 |
| Forfeited / Lapsed during the year | 32,60,085 | 1,506.99 |
| Options outstanding, end of year | 6,83,06,411 | 1,365.97 |
| Options exercisable | 4,03,04,861 | 1,017.78 |

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2018:

| Particulars | Number of options | Weighted average exercise price (₹) |
|---|---|---|
| Options outstanding, beginning of year | 9,21,56,300 | 904.97 |
| Granted during the year | 1,68,82,050 | 1,433.23 |
| Exercised during the year | 3,25,44,550 | 837.59 |
| Forfeited / Lapsed during the year | 10,50,000 | 1,050.05 |
| Options outstanding, end of year | 7,54,43,800 | 1,050.22 |
| Options exercisable | 4,68,10,250 | 901.44 |

- The following table summarises the information about stock options outstanding as at March 31, 2019:

| Plan | Range of exercise price (₹) | Number of shares arising out of options | Weighted average life of options (in years) | Weighted average exercise price (₹) |
|---|---|---|---|---|
| Plan C | 680.00 to 835.50 | 15,37,400 | 0.87 | 685.70 |
| Plan D | 680.00 | 6,59,900 | 0.97 | 680.00 |
| Plan E | 680.00 | 24,98,700 | 0.96 | 680.00 |
| Plan F | 835.50 to 1,462.15 | 4,42,38,411 | 2.71 | 1,134.48 |
| Plan G | 2,006.05 to 2,090.45 | 1,93,72,000 | 3.57 | 2,060.45 |

- The following table summarises the information about stock options outstanding as at March 31, 2018:

| Plan | Range of exercise price (₹) | Number of shares arising out of options | Weighted average life of options (in years) | Weighted average exercise price (₹) |
|---|---|---|---|---|
| Plan C | 680.00 to 835.50 | 32,61,500 | 1.32 | 685.72 |
| Plan D | 680.00 | 16,35,700 | 1.43 | 680.00 |
| Plan E | 680.00 | 62,24,900 | 1.51 | 680.00 |
| Plan F | 835.50 to 1,462.15 | 6,43,21,700 | 3.59 | 1,113.95 |

*Fair value methodology*

The fair value of options used to compute the proforma net profit and earnings per equity share have been estimated on the dates of each grant using the binomial option-pricing model. The Bank estimates the volatility based on the historical prices of its equity shares. The Bank granted 1,98,95,000 options during the year ended March 31, 2019 (previous year: 1,68,82,050). The various assumptions considered in the pricing model for the ESOPs granted during the year ended March 31, 2019 are:

| Particulars | March 31, 2019 |
|---|---|
| Dividend yield | 0.62% to 0.65% |
| Expected volatility | 14.53% to 18.68% |
| Risk-free interest rate | 7.23% to 8.31% |
| Expected life of the options | 1 to 6 years |

*Impact of the fair value method on the 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 for the year and earnings per share would have been as per the *proforma* amounts indicated below: **(₹ crore)**

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Net profit (as reported) | 21,078.17 | 17,486.73 |
| Add: Stock-based employee compensation expense included in net income | - | - |
| Less: Stock-based compensation expense determined under fair value based method (*proforma*) | 535.90 | 650.41 |
| Net profit (*proforma*) | 20,542.27 | 16,836.32 |
| | (₹) | (₹) |
| Basic earnings per share (as reported) | 78.65 | 67.76 |
| Basic earnings per share (*proforma*) | 76.65 | 65.24 |
| Diluted earnings per share (as reported) | 77.87 | 66.84 |
| Diluted earnings per share (*proforma*) | 75.89 | 64.36 |

**7. Other liabilities**

- The Bank held provisions towards standard assets amounting to ₹ 3,639.66 crore as at March 31, 2019 (previous year: ₹ 2,989.62 crore). These are included under other liabilities.

  - ✓ Provision for standard assets is made @ 0.25% for direct advances to agriculture and Small and Micro Enterprises (SMEs) sectors, @ 1% for advances to commercial real estate sector, @ 0.75% for advances to commercial real estate - residential housing sector, @ 5% on restructured standard advances, @ 2% until after one year from the date on which the rates are reset at higher rates for housing loans offered at a comparatively lower rate of interest in the first few years and @ 2% on all exposures to the wholly owned step down subsidiaries of the overseas subsidiaries of Indian companies, sanctioned / renewed after December 31, 2015.
  - ✓ Provision is maintained at rates higher than the regulatory minimum, on standard advances based on evaluation of the risk and stress in various sectors as per the policy approved by the Board of the Bank.
  - ✓ In accordance with regulatory guidelines and based on the information made available by its customers to the Bank, for exposures to customers who have not hedged their foreign currency exposures, provision for standard assets is made at levels ranging up to 0.80% depending on the likely loss the entities could incur on account of exchange rate movements.
  - ✓ Provision for standard assets of overseas branches is made at higher of rates prescribed by the overseas regulator or RBI.
  - ✓ Pursuant to a recent RBI guideline issued in January 2019, additional 5% provision is maintained in respect of Micro, Small and Medium Enterprises (MSME) sector standards accounts which have got restructured.
  - ✓ For all other loans and advances including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts, provision for standard assets is made @ 0.40%.
  - ✓ In accordance with RBI guidelines, an additional provision is made @ 3% on the incremental exposure to the "Specified Borrowers" (except NBFCs / HFCs) beyond normally permitted lending limit ('NPLL') as defined by RBI.

- Other liabilities include contingent provisions of ₹ 800.10 crore as at March 31, 2019 (previous year: ₹ 401.11 crore) in respect of advances.
- The Bank has presented gross unrealised gain on foreign exchange and derivative contracts under other assets and gross unrealised loss on foreign exchange and derivative contracts under other liabilities. Accordingly, other liabilities as at March 31, 2019 include unrealised loss on foreign exchange and derivative contracts of ₹ 12,772.60 crore (previous year: ₹ 5,093.04 crore).

**8. Unhedged foreign currency exposure**

The Bank has in place a policy and process for managing currency induced credit risk. The credit appraisal memorandum prepared at the time of origination and review of a credit facility is required to discuss the exchange risk that the customer is exposed to from all sources, including trade related, foreign currency borrowings and external commercial borrowings. It could cover the natural hedge available to the customer as well as other hedging methods adopted by the customer to mitigate exchange risk. For foreign currency loans granted by the Bank beyond a defined threshold the customer is encouraged to enter into appropriate risk hedging mechanisms with the Bank. Alternatively, the Bank satisfies itself that the customer has the financial capacity to bear the exchange risk in the normal course of its business and / or has other mitigants to reduce the risk. On a monthly basis, the Bank reviews information on the unhedged portion of foreign currency exposures of customers, whose total foreign currency exposure with the Bank exceeds a defined threshold. Based on the monthly review, the Bank proposes suitable hedging techniques to the customer to contain the risk. A Board approved credit risk rating linked limit on unhedged foreign currency position of customers is applicable when extending credit facilities to a customer. The compliance with the limit is assessed by estimating the extent of drop in a customer's annual Earnings Before Interest and

Depreciation ('EBID') due to a potentially large adverse movement in exchange rate impacting the unhedged foreign currency exposure of the customer. Where a breach is observed in such a simulation, the customer is advised to reduce its unhedged exposure.

In accordance with RBI guidelines, as at March 31, 2019 the Bank holds standard asset provisions of ₹ 203.48 crore (previous year: ₹ 180.30 crore) and maintains capital (including CCB & D-SIB) of ₹ 959.77 crore (previous year: ₹ 723.08 crore) in respect of the unhedged foreign currency exposure of its customers.

**9. Investments**

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

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| **Gross value of investments** | | |
| - In India | 289,350.52 | 240,899.77 |
| - Outside India | 1,512.03 | 1,560.65 |
| **Provisions for depreciation on investments** | | |
| - In India | 267.85 | 247.21 |
| - Outside India | 6.83 | 12.96 |
| **Net value of investments** | | |
| - In India | 289,082.67 | 240,652.56 |
| - Outside India | 1,505.20 | 1,547.69 |

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

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Opening balance | 260.17 | 64.48 |
| Add: Provision made during the year (including provision on non-performing investments) | 51.58 | 204.91 |
| Less: Write-off, write back of excess provision during the year | 37.07 | 9.22 |
| Closing balance | 274.68 | 260.17 |

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

- **Repo transactions**

✓ Details of repo / reverse repo deals excluding triparty repo / reverse repo (in face value terms) done during the year ended March 31, 2019: **(₹ crore)**

| Particulars | Minimum outstanding during the year | Maximum outstanding during the year | Daily average outstanding during the year | Outstanding as at March 31, 2019 |
|---|---|---|---|---|
| **Securities sold under repo** | | | | |
| 1. Government securities | - | 40,230.19 | 6,533.93 | 17,551.52 |
| 2. Corporate debt securities | - | - | - | - |
| 3. Any other securities | - | - | - | - |
| **Securities purchased under reverse repo** | | | | |
| 1. Government securities | - | 62,745.05 | 8,320.06 | - |
| 2. Corporate debt securities | - | - | - | - |
| 3. Any other securities | - | - | - | - |

✓ Details of repo / reverse repo deals (in face value terms) done during the year ended March 31, 2018: **(₹ crore)**

| **Particulars** | **Minimum outstanding during the year** | **Maximum outstanding during the year** | **Daily average outstanding during the year** | **Outstanding as at March 31, 2018** |
|---|---|---|---|---|
| **Securities sold under repo** | | | | |
| 1. Government securities | - | 20,557.80 | 1,433.97 | 13,454.44 |
| 2. Corporate debt securities | - | - | - | - |
| 3. Any other securities | - | - | - | - |
| **Securities purchased under reverse repo** | | | | |
| 1. Government securities | - | 62,745.05 | 8,672.06 | 62,745.05 |
| 2. Corporate debt securities | - | - | - | - |
| 3. Any other securities | - | - | - | - |

✓ Triparty repo / reverse repo transactions are repo / reverse repo transactions where a triparty agent acts as an intermediary between the two parties to the repo / reverse repo to facilitate services such as collateral selection, payment and settlement and custody and management during the life of the transaction. The details of triparty repo / reverse repo transactions undertaken by the Bank during the year ended March 31, 2019 (previous year: Nil) are given below. Amount of funds borrowed or lent have been reckoned for the purpose of the below table. **(₹ crore)**

| **Particulars** | **Minimum outstanding during the year** | **Maximum outstanding during the year** | **Daily average outstanding during the year** | **Outstanding as at March 31, 2019** |
|---|---|---|---|---|
| **Securities sold under triparty repo** | | | | |
| 1. Government securities | - | 36,798.00 | 5,650.95 | - |
| 2. Corporate debt securities | - | - | - | - |
| 3. Any other securities | - | - | - | - |
| **Securities purchased under triparty repo** | | | | |
| 1. Government securities | - | 7,621.35 | 93.02 | 7,621.35 |
| 2. Corporate debt securities | - | - | - | - |
| 3. Any other securities | - | - | - | - |

- **Non-SLR investment portfolio**

✓ Issuer-wise composition of non-SLR investments as at March 31, 2019: **(₹ crore)**

| **Sr. No.** | **Issuer** | **Amount(1)** | **Extent of private placement#** | **Extent of "below investment grade" securities#** | **Extent of "unrated" securities# (2)** | **Extent of "unlisted" securities# (3)** |
|---|---|---|---|---|---|---|
| 1 | Public sector undertakings | 669.08 | 669.08 | - | - | - |
| 2 | Financial institutions | 2,345.29 | 1,260.38 | - | - | - |
| 3 | Banks | 546.01 | 230.00 | - | - | - |
| 4 | Private corporate | 29,100.95 | 25,878.77 | 25.00 | 21.23 | 4,134.39 |
| 5 | Subsidiaries / Joint ventures(4) | 3,826.49 | 3,826.49 | - | - | - |
| 6 | Others | 13,991.77 | 4,976.38 | - | 1.33 | - |
| 7 | Provision held towards depreciation | (274.68) | | | | |
| | **Total** | **50,204.91** | **36,841.10** | **25.00** | **22.56** | **4,134.39** |

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

(1)	*Excludes investments in securities issued by foreign sovereign aggregating to ₹ 723.66 crore.*

(2)	*Excludes investments in equity shares and units of equity oriented mutual funds and venture capital funds in line with extant RBI guidelines.*

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

(4)	*Investments in debt securities issued by subsidiaries / joint ventures have been classified under private corporate.*

✓ Issuer-wise composition of non-SLR investments as at March 31, 2018: **(₹ crore)**

| Sr. No. | Issuer | Amount(1) | Extent of private placement# | Extent of "below investment grade" securities# | Extent of "unrated" securities# (2) | Extent of "unlisted" securities# (3) |
|---|---|---|---|---|---|---|
| 1 | Public sector undertakings | 225.31 | 100.00 | - | - | - |
| 2 | Financial institutions | 4,723.31 | 1,414.21 | - | - | - |
| 3 | Banks | 839.15 | 80.00 | - | 270.94 | 270.94 |
| 4 | Private corporate | 33,830.07 | 29,375.78 | - | 39.46 | 5,106.35 |
| 5 | Subsidiaries / Joint ventures | 3,826.49 | 3,826.49 | - | - | - |
| 6 | Others | 10,228.23 | 2,212.50 | - | - | - |
| 7 | Provision held towards depreciation | (258.99) | | | | |
| | **Total** | **53,413.57** | **37,008.98** | **-** | **310.40** | **5,377.29** |

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

(1)	*Excludes investments in securities issued by foreign sovereign aggregating to ₹ 421.88 crore.*

(2)	*Excludes investments in equity shares and units of equity oriented mutual funds and venture capital funds in line with extant RBI guidelines.*

(3)	*Excludes investments in equity shares, units of equity oriented mutual funds and venture capital funds, pass through certificates, security receipts, commercial paper, certificate of deposits and convertible debentures in line with extant RBI guidelines*

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

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Opening balance | 92.07 | 51.57 |
| Additions during the year | - | 41.00 |
| Reductions during the year | 3.82 | 0.50 |
| Closing balance | 88.25 | 92.07 |
| **Total provisions held** | **75.93** | **76.67** |

- **Details of investments category-wise**

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

**(₹ crore)**

| Particulars | As at March 31, 2019 | | | | As at March 31, 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | HFT | AFS | HTM | Total | HFT | AFS | HTM | Total |
| Government securities | 12,831.25 | 66,184.10 | 161,367.62 | 240,382.97 | 2,471.38 | 49,272.32 | 137,042.98 | 188,786.68 |
| Other approved securities | - | - | - | - | - | - | - | - |
| Shares | - | 401.60 | - | 401.60 | - | 122.63 | - | 122.63 |
| Debentures and bonds | 3,524.01 | 24,530.37 | 1,420.66 | 29,475.04 | 5,023.15 | 29,466.48 | 1,420.67 | 35,910.30 |
| Subsidiary / Joint ventures | - | - | 3,826.49 | 3,826.49 | - | - | 3,826.49 | 3,826.49 |
| Others | 9,005.39 | 7,489.79 | 6.60 | 16,501.78 | 8,005.72 | 5,544.68 | 3.75 | 13,554.15 |
| **Total** | **25,360.65** | **98,605.86** | **166,621.37** | **290,587.88** | **15,500.25** | **84,406.11** | **142,293.89** | **242,200.25** |

- **Securities kept as margin**

The details of securities that are kept as margin are as under:

**(₹ crore)**

| Sr. No. | Particulars | Face value as at March 31, | |
|---|---|---|---|
| | | 2019 | 2018 |
| I. | Securities kept as margin with Clearing Corporation of India towards: | | |
| | a) Collateral and funds management - Securities segment | 1,420.00 | 1,520.00 |
| | b) Collateral and funds management - Collateralised Borrowing and Lending Obligation (CBLO) segment / Triparty Repo | 47,713.88 | 25,770.78 |
| | c) Default fund - Forex Forward segment | 110.00 | 100.00 |
| | d) Default fund - Forex Settlement segment | 51.05 | 41.05 |
| | e) Default fund - Rupee Derivatives (Guaranteed Settlement) segment | 43.00 | 41.00 |
| | f) Default fund - Securities segment | 65.00 | 65.00 |
| | g) Default fund - CBLO / Triparty repo segment | 45.00 | 25.00 |
| II. | Securities kept as margin with the RBI towards: | | |
| | a) Real Time Gross Settlement (RTGS) | 72,411.67 | 90,130.65 |
| | b) Repo transactions | 37,216.66 | 16,307.49 |
| | c) Reverse repo transactions | - | 58,341.00 |
| III. | Securities kept as margin with National Securities Clearing Corporation of India (NSCCIL) towards NSE Currency Derivatives segment. | 309.72 | 16.00 |
| IV. | Securities kept as margin with Indian Clearing Corporation Limited towards BSE Currency Derivatives segment. | 241.00 | 241.00 |
| V. | Securities kept as margin with Metropolitan Clearing Corporation of India towards MCX Currency Derivatives segment. | 13.00 | 13.00 |

- Other investments as at the Balance Sheet date include commercial paper amounting to ₹ 2,510.01 crore (previous year: ₹ 3,357.99 crore).

- The Reserve Bank of India, vide its circulars dated April 2, 2018 and June 15, 2018 respectively granted banks an option to spread provisioning for mark to market losses on investments held in AFS and HFT for the quarters ended December 31, 2017, March 31, 2018 and June 30, 2018. The circular states that the provisioning for each of these quarters may be spread equally over up to four quarters, commencing with the quarter in which the loss was incurred. The Bank has recognised the entire net mark to market loss on investments in the quarter in which the mark to market losses were incurred and has not amortised the same as provided in the above mention circulars.

- During the years ended March 31, 2019 and March 31, 2018, there has been no sale from, and transfer to / from, the HTM category in excess of 5% of the book value of investments held in the HTM category at the beginning of the year.

  In accordance with the RBI guidelines, sales from, and transfers to / from, HTM category exclude the following from the 5% cap:

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

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

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

  ✓ additional shifting of securities explicitly permitted by the RBI from time to time; and

  ✓ direct sales from HTM for bringing down SLR holdings in the HTM category.

**10. Derivatives**

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

| Sr. No. | Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|---|
| i) | The total notional principal of swap agreements | 315,803.02 | 308,463.47 |
| ii) | Total losses which would be incurred if counter parties failed to fulfill their obligations under the agreements | 2,796.54 | 1,063.13 |
| iii) | Collateral required by the Bank upon entering into swaps | - | - |
| iv) | Concentration of credit risk arising from swaps (%)** | 64.62% | 60.62% |
| v) | Concentration of credit risk arising from swaps (Amount)** | 1,807.15 | 644.45 |
| vi) | The fair value of the swap book | 88.18 | 113.36 |

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

*** Concentration of credit risk arising from swaps is with banks as at March 31, 2019 and March 31, 2018.*

The nature and terms of Rupee IRS outstanding as at March 31, 2019 are set out below: **(₹ crore, except numbers)**

| Nature | Nos. | Notional principal | Benchmark | Terms |
|---|---|---|---|---|
| Trading | 1 | 25.00 | INBMK | Floating receivable v/s fixed payable |
| Trading | 4 | 1,250.00 | INCMT | Floating receivable v/s fixed payable |
| Trading | 2,249 | 117,220.21 | OIS | Fixed receivable v/s floating payable |
| Trading | 2,358 | 120,778.99 | OIS | Floating receivable v/s fixed payable |
| Trading | 397 | 23,018.50 | MIFOR | Fixed receivable v/s floating payable |
| Trading | 307 | 15,985.00 | MIFOR | Floating receivable v/s fixed payable |
| **Total** | | **278,277.70** | | |

The nature and terms of foreign currency IRS as on March 31, 2019 are set out below: **(₹ crore, except numbers)**

| Nature | Nos. | Notional principal | Benchmark | Terms |
|---|---|---|---|---|
| Trading | 90 | 13,859.57 | USD LIBOR | Fixed receivable v/s floating payable |
| Trading | 202 | 23,665.75 | USD LIBOR | Floating receivable v/s fixed payable |
| **Total** | | **37,525.32** | | |

There were no FRA outstanding as on March 31, 2019.

The nature and terms of Rupee IRS outstanding as at March 31, 2018 are set out below: **(₹ crore, except numbers)**

| Nature | Nos. | Notional principal | Benchmark | Terms |
|---|---|---|---|---|
| Trading | 6 | 225.00 | INBMK | Fixed receivable v/s floating payable |
| Trading | 5 | 275.00 | INBMK | Floating receivable v/s fixed payable |
| Trading | 4 | 1,250.00 | INCMT | Floating receivable v/s fixed payable |
| Trading | 1,764 | 119,743.42 | OIS | Fixed receivable v/s floating payable |
| Trading | 1,737 | 119,993.50 | OIS | Floating receivable v/s fixed payable |
| Trading | 272 | 18,590.00 | MIFOR | Fixed receivable v/s floating payable |
| Trading | 200 | 11,499.00 | MIFOR | Floating receivable v/s fixed payable |
| **Total** | | **271,575.92** | | |

The nature and terms of foreign currency IRS as on March 31, 2018 are set out below: **(₹ crore, except numbers)**

| Nature | Nos. | Notional principal | Benchmark | Terms |
|---|---|---|---|---|
| Trading | 2 | 808.08 | EURIBOR | Fixed receivable v/s floating payable |
| Trading | 2 | 808.10 | EURIBOR | Floating receivable v/s fixed payable |
| Trading | 92 | 13,236.99 | USD LIBOR | Fixed receivable v/s floating payable |
| Trading | 191 | 21,827.06 | USD LIBOR | Floating receivable v/s fixed payable |
| **Total** | | **36,680.23** | | |

The nature and terms of FRA as on March 31, 2018 are set out below: **(₹ crore, except numbers)**

| Nature | Nos. | Notional principal | Benchmark | Terms |
|---|---|---|---|---|
| Trading | 6 | 103.66 | USD LIBOR | Payable FRA |
| Trading | 6 | 103.66 | USD LIBOR | Receivable FRA |
| **Total** | | **207.32** | | |

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

| Sr. No. | Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|---|
| i) | The total notional principal amount of exchange traded interest rate derivatives undertaken during the years reported | Nil | Nil |
| ii) | The total notional principal amount of exchange traded interest rate derivatives outstanding | Nil | Nil |
| iii) | The notional principal amount of exchange traded interest rate derivatives outstanding and not 'highly effective' | N.A. | N.A. |
| iv) | Mark-to-market value of exchange traded interest rate derivatives outstanding and not 'highly effective' | N.A. | N.A. |

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

*Overview of business and processes*

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

*Interest rate contracts*

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

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

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

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

*Exchange rate contracts*

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

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

**Currency options (including Exchange Traded Currency Option)** give the buyer, on payment of a premium, the right but not an obligation, to buy or sell specified amounts of currency at agreed rates of exchange on or before a specified future date.

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

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

*Constituents involved in derivative business*

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

*Derivative policy*

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

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

*Classification of derivatives book*

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

*Hedging policy*

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

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

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

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

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

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

| Sr. No. | Particulars | Currency derivatives | | Interest rate derivatives | |
|---|---|---|---|---|---|
| | | March 31, 2019 | March 31, 2018 | March 31, 2019 | March 31, 2018 |
| 1 | Derivatives (notional principal amount) | | | | |
| | a) Hedging | - | - | - | - |
| | b) Trading | 47,914.10 | 39,591.46 | 315,986.71 | 308,677.32 |
| 2 | Marked to market positions | | | | |
| | a) Asset (+) | 823.55 | 684.79 | 2,797.45 | 1,064.77 |
| | b) Liability (-) | (663.14) | (722.09) | (2,709.26) | (951.41) |
| 3 | Credit exposure | 3,234.07 | 2,740.20 | 4,888.09 | 3,509.79 |
| 4 | Likely impact of one percentage change in interest rate (100*PV01) | | | | |
| | a) On hedging derivatives | - | - | - | - |
| | b) On trading derivatives | 29.84 | 7.62 | 94.61 | 33.94 |
| 5 | Maximum of 100*PV01 observed during the year | | | | |
| | a) On hedging | - | 0.24 | - | 15.93 |
| | b) On trading | 29.84 | 31.32 | 94.61 | 80.86 |
| 6 | Minimum of 100*PV01 observed during the year | | | | |
| | a) On hedging | - | - | - | - |
| | b) On trading | 5.97 | 0.88 | 31.51 | 26.92 |

✓ As at March 31, 2019, the notional principal amount of outstanding foreign exchange contracts classified as hedging and trading amounted to ₹ 6,569.73 crore (previous year: ₹ 14,070.60 crore) and ₹ 549,616.22 crore (previous year: ₹ 420,396.97 crore) respectively.

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

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

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

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

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

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

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

**11. Asset quality**

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

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| (i) Net NPAs to net advances | 0.39% | 0.40% |
| (ii) Movement of NPAs (Gross) | | |
| (a) Opening balance | 8,606.97 | 5,885.66 |
| (b) Additions (fresh NPAs) during the year | 14,382.03 | 12,958.99 |
| (c) Reductions during the year: | 11,764.84 | 10,237.68 |
| - Upgradation* | 3,251.98 | 4,163.60 |
| - Recoveries (excluding recoveries made from upgraded accounts) | 3,932.50 | 2,808.25 |
| - Write-offs | 4,580.36 | 3,265.83 |
| (d) Closing balance | 11,224.16 | 8,606.97 |
| (iii) Movement of net NPAs | | |
| (a) Opening balance | 2,601.02 | 1,843.99 |
| (b) Additions during the year | 4,946.36 | 4,917.84 |
| (c) Reductions during the year | 4,332.86 | 4,160.81 |
| (d) Closing balance | 3,214.52 | 2,601.02 |
| (iv) Movement of provisions for NPAs (excluding provisions on standard assets) | | |
| (a) Opening balance | 6,005.95 | 4,041.67 |
| (b) Additions during the year | 9,435.67 | 8,041.15 |
| (c) Write-offs | 4,580.36 | 3,265.83 |
| (d) Write-back of excess provisions | 2,851.62 | 2,811.04 |
| (e) Closing balance | 8,009.64 | 6,005.95 |

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

**includes those accounts where all overdue have been paid.*

- **Technical or prudential write-offs**

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

**(₹ crore)**

| **Particulars** | **March 31, 2019** | **March 31, 2018** |
|---|---|---|
| Opening balance of technical / prudential write-offs | - | - |
| Technical / Prudential write-offs during the year | - | - |
| Recoveries made from previously technically / prudentially written-off accounts during the year | - | - |
| Closing balance of technical / prudential write-offs | - | - |

- **Floating provisions**

Floating provision of ₹ 1,451.28 crore (previous year: ₹ 1,451.28 crore) have been included under “Other Liabilities”. Movement in floating provision is given below:

**(₹ crore)**

| **Particulars** | **March 31, 2019** | **March 31, 2018** |
|---|---|---|
| Opening balance | 1,451.28 | 1,248.01 |
| Provisions made / reinstated during the year | - | 523.99 |
| Draw down made during the year | - | (320.72) |
| Closing balance | 1,451.28 | 1,451.28 |

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

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

There was no divergence observed by the RBI for the year ended March 31, 2018 in respect of the Bank’s assets classification and provisioning under the extant prudential norms on Income Recognition, Asset Classification and Provisioning (IRACP).

The impact of changes in classification and provisioning arising out of the RBI’s supervisory process for the year ended March 31, 2017 was fully given effect to in the audited financial statements for the year ended March 31, 2018.

- **Disclosure on accounts subjected to restructuring for the year ended March 31, 2019:**

(₹ crore, except numbers)

| Sr. No. | Type of restructuring / Asset Classification → / Details ↓ | | Under Corporate Debt Restructuring (CDR) Mechanism | | | | | Under Small & Medium Enterprises (SME) Debt Restructuring Mechanism | | | | | Others | | | | | Total | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Standard | Sub Standard | Doubtful | Loss | Total | Standard | Sub Standard | Doubtful | Loss | Total | Standard | Sub Standard | Doubtful | Loss | Total | Standard | Sub Standard | Doubtful | Loss | Total |
| 1 | Restructured accounts as at April 1, 2018* | No. of borrowers | - | 2 | 3 | - | 5 | - | - | - | - | - | 1 | 1 | 2 | 5 | 9 | 1 | 3 | 5 | 5 | 14 |
| | | Amount outstanding | - | 44.50 | 40.65 | - | 85.15 | - | - | - | - | - | 1,300.41 | 2.16 | 199.40 | 24.95 | 1,526.92 | 1,300.41 | 46.66 | 240.05 | 24.95 | 1,612.07 |
| | | Provision thereon | - | 2.50 | 0.79 | - | 3.29 | - | - | - | - | - | - | - | 0.50 | 1.06 | 1.56 | - | 2.50 | 1.29 | 1.06 | 4.85 |
| 2 | Fresh restructuring during the year # | No. of borrowers | - | - | - | - | - | - | - | - | - | - | 1 | 1 | 1 | - | 3 | 1 | 1 | 1 | - | 3 |
| | | Amount outstanding | - | - | - | - | - | - | - | - | - | - | 52.37 | 1.79 | 0.77 | - | 54.93 | 52.37 | 1.79 | 0.77 | - | 54.93 |
| | | Provision thereon | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 3 | Upgradation to restructured standard category during the year | No. of borrowers | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | Amount outstanding | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | Provision thereon | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 4 | Advances not shown as restructured standard advances at the beginning of the next year^ | No. of borrowers | - | | | | - | - | | | | - | 1 | | | | 1 | 1 | | | | 1 |
| | | Amount outstanding | - | | | | - | - | | | | - | 1,300.41 | | | | 1,300.41 | 1,300.41 | | | | 1,300.41 |
| | | Provision thereon | - | | | | - | - | | | | - | - | | | | - | - | | | | - |
| 5 | Down gradation of restructured accounts during the year | No. of borrowers | - | -2 | +2 | - | - | - | - | - | - | - | - | -1 | - | +1 | - | - | -3 | +2 | +1 | - |
| | | Amount outstanding | - | -44.50 | +44.50 | - | - | - | - | - | - | - | - | -2.16 | - | +2.16 | - | - | -46.66 | +44.50 | +2.16 | - |
| | | Provision thereon | - | -2.50 | +2.50 | - | - | - | - | - | – | | - | - | - | - | - | - | -2.50 | +2.50 | - | - |
| 6 | Write-offs of restructured accounts during the year ## | No. of borrowers | - | - | 1 | - | 1 | - | - | - | - | - | - | - | - | 2 | 2 | - | - | 1 | 2 | 3 |
| | | Amount outstanding | - | - | 28.48 | - | 28.48 | - | - | - | - | - | - | - | 17.48 | 11.15 | 28.63 | - | - | 45.96 | 11.15 | 57.11 |
| 7 | Restructured accounts as at March 31, 2019* | No. of borrowers | - | - | 4 | - | 4 | - | - | - | - | - | 1 | 1 | 3 | 4 | 9 | 1 | 1 | 7 | 4 | 13 |
| | | Amount outstanding | - | - | 56.67 | - | 56.67 | - | - | - | - | - | 52.37 | 1.79 | 182.69 | 15.96 | 252.81 | 52.37 | 1.79 | 239.36 | 15.96 | 309.48 |
| | | Provision thereon | - | - | 2.90 | - | 2.90 | - | - | - | - | - | - | - | 0.50 | 0.91 | 1.41 | - | - | 3.40 | 0.91 | 4.31 |

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

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

# includes ₹ 0.02 crore of additional sanction (1 account and provision ₹ 0.50 crore) to existing restructured account.

## includes ₹ 29.25 crore (8 accounts and provision ₹ 3.43 crore) of reduction in existing restructured accounts by way of recovery / sale.

- **Disclosure on accounts subjected to restructuring for the year ended March 31, 2018:**

(₹ crore, except numbers)

| Sr. No. | Type of restructuring | | Under Corporate Debt Restructuring (CDR) Mechanism | | | | | Under Small & Medium Enterprises (SME) Debt Restructuring Mechanism | | | | | Others | | | | | Total | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Asset Classification → / Details ↓ | | Standard | Sub Standard | Doubtful | Loss | Total | Standard | Sub Standard | Doubtful | Loss | Total | Standard | Sub Standard | Doubtful | Loss | Total | Standard | Sub Standard | Doubtful | Loss | Total |
| 1 | Restructured accounts as at April 1, 2017* | No. of borrowers | 3 | 1 | 2 | - | 6 | - | - | - | - | - | 2 | - | 4 | 3 | 9 | 5 | 1 | 6 | 3 | 15 |
| | | Amount outstanding | 57.69 | 13.70 | 26.98 | - | 98.37 | - | - | - | - | - | 172.46 | - | 33.55 | 7.16 | 213.17 | 230.15 | 13.70 | 60.53 | 7.16 | 311.54 |
| | | Provision thereon | 2.50 | 1.00 | 0.44 | - | 3.94 | - | - | - | - | - | 0.50 | - | 1.44 | 0.15 | 2.09 | 3.00 | 1.00 | 1.88 | 0.15 | 6.03 |
| 2 | Fresh restructuring during the year # | No. of borrowers | - | - | - | - | - | - | - | - | - | - | - | 1 | 1 | 1 | 3 | - | 1 | 1 | 1 | 3 |
| | | Amount outstanding | - | 1.43 | - | - | 1.43 | - | - | - | - | - | - | 2.16 | 1,764.84** | 1.51 | 1,768.51 | - | 3.59 | 1,764.84 | 1.51 | 1,769.94 |
| | | Provision thereon | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 3 | Upgradation to restructured standard category during the year | No. of borrowers | - | - | - | - | - | - | - | - | - | - | +1 | - | -1 | - | - | +1 | - | -1 | - | - |
| | | Amount outstanding | - | - | - | - | - | - | - | - | - | - | 1,707.18 | - | -1,707.18 | - | - | 1,707.18 | - | -1,707.18 | - | - |
| | | Provision thereon | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 4 | Advances not shown as restructured standard advances at the beginning of the next year^ | No. of borrowers | -1 | | | | -1 | - | | | | - | - | | | | - | -1 | | | | -1 |
| | | Amount outstanding | -10.36 | | | | -10.36 | - | | | | - | - | | | | - | -10.36 | | | | -10.36 |
| | | Provision thereon | - | | | | - | - | | | | - | - | | | | - | - | | | | - |
| 5 | Down gradation of restructured accounts during the year | No. of borrowers | -2 | +2 -1 | +1 | - | - | - | - | - | - | - | -1 | - | +1 -1 | +1 | - | -3 | +2-1 | +1+1-1 | +1 | - |
| | | Amount outstanding | -47.33 | 33.63 | 13.70 | - | - | - | - | - | - | - | -169.63 | - | 149.72 | 19.91 | - | -216.96 | 33.63 | 163.42 | 19.91 | - |
| | | Provision thereon | -2.50 | 1.50 | 1 | - | - | - | - | - | - | - | - | - | - | - | - | -2.50 | 1.50 | 1 | - | - |
| 6 | Write-offs of restructured accounts during the year ## | No. of borrowers | - | - | - | - | - | - | - | - | - | - | 1 | - | 2 | - | 3 | 1 | - | 2 | - | 3 |
| | | Amount outstanding | - | 4.26 | 0.03 | - | 4.29 | - | - | - | - | - | 409.60 | - | 41.53 | 3.63 | 454.76 | 409.60 | 4.26 | 41.56 | 3.63 | 459.05 |
| 7 | Restructured accounts as at March 31, 2018* | No. of borrowers | - | 2 | 3 | - | 5 | - | - | - | - | - | 1 | 1 | 2 | 5 | 9 | 1 | 3 | 5 | 5 | 14 |
| | | Amount outstanding | - | 44.50 | 40.65 | - | 85.15 | - | - | - | - | - | 1,300.41 | 2.16 | 199.40 | 24.95 | 1,526.92 | 1,300.41 | 46.66 | 240.05 | 24.95 | 1,612.07 |
| | | Provision thereon | - | 2.50 | 0.79 | - | 3.29 | - | - | - | - | - | - | - | 0.50 | 1.06 | 1.56 | - | 2.50 | 1.29 | 1.06 | 4.85 |

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

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

** includes an account classified by the Bank during the year as non-performing pursuant to regulatory communication received during the year.

# includes ₹ 27.16 crore of additional sanction (3 accounts and provision ₹ 1 crore) to existing restructured accounts in CDR and other package.

## includes ₹ 446.60 crore (5 accounts and provision ₹ 3.48 crore) of reduction in existing restructured accounts by way of recovery/sale; and ₹ 12.43 crore (3 accounts and provision ₹ 0.54 crore) which are no longer required to be reported as restructured.

- **During the year ended March 31, 2019, no accounts were restructured under Micro, Small and Medium Enterprises (MSME) sector under RBI guidelines issued in January 2019.**

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

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Number of accounts | - | - |
| Aggregate value (net of provisions) of accounts sold to SC / RC | - | - |
| Aggregate considerations | - | - |
| Additional consideration realised in respect of accounts transferred in earlier years | - | - |
| Aggregate gain / (loss) over net book value | - | - |
| Provision made to meet shortfall in sale of NPA | - | - |
| Amount of unamortised provision debited to 'other reserve' | - | - |

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

| | Particulars | SRs issued within past 5 years | SRs issued more than 5 years ago but within past 8 years | SRs issued more than 8 years ago | Total March 31, 2019 |
|---|---|---|---|---|---|
| (i) | Backed by NPAs sold by the Bank as underlying* | 190.90 | - | - | 190.90 |
| | Provision held against (i) | - | - | - | - |
| (ii) | Backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying | 0.81 | 3.44 | 1.32 | 5.57 |
| | Provision held against (ii) | - | - | - | - |
| | **Total** | **191.71** | **3.44** | **1.32** | **196.47** |

**The Bank held contingent provision of ₹ 76.36 crore towards investment in security receipts backed by NPAs sold by the Bank as at March 31, 2019.*

**(₹ crore)**

| | Particulars | SRs issued within past 5 years | SRs issued more than 5 years ago but within past 8 years | SRs issued more than 8 years ago | Total March 31, 2018 |
|---|---|---|---|---|---|
| (i) | Backed by NPAs sold by the Bank as underlying* | 190.90 | - | - | 190.90 |
| | Provision held against (i) | - | - | - | - |
| (ii) | Backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying | 9.72 | 3.15 | - | 12.87 |
| | Provision held against (ii) | - | - | - | - |
| | **Total** | **200.62** | **3.15** | **-** | **203.77** |

** During the year ended March 31, 2018, contingent provision of ₹ 76.36 crore was made towards investment in security receipts backed by NPAs sold by the Bank.*

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

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| (i) No of accounts sold | 1 | - |
| (ii) Aggregate outstanding | 121.75 | - |
| (iii) Aggregate consideration received | 66.27 | - |

- **During the years ended March 31, 2019 and March 31, 2018, no non-performing financial assets were purchased by the Bank.**

- **Securitised assets as per books of SPVs sponsored by the Bank:**

  There are no SPVs sponsored by the Bank as at March 31, 2019 and as at March 31, 2018.

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

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

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

| Category | March 31, 2019 | March 31, 2018 |
|---|---|---|
| **a) Direct exposure** | **92,051.52** | **73,654.38** |
| (i) Residential mortgages* | 56,967.32 | 41,460.65 |
| (of which housing loans eligible for inclusion in priority sector advances) | (25,006.05) | (16,475.22) |
| (ii) Commercial real estate | 35,078.57 | 32,185.51 |
| (iii) Investments in Mortgage Backed Securities ( MBS) and other securitised exposures: | | |
| (a) Residential | 5.63 | 8.21 |
| (b) Commercial real estate | - | - |
| **b) Indirect exposure** | **23,740.43** | **22,249.51** |
| Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs) | 23,740.43 | 22,249.51 |
| **Total exposure to real estate sector** | **115,791.95** | **95,903.89** |

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

*Of the above, exposure to real estate developers as at March 31, 2019 is 0.5% (previous year: 0.6%) of total advances.*

- **Details of capital market exposure**

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

| Sr. No. | Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|---|
| (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 | 97.52 | 90.61 |
| (ii) | Advances against shares, bonds, debentures or other securities or on clean basis to individuals for investment in shares (including IPO's / ESOP's), convertible bonds, convertible debentures and units of equity oriented mutual funds | 235.82 | 158.96 |
| (iii) | Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security | 5,098.48 | 5,421.51 |
| (iv) | Advances for any other purposes to the extent secured by collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances | 427.15 | 232.66 |
| (v) | Secured and unsecured advances to stock brokers and guarantees issued on behalf of stock brokers and market makers | 12,510.28 | 10,915.99 |
| (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 | 2,202.40 | 2,262.75 |
| (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) | 6.95 | 4.10 |
| | **Total exposure to capital market** | **20,578.60** | **19,086.58** |

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

| Risk Category | March 31, 2019 | | March 31, 2018 | |
|---|---|---|---|---|
| | Exposure (net) | Provision held | Exposure (net) | Provision held |
| Insignificant | 31,262.20 | - | 18,538.08 | - |
| Low | 11,200.11 | - | 9,103.81 | - |
| Moderately low | 202.27 | - | 486.54 | - |
| Moderate | 305.98 | - | 350.17 | - |
| Moderately high | 43.27 | - | 37.20 | - |
| High | - | - | - | - |
| Very high | - | - | 0.18 | - |
| **Total** | **43,013.83** | **-** | **28,515.98** | **-** |

- **Details of factoring exposure**

  The factoring exposure of the Bank as at March 31, 2019 is ₹ 3,214.40 crore (previous year: ₹ 2,334.53 crore).

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

  The RBI has prescribed single and group borrower exposure limits linked to a bank's capital funds. These limits can be enhanced by a further 5 percent thereof with the approval of the Board of Directors of the Bank. During the year ended March 31, 2019 and March 31, 2018 the Bank was within the limits prescribed by the RBI.

- **Unsecured advances**

  Advances for which intangible collaterals such as rights, licenses, authority, trademarks, patents, etc. are charged in favour of the Bank in respect of projects financed by the Bank, are reckoned as unsecured advances under Schedule 9 of the Balance Sheet in line with extant RBI guidelines. There are no such advances outstanding as at March 31, 2019 (previous year: Nil).

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

  The aggregate amount of participation issued by the Bank and reduced from advances as per regulatory guidelines as at March 31, 2019 was ₹ 30,734.43 crore (previous year: ₹ 24,454.84 crore).

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

**a) Concentration of deposits** **(₹ crore, except percentages)**

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Total deposits of twenty largest depositors | 56,760.18 | 50,066.89 |
| Percentage of deposits of twenty largest depositors to total deposits of the Bank | 6.1% | 6.3% |

**b) Concentration of advances** **(₹ crore, except percentages)**

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Total advances to twenty largest borrowers | 133,373.25 | 92,114.45 |
| Percentage of advances of twenty largest borrowers to total advances of the Bank | 10.6% | 9.0% |

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

**c) Concentration of exposure** **(₹ crore, except percentages)**

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Total exposure to twenty largest borrowers / customers | 144,610.12 | 104,796.59 |
| Percentage of exposure of twenty largest borrowers / customers to total exposure of the Bank on borrowers / customers | 11.1% | 9.7% |

*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, 2019 | March 31, 2018 |
|---|---|---|
| Total gross exposure to top four NPA accounts | 730.54 | 708.09 |

e) **Sector-wise advances** (₹ crore)

| Sr. No. | Sector | March 31, 2019 | | | March 31, 2018 | | |
|---|---|---|---|---|---|---|---|
| | | Gross advances | Gross non-performing loans | % of gross non-performing loans to gross advances in that sector | Gross advances | Gross non-performing loans | % of gross non-performing loans to gross advances in that sector |
| **A** | **Priority sector** | | | | | | |
| 1 | Agriculture and allied activities | 74,272.49 | 3,185.41 | 4.29% | 73,513.50 | 2,514.60 | 3.42% |
| 2 | Advances to industries eligible as priority sector lending | 33,559.14 | 289.74 | 0.86% | 28,405.11 | 483.71 | 1.70% |
| 3 | Services | 83,260.85 | 1,207.50 | 1.45% | 52,995.58 | 990.26 | 1.87% |
| 4 | Personal loans | 29,558.28 | 26.02 | 0.09% | 20,514.50 | 19.26 | 0.09% |
| | **Sub-total (A)** | **220,650.76** | **4,708.67** | **2.13%** | **175,428.69** | **4,007.83** | **2.28%** |
| **B** | **Non Priority sector** | | | | | | |
| 1 | Agriculture and allied activities | 8,631.99 | 181.68 | 2.10% | 14,131.18 | 149.41 | 1.06% |
| 2 | Industry | 201,476.02 | 2,252.89 | 1.12% | 141,126.81 | 1,783.60 | 1.26% |
| 3 | Services | 183,403.18 | 1,808.92 | 0.99% | 155,844.46 | 1,114.86 | 0.72% |
| 4 | Personal loans | 213,172.97 | 2,183.75 | 1.02% | 177,723.19 | 1,451.16 | 0.82% |
| | **Sub-total (B)** | **606,684.16** | **6,427.24** | **1.06%** | **488,825.65** | **4,499.03** | **0.92%** |
| | **Total (A) + (B)** | **827,334.92** | **11,135.91** | **1.35%** | **664,254.34** | **8,506.86** | **1.28%** |

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

| Type of PSLCs | For the year ended March 31, 2019 | | For the year ended March 31, 2018 | |
|---|---|---|---|---|
| | PSLC bought during the year | PSLC sold during the year | PSLC bought during the year | PSLC sold during the year |
| Agriculture | 5,572.00 | 500.00 | - | - |
| Small and Marginal farmers | 31,294.00 | 10.00 | 22,251.00 | - |
| Micro Enterprises | 7,338.75 | - | 5,520.00 | - |
| General | 1,750.00 | 11,171.25 | - | 730.75 |
| **Total** | **45,954.75** | **11,681.25** | **27,771.00** | **730.75** |

**13. Other fixed assets**

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

(₹ crore)

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| **Cost** | | |
| As at March 31 of the previous year | 2,391.59 | 2,139.70 |
| Additions during the year | 510.70 | 251.89 |
| Deductions during the year | - | - |
| **Total (a)** | **2,902.29** | **2,391.59** |
| **Depreciation** | | |
| As at March 31 of the previous year | 1,748.61 | 1,473.76 |
| Charge for the year | 350.15 | 274.85 |
| On deductions during the year | - | - |
| **Total (b)** | **2,098.76** | **1,748.61** |
| **Net value (a-b)** | **803.53** | **642.98** |

**14. Other assets**

- Other assets include deferred tax asset (net) of ₹ 4,352.14 crore (previous year: ₹ 3,344.02 crore). The break-up of the same is as follows:

(₹ crore)

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| **Deferred tax asset arising out of:** | | |
| Loan loss provisions | 3,498.19 | 2,780.22 |
| Employee benefits | 201.19 | 177.65 |
| Depreciation | 14.13 | - |
| Others | 638.63 | 439.88 |
| **Total (a)** | **4,352.14** | **3,397.75** |
| **Deferred tax liability arising out of:** | | |
| Depreciation | - | (53.73) |
| **Total (b)** | **-** | **(53.73)** |
| **Deferred tax asset (net) (a-b)** | **4,352.14** | **3,344.02** |

- Key items under “Others” in Other assets are as under:

(₹ crore)

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Deposit with NABARD / SIDBI / NHB - PSL shortfall | 10,832.25 | 13,357.25 |
| Unrealised gain on foreign exchange and derivative contracts* | 13,261.24 | 5,091.67 |
| Deferred tax assets | 4,352.14 | 3,344.02 |
| Deposits & amounts paid in advance | 2,071.32 | 1,802.24 |
| Accounts receivable | 4,318.64 | 1,827.87 |
| Residual items | 2.35 | 2.50 |
| **Total** | **34,837.94** | **25,425.55** |

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

15. **Maturity pattern of key assets and liabilities**

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

(₹ crore)

| As at March 31, 2019 | 1 day | 2 to 7 days | 8 to 14 days | 15 to 30 days | 31 days to 2 months | 2 months to 3 months | Over 3 months to 6 months | Over 6 months to 1 year | Over 1 year to 3 years | Over 3 years to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Loans & advances | 7,280.74 | 18,850.29 | 11,742.16 | 33,696.10 | 34,566.05 | 36,542.85 | 62,718.61 | 92,877.93 | 368,566.87 | 81,466.29 | 71,093.33 | 819,401.22 |
| Investments | 57,663.34 | 25,447.22 | 6,409.97 | 9,012.71 | 14,141.11 | 9,749.20 | 16,925.45 | 28,324.91 | 76,861.03 | 7,279.98 | 38,772.96 | 290,587.88 |
| Deposits | 13,111.87 | 40,587.89 | 18,962.81 | 19,518.87 | 38,382.32 | 26,397.68 | 68,412.16 | 114,915.37 | 361,745.09 | 14,083.51 | 207,023.36 | 923,140.93 |
| Borrowings | 493.81 | 19,550.83 | 1,693.69 | 10,606.75 | 3,243.77 | 3,214.22 | 16,209.29 | 11,414.78 | 15,442.98 | 12,240.00 | 22,975.00 | 117,085.12 |
| Foreign currency assets | 10,816.83 | 17,357.93 | 2,704.59 | 8,681.45 | 5,791.17 | 5,430.28 | 9,249.36 | 2,286.01 | 4,260.31 | 864.01 | 294.69 | 67,736.63 |
| Foreign currency liabilities | 1,758.14 | 3,229.25 | 2,841.92 | 7,230.39 | 5,674.92 | 4,887.61 | 8,901.82 | 12,320.30 | 8,024.93 | 1,206.80 | 11,650.63 | 67,726.71 |

(₹ crore)

| As at March 31, 2018 | 1 day | 2 to 7 days | 8 to 14 days | 15 to 30 days | 31 days to 2 months | 2 months to 3 months | Over 3 months to 6 months | Over 6 months to 1 year | Over 1 year to 3 years | Over 3 years to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Loans & advances | 7,576.77 | 15,595.85 | 8,998.08 | 16,761.35 | 25,923.12 | 24,479.04 | 54,180.80 | 73,835.48 | 309,575.08 | 67,750.31 | 53,657.21 | 658,333.09 |
| Investments | 42,520.53 | 20,050.34 | 5,008.14 | 4,991.47 | 6,668.55 | 11,161.33 | 16,409.62 | 24,204.36 | 70,557.07 | 9,961.29 | 30,667.54 | 242,200.24 |
| Deposits | 8,764.67 | 27,879.20 | 19,884.35 | 20,288.79 | 39,865.37 | 30,966.08 | 73,988.61 | 111,569.04 | 310,254.54 | 14,733.73 | 130,576.26 | 788,770.64 |
| Borrowings | 580.88 | 18,304.43 | 3,700.57 | 3,367.61 | 3,347.70 | 3,768.64 | 19,821.93 | 17,665.13 | 18,394.64 | 17,178.45 | 16,975.00 | 123,104.98 |
| Foreign currency assets | 2,201.21 | 14,178.73 | 3,697.27 | 7,013.44 | 3,729.18 | 4,106.12 | 5,741.10 | 2,185.58 | 3,847.69 | 1,601.45 | 497.32 | 48,799.09 |
| Foreign currency liabilities | 1,096.38 | 3,413.00 | 2,262.86 | 4,359.14 | 5,105.05 | 4,910.08 | 10,960.50 | 10,188.61 | 6,372.52 | 1,930.31 | 9,181.63 | 59,780.08 |

*Classification of assets and liabilities under the maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI. Maturity profile of foreign currency assets and liabilities excludes off-balance sheet items.*

16. **Provisions and contingent liabilities**

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

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

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Opening provision for reward points | 471.12 | 431.24 |
| Provision for reward points made during the year | 387.56 | 261.95 |
| Utilisation / write-back of provision for reward points | (255.59) | (222.07) |
| Closing provision for reward points | 603.09 | 471.12 |

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

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Opening provision | 314.01 | 311.90 |
| Movement during the year (net) | 84.42 | 2.11 |
| Closing provision | 398.43 | 314.01 |

c) **Provision pertaining to fraud accounts**

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| No. of frauds reported during the year | 5,484 | 3,612 |
| Amount involved in fraud (₹ crore) | 498.44 | 146.55 |
| Amount involved in fraud net of recoveries / write-offs as at the end of the year (₹ crore) | 431.42 | 119.02 |
| Provisions held as at the end of the year (₹ crore) | 431.42 | 119.02 |
| Amount of unamortised provision debited from "other reserves" as at the end of the year (₹ crore) | - | - |

d) **Description of contingent liabilities**

| Sr. No. | Contingent liability* | Brief description |
|---|---|---|
| 1 | Claims against the Bank not acknowledged as debts - taxation | The Bank is a party to various taxation matters in respect of which appeals are pending. The Bank expects the outcome of the appeals to be favorable based on decisions on similar issues in the previous years by the appellate authorities, based on the facts of the case and taxation laws. |
| 2 | Claims against the Bank not acknowledged as debts - others | The Bank is a party to various legal proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, results of operations or cash flows. |
| 3 | Liability on account of forward exchange and derivative contracts | The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest / principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts of financial instruments such as foreign exchange contracts and derivatives provide a basis for comparison with instruments recognised on the Balance Sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market rates or prices relative to their terms. |

| Sr. No. | Contingent liability* | Brief description |
|---|---|---|
| 4 | Guarantees given on behalf of constituents, acceptances, endorsements and other obligations | As a part of its commercial banking activities, the Bank issues documentary credit and guarantees on behalf of its customers. Documentary credits such as letters of credit enhance the credit standing of the Bank's customers. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations. |
| 5 | Other items for which the Bank is contingently liable | These include: a) Credit enhancements in respect of securitised-out loans; b) Bills rediscounted by the Bank; c) Capital commitments; d) Underwriting commitments; e) Investment purchases pending settlement; f) Amount transferred to the RBI under the Depositor Education and Awareness Fund (DEAF). |

**Also refer Schedule 12 - Contingent liabilities*

**e)** The Hon'ble Supreme Court of India issued an order dated February 28, 2019 of relating to employer's contribution to the provident fund ('PF') under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952. The Bank is in the process of evaluating the said order and would consider any further effect in its financial statements upon receiving additional clarity on the subject.

**17. Business ratios / information**

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Interest income as a percentage to working funds[1] | 8.93% | 8.86% |
| Net interest income as a percentage to working funds | 4.35% | 4.43% |
| Non-interest income as a percentage to working funds | 1.59% | 1.68% |
| Operating profit[2] as a percentage to working funds | 3.58% | 3.60% |
| Return on assets (average) | 1.90% | 1.93% |
| Business[3] per employee (₹ in crore) | 16.87 | 15.08 |
| Profit per employee[4] (₹ in crore) | 0.23 | 0.20 |
| Gross non-performing assets to gross advances[5] | 1.36% | 1.30% |
| Gross non-performing advances to gross advances | 1.35% | 1.28% |
| Percentage of net non-performing assets[6] to net advances[7] | 0.39% | 0.40% |
| Provision coverage ratio[8] | 71.36% | 69.78% |

*Definitions of certain items in Business ratios / information:*

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

**18. Interest income**

Interest income under the sub-head Income from Investments includes dividend on units of mutual funds and equity and preference shares received during the year ended March 31, 2019 amounting to ₹ 408.27 crore (previous year: ₹ 160.59 crore).

**19. Earnings from standard assets securitised-out**

There are no Special Purpose Vehicles ('SPV's) sponsored by the Bank for securitisation transactions. During the years ended March 31, 2019 and March 31, 2018, there were no standard assets securitised-out by the Bank.

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

The Bank has provided credit and liquidity enhancements in the form of cash collaterals / guarantees / subordination of cash flows etc., to the senior Pass Through Certificates ('PTC's) as well as in loan assignment transactions. The RBI issued addendum guidelines on securitisation of standard assets vide its circular dated May 7, 2012. Accordingly, the Bank does not provide liquidity or credit enhancements on the direct assignment transactions undertaken subsequent to these guidelines. The total value of credit enhancement outstanding in the books as at March 31, 2019 was ₹ 223.25 crore (previous year: ₹ 223.25 crore) and outstanding servicing liability was ₹ 0.03 crore (previous year: ₹ 0.05 crore).

**20. Other income**

- **Commission, exchange and brokerage income**
  - ✓ Commission, exchange and brokerage income is net of correspondent bank charges.
  - ✓ Commission income for the year ended March 31, 2019 includes fees of ₹ 1,473.37 crore (previous year: ₹ 1,192.34 crore) in respect of life insurance business, of which ₹ 554.82 crore (previous year: ₹ 406.77 crore) is for displaying publicity materials at the Bank's branches / ATMs and ₹ 222.68 crore (previous year: ₹ 203.43 crore) is in respect of general insurance and health insurance business.
- **Miscellaneous income**

  Miscellaneous income includes recoveries from written-off accounts amounting to ₹ 1,430.81 crore (previous year: ₹ 1,093.84 crore).

**21. Other expenditure**

Other expenditure includes commission paid to sales agents amounting to ₹ 2,805.61 crore (previous year: ₹ 2,427.96 crore), exceeding 1% of the total income of the Bank.

**22. Provisions and contingencies**

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

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Provision for income tax | | |
| - Current | 12,129.61 | 10,107.25 |
| - Deferred | (1,008.12) | (896.68) |
| Provision for NPAs | 6,394.11 | 4,910.43 |
| Provision for diminution in value of non-performing investments | 4.71 | 30.45 |
| Provision for standard assets | 648.38 | 597.43 |
| Other provisions and contingencies* | 502.88 | 389.18 |
| **Total** | **18,671.57** | **15,138.06** |

**Includes provisions for tax, legal and other contingencies ₹ 500.29 crore (previous year: ₹ 390.04 crore), provisions / (write-back) for securitised-out assets ₹ 2.59 crore (previous year: ₹ 2.14 crore) and standard restructured assets Nil (previous year: ₹ (3.00) crore).*

**23. Employee benefits**

**Gratuity** (₹ crore)

| **Particulars** | **March 31, 2019** | **March 31, 2018** |
|---|---|---|
| **Reconciliation of opening and closing balance of the present value of the defined benefit obligation** | | |
| Present value of obligation as at April 1 | 542.97 | 488.00 |
| Interest cost | 39.69 | 35.12 |
| Current service cost | 73.06 | 65.19 |
| Benefits paid | (46.81) | (39.53) |
| Actuarial (gain) / loss on obligation: | | |
| Experience adjustment | 7.12 | 10.44 |
| Assumption change | 1.92 | (16.25) |
| **Present value of obligation as at March 31** | **617.95** | **542.97** |
| **Reconciliation of opening and closing balance of the fair value of the plan assets** | | |
| Fair value of plan assets as at April 1 | 416.40 | 355.57 |
| Expected return on plan assets | 32.13 | 27.02 |
| Contributions | 88.29 | 73.21 |
| Benefits paid | (46.81) | (39.53) |
| Actuarial gain / (loss) on plan assets: | | |
| Experience adjustment | 11.70 | 0.13 |
| Assumption change | - | - |
| **Fair value of plan assets as at March 31** | **501.71** | **416.40** |
| **Amount recognised in Balance Sheet** | | |
| Fair value of plan assets as at March 31 | 501.71 | 416.40 |
| Present value of obligation as at March 31 | (617.96) | (542.97) |
| **Asset / (liability) as at March 31** | **(116.25)** | **(126.57)** |
| **Expenses recognised in Profit and Loss Account** | | |
| Interest cost | 39.69 | 35.12 |
| Current service cost | 73.06 | 65.19 |
| Expected return on plan assets | (32.13) | (27.02) |
| Net actuarial (gain) / loss recognised in the year | (2.67) | (5.94) |
| **Net cost** | **77.95** | **67.35** |
| Actual return on plan assets | 43.84 | 27.15 |
| Estimated contribution for the next year | 89.51 | 88.29 |
| **Assumptions** | | |
| Discount rate | 7.64% per annum | 7.50% per annum |
| Expected return on plan assets | 7.00% per annum | 7.00% per annum |
| Salary escalation rate | 8.00% per annum | 8.00% per annum |

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors.

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, 2019 are given below:

| **Category of plan assets** | **% of fair value to total plan assets as at March 31, 2019** |
|---|---|
| Government securities | 23.79% |
| Debenture and bonds | 28.96% |
| Equity shares | 45.03% |
| Others | 2.22% |
| **Total** | **100.00%** |

**Experience adjustment** (₹ crore)

| Particulars | Years ended March 31, | | | | |
|---|---|---|---|---|---|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Plan assets | 501.71 | 416.40 | 355.57 | 287.93 | 242.88 |
| Defined benefit obligation | 617.96 | 542.97 | 488.00 | 390.47 | 310.59 |
| Surplus / (deficit) | (116.25) | (126.57) | (132.43) | (102.54) | (67.71) |
| Experience adjustment gain / (loss) on plan assets | 11.70 | 0.13 | 32.44 | (13.69) | 21.35 |
| Experience adjustment (gain) / loss on plan liabilities | 7.12 | 10.44 | 35.48 | 16.24 | 4.59 |

**Pension** (₹ crore)

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| **Reconciliation of opening and closing balance of the present value of the defined benefit obligation** | | |
| Present value of obligation as at April 1 | 73.06 | 73.55 |
| Interest cost | 5.10 | 5.19 |
| Current service cost | 0.75 | 0.74 |
| Benefits paid | (12.57) | (8.75) |
| Actuarial (gain) / loss on obligation: | | |
| Experience adjustment | 3.32 | 3.95 |
| Assumption change | (0.12) | (1.62) |
| **Present value of obligation as at March 31** | **69.54** | **73.06** |
| **Reconciliation of opening and closing balance of the fair value of the plan assets** | | |
| Fair value of plan assets as at April 1 | 31.30 | 36.16 |
| Expected return on plan assets | 1.86 | 2.36 |
| Contributions | 0.88 | 0.94 |
| Benefits paid | (12.57) | (8.75) |
| Actuarial gain / (loss) on plan assets: | | |
| Experience adjustment | 0.48 | 0.59 |
| Assumption change | - | - |
| **Fair value of plan assets as at March 31** | **21.95** | **31.30** |
| **Amount recognised in Balance Sheet** | | |
| Fair value of plan assets as at March 31 | 21.95 | 31.30 |
| Present value of obligation as at March 31 | (69.54) | (73.06) |
| **Asset / (liability) as at March 31** | **(47.59)** | **(41.76)** |
| **Expenses recognised in Profit and Loss Account** | | |
| Interest cost | 5.10 | 5.19 |
| Current service cost | 0.75 | 0.74 |
| Expected return on plan assets | (1.86) | (2.36) |
| Net actuarial (gain) / loss recognised in the year | 2.72 | 1.74 |
| **Net cost** | **6.71** | **5.31** |
| Actual return on plan assets | 2.34 | 2.95 |
| Estimated contribution for the next year | 14.03 | 13.79 |
| **Assumptions** | | |
| Discount rate | 7.64% per annum | 7.50% per annum |
| Expected return on plan assets | 7.00% per annum | 7.00% per annum |
| Salary escalation rate | 8.00% per annum | 8.00% per annum |

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors.

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, 2019 are given below:

| Category of plan assets | % of fair value to total plan assets as at March 31, 2019 |
|---|---|
| Government securities | 8.49% |
| Debenture and bonds | 73.88% |
| Others | 17.63% |
| **Total** | **100.00%** |

**Experience adjustment** **(₹ crore)**

| Particulars | Years ended March 31, | | | | |
|---|---|---|---|---|---|
| | **2019** | **2018** | **2017** | **2016** | **2015** |
| Plan assets | 21.95 | 31.30 | 36.16 | 38.38 | 41.91 |
| Defined benefit obligation | 69.54 | 73.06 | 73.55 | 70.88 | 57.45 |
| Surplus / (deficit) | (47.59) | (41.76) | (37.39) | (32.50) | (15.54) |
| Experience adjustment gain / (loss) on plan assets | 0.48 | 0.59 | 0.39 | 1.43 | (2.38) |
| Experience adjustment (gain) / loss on plan liabilities | 3.32 | 3.95 | 4.65 | 17.35 | (0.19) |

**Provident fund**

The guidance note on AS-15, Employee Benefits, states that employer established provident funds, where interest is guaranteed are to be considered as defined benefit plans and the liability has to be valued. The Institute of Actuaries of India ('IAI') has issued a guidance note on valuation of interest rate guarantees on exempt provident funds. The actuary has accordingly valued the same and the Bank held a provision of Nil as at March 31, 2019 (previous year: Nil), towards the present value of the guaranteed interest benefit obligation. The actuary has followed the deterministic approach as prescribed by the guidance note.

**Assumptions**

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Discount rate (GOI security yield) | 7.64% per annum | 7.50% per annum |
| Expected guaranteed interest rate | 8.65% per annum | 8.55% per annum |

The Bank does not have any unfunded defined benefit plan. The Bank contributed ₹ 247.95 crore (previous year: ₹ 222.84 crore) to the provident fund, ₹ 3.27crore (previous year: ₹ 2.76 crore) to the National Pension Scheme and ₹ 103.41 crore (previous year: ₹ 67.68 crore) to the superannuation plan.

**Compensated absences**

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

**(₹ crore)**

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Privileged leave | 321.30 | 259.46 |
| Sick leave | 66.99 | 61.91 |
| **Total actuarial liability** | **388.29** | **321.37** |
| **Assumptions** | | |
| Discount rate | 7.64% per annum | 7.50% per annum |
| Salary escalation rate | 8.00% per annum | 8.00% per annum |

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors.

**24. Disclosures on remuneration**

**Qualitative Disclosures**

**A. Information relating to the bodies that oversee remuneration**

**Name and composition**

The Board of Directors of the Bank has constituted the Nomination and Remuneration Committee (hereinafter, the 'NRC') for overseeing and governing the compensation policies of the Bank. The NRC is comprised of four non-executive directors as of March 31, 2019. Further, two members of the NRC are also members of the Risk Policy and Monitoring Committee (hereinafter, the 'RPMC') of the Board.

The NRC is comprised of Mrs. Shyamala Gopinath, Mr. Sanjiv Sachar, Mr. Sandeep Parekh and Mr. M.D. Ranganath. Further, Mrs. Shyamala Gopinath and Mr. M.D. Ranganath are also members of the RPMC. Mr. Sanjiv Sachar is the chairperson of the NRC. During the year ended March 31, 2019, Mr. Bobby Parikh and Mr. Partho Datta ceased to be a members of the NRC pursuant to their cessation as directors of the Bank on completing their term of 8 continuous years as permitted under Banking Regulation Act 1949.

**Mandate of the NRC**

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

**External Consultants**

**AON:** As commissioned by the NRC, the Bank employed the services of AON in the area of compensation market benchmarking and executive compensation.

**Cedar Consulting:** The Bank employed the services of Cedar Consulting to review and recommend key scorecard measures for the Whole Time Directors.

**Scope of the Bank's Remuneration Policy**

The Remuneration Policy of the Bank includes within its scope all business lines, all permanent staff in its domestic as well as international offices. Further the principles articulated in the compensation policy are universal, however in the event there are any statutory provisions in overseas locations the same take precedence over the remuneration policy of the Bank.

All permanent employees of the Bank except those covered under the long term wage agreement are covered by the said compensation policy. The number of employees covered under the compensation policy was 97,805 as at March 31, 2019 (previous year: 87,983).

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

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

The NRC reviews the following critical principles enunciated in the policy and ensures that:

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

(b) compensation outcomes are symmetric with risk outcomes;

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

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

**II. Design and Structure of Remuneration**

**a) Fixed Pay**

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

*Elements of Fixed Pay*

The fixed pay component of the Bank's compensation structure typically consists of elements such as base salary, allowances, perquisites, retirement and other employee benefits. Perquisites extended are in the nature of company car, hard furnishing, company leased accommodation, club membership and such other benefits or allowances in lieu of such perquisites / benefits. Retirement benefits include contributions to provident fund, superannuation fund (for certain job bands), national pension scheme and gratuity. The Whole Time Directors of the Bank are entitled to other post-retirement benefits such as car and medical facilities, in accordance with specified terms of employment as per the policy of the Bank, subject to RBI approval. The Bank also provides pension to certain employees of the erstwhile Lord Krishna Bank ('eLKB') under the Indian Banks' Association ('IBA') structure.

*Determinants of Fixed Pay*

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

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

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

(c) sufficient contribution to post retirement benefits; and

(d) compliance with all statutory obligations.

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

**b) Variable Pay**

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

*Whole Time Directors*

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

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

| Portion of Variable Pay | Timelines |
|---|---|
| 60% | Payable effective April 1 of the financial year immediately following the performance year. |
| 13.33% | Payable effective April 1 of the second financial year following the reference performance year. |
| 13.33% | Payable effective April 1 of the third financial year following the reference performance year. |
| 13.33% | Payable effective April 1 of the fourth financial year following the reference performance year. |

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

*Employees other than Whole Time Directors*

The Bank has formulated the following variable pay plans:

- Annual bonus plan

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

Bonus pools are designed to meet specific business needs therefore resulting in differentiation in both the quantum and the method of payout across functions. Typically higher levels of responsibility receive a higher proportion of variable pay vis-à-vis fixed pay. The Bank ensures that the time horizon for risk is assessed and the deferment period, if any, for bonus is set accordingly. The following is taken into account while administering the annual bonus:

✓ In the event the proportion of variable pay to fixed pay is substantially high (variable pay exceeding 50% of fixed pay) for employees in certain grades, the Bank has devised the following deferment schedule after taking into consideration the nature of risk, time horizon of risk, and the materiality of risk.

| Portion of Variable Pay | Timelines |
|---|---|
| 60% | Payable effective April 1 of the financial year immediately following the performance year. |
| 13.33% | Payable effective April 1 of the second financial year following the reference performance year. |
| 13.33% | Payable effective April 1 of the third financial year following the reference performance year. |
| 13.33% | Payable effective April 1 of the fourth financial year following the reference performance year. |

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

- Performance-linked Plans (PLPs)

  PLPs are formulated for sales personnel who are given sales targets but have limited impact on risk since credit decisions are exercised independent of the sales function. All PLP payouts are based on a balanced scorecard framework which factors not just quantitative, but also qualitative measures, such as quality of business sourced, customer complaints etc., and are subject to achievement of individual targets enumerated in the respective scorecards of the employees. A portion of the PLP payouts is deferred till the end of the year to provide for any unforeseen performance risks. Any employee who is on the PLP is excluded from the bonus plan.

  *Review of Remuneration Policy of the Bank*

  The Compensation Policy of the Bank was reviewed by the NRC during the year ended March 31, 2019 and the following material changes were incorporated therein:

  ✓ The Bank has amended its policy for grant of ESOPs. Under this policy, ESOPs granted to eligible employees vest over four tranches spread over a period of 48 months vis-à-vis 39 months for the earlier grants.

  ✓ The Bank has introduced a policy under which it may consider granting ESOPs for certain employees in select strategic roles at the time of hiring.

  ✓ The Bank has introduced a policy under which it may consider granting performance bonus to critical hires based on their performance rating at confirmation.

**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 bonus based on performance rating upon confirmation 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 said bonus is generally decided by taking into account appropriate risk factors and market conditions.

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

**d) Employee Stock Option Plan ('ESOP's)**

The Bank considers ESOPs as a vehicle to create a balance between short term rewards and long term sustainable value creation. ESOPs play a key role in the attraction and retention of key talent. The Bank grants equity share options to its Whole Time Directors and other employees above a certain grade. All plans for grant of options are framed in accordance with the SEBI guidelines, 1999 as amended from time to time and are approved by the shareholders of the Bank. These plans provide for the grant of options post approval by the NRC.

The grant of options is reviewed and approved by the NRC. The NRC grants options after considering parameters such as the incumbent's grade and performance rating, and such other factors as may be deemed appropriate by the NRC. Equity share options granted to the Whole Time Directors are subject to the approval of the NRC, the Board and the RBI. With effect from April 1, 2018, the Bank has amended its policy for grant of ESOPs. Under this policy, ESOPs granted to eligible employees vest over four tranches spread over a period of 48 months. Vesting for all ESOPs granted subsequent to April 1, 2017 is based on the assessment of performance of the employee at the time of vesting.

**e) Severance Pay**

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

**f) Hedging**

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

**g) Statutory Bonus**

Some section of employees are also paid statutory bonus as per the Payment of Bonus Act (1965) as amended from time to time.

**III. Remuneration Processes**

**Fitment at the time of Hire**

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

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

**Increment / Pay Revision**

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

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

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

**Risk, Control and Compliance Staff**

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

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

The Bank takes into account various types of risks in its remuneration processes. The Bank follows a comprehensive framework that includes within its ambit the key dimensions of remuneration such as fixed pay, variable pay and long term incentives (i.e. Employee Stock Options).

Fixed pay: The Bank conducts a comprehensive market benchmarking study to ensure that employees are competitively positioned in terms of fixed pay. The Bank follows a robust salary review process wherein revisions in fixed compensation are based on performance. The Bank also makes salary adjustments taking into consideration pay positioning of employees vis-à-vis market reference points. Through this approach the Bank endeavors to ensure that the talent risk due to attrition is mitigated as much as possible. Fixed pay could be revised downwards as well in the event of certain proven cases of misconduct by an employee.

Variable pay: The Bank has distinct types of variable pay plans as given below:

(a) Quarterly / monthly performance-linked pay (PLP) plans:

All quarterly / monthly PLP plans are based on the principle of balanced scorecard framework that includes within its ambit both quantitative and qualitative factors including key strategic objectives that ensure future competitive advantage for the Bank. PLP plans, by design, have deterrents that play a role of moderating payouts based on the non-fulfillment of established quantitative / qualitative risk factors. Deterrents also include risks arising out of non-compliance, mis-sell etc. Further, a portion of all payouts under the PLP plans is deferred till the end of the year to provide for any unforeseen performance risks.

(b) Annual bonus plan:

The Bank takes into consideration the fact that a portion of the Bank's profits are directly attributable to various types of risks the Bank is exposed to such as credit risk, market risk, operational risk and other quantifiable risks.

The framework developed by the Bank in order to arrive at the quantum of bonus pool is based on the performance of the Bank and profitability. The annual bonus is distributed based on business unit and individual performance. The business unit performance is based on factors such as growth in revenue, growth in profit, cost to income ratio and achievement vis-à-vis plans and key objectives. Bonus pay out for an individual employee in a particular grade is linked to the performance rating of the employee and subject to meeting the Bank's standards of ethical conduct.

The Bank has devised appropriate malus and claw back clauses as a risk mitigant for any negative contributions of the Bank and / or relevant line of business in any year for Whole Time Directors. Under the malus clause the incumbent foregoes the vesting of the deferred variable pay in full or in part. Under the claw back clause the incumbent is obligated to return all the tranches of bonus payout pertaining to the reference performance year. The deferred bonus is paid out post review and approval by the NRC.

The bonus for Whole Time Directors is capped at 70% of the fixed pay in a year. The variable pay for Whole Time Directors is approved by the NRC as well as the Board of Directors of the Bank and is subject to the approval of the RBI.

The variable pay component for Whole Time Directors and employees in certain grades is paid out subject to the following conditions:

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

| Portion of Variable Pay | Timelines |
|---|---|
| 60% | Payable effective April 1 of the financial year immediately following the performance year. |
| 13.33% | Payable effective April 1 of the second financial year following the reference performance year. |
| 13.33% | Payable effective April 1 of the third financial year following the reference performance year. |
| 13.33% | Payable effective April 1 of the fourth financial year following the reference performance year. |

(c) Long term incentives (employee stock options):

The Bank also grants employee stock options to employees in certain job bands. The grant is based on performance rating of the individual.

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

The Bank has a very comprehensive multi-dimensional performance measurement metrics that takes into consideration multiple factors that include qualitative as well as quantitative factors. The following are the key performance measurement metrics for the Bank. These also form part of the key metrics for the measurement of the performance of Whole Time Directors and impact the final remuneration:

a) Business Growth - This includes growth in advances and deposits;

b) Profitability - This includes growth in profit after tax;

c) Asset Quality - Gross NPA, Net NPA and % of Restructured assets to net advances;

d) Financial Soundness - Capital Adequacy Ratio Position and Tier I capital;

e) Shareholder value creation - Return on equity; and

f) Financial Inclusion - Growth in number of households covered, growth in the value of loans disbursed under this category and achievement against priority sector lending targets.

Most of the above parameters are evaluated in two steps:

A. Achievement against the plans of the Bank; and

B. Achievement against the performance of peers.

Apart from the factors related to business growth there is also a key qualitative factor such as regulatory compliance. Compliance is the key qualitative factor that acts as the moderator in the entire organisation evaluation process. A low score on compliance can significantly moderate the other performance measures and depending on severity may even nullify their impact.

While the above parameters form the core evaluation parameters for the Bank each of the business units are measured on the following from a remuneration standpoint:

a) Increase in plan over the previous year;

b) Actual growth in revenue over previous year;

c) Growth in net revenue (%);

d) Achievement of net revenue against plan (%);

e) Actual profit before tax;

f) Growth in profit before tax compared to the previous year;

g) Improvement in cost to income over the previous year; and

h) Achievement of key strategic initiatives.

Apart from the above the business units are also measured against certain key business objectives that are qualitative in nature.

The process by which levels of remuneration in the Bank are aligned to the performance of the Bank, business unit and individual employees is articulated below:

*Fixed Pay*

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

*Variable Pay*

Basis the performance of the business unit, individual performance and role, the Bank has formulated the following variable pay plans:

- **Annual Bonus Plan**

  The Bank's annual bonus is computed as a percentage of the gross salary for every job band. The bonus multiple is based on performance of the business unit (based on the parameters above), performance rating, job band and the functional category of the individual employee. The business performance level determines the multiplier for the bonus. All other things remaining equal, for a given job band, the bonus is directly related to the performance rating. The proportion of variable pay to fixed pay increases with job band. Employees on the annual bonus plan are not part of the PLPs.

- **Performance-linked Plans (PLPs)**

  The Bank has formulated PLPs for its sales personnel who are given sales targets basis a balanced scorecard methodology. All PLP payouts are subject to the achievement of individual targets enumerated in the respective scorecards of the employees and moderated by qualitative parameters. A portion of the PLP payouts is deferred till the end of the year to provide for any unforeseen performance risks. All PLP plans are based on balanced scorecard framework.

**E. Description of the ways in which the Bank seeks to adjust remuneration to take account of the longer term performance**

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

*Whole Time Directors*

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

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

| Portion of Variable Pay | Timelines |
|---|---|
| 60% | Payable effective April 1 of the financial year immediately following the performance year. |
| 13.33% | Payable effective April 1 of the second financial year following the reference performance year. |
| 13.33% | Payable effective April 1 of the third financial year following the reference performance year. |
| 13.33% | Payable effective April 1 of the fourth financial year following the reference performance year. |

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

  ✓ Malus clause

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

  ✓ Claw back clause

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

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

*Employees other than Whole Time Directors*

The Bank has formulated the following variable pay plans:

- **Annual bonus plan**

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

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

The following is taken into account while administering the annual bonus:

✓ In the event the proportion of variable pay to fixed pay is substantially high (typically variable pay exceeding 50% of fixed pay), for employees in certain grade the Bank has devised the following deferment schedule after taking into consideration the nature of risk, time horizon of risk and the materiality of risk.

| Portion of Variable Pay | Timelines |
|---|---|
| 60% | Payable effective April 1 of the financial year immediately following the performance year. |
| 13.33% | Payable effective April 1 of the second financial year following the reference performance year. |
| 13.33% | Payable effective April 1 of the third financial year following the reference performance year. |
| 13.33% | Payable effective April 1 of the fourth financial year following the reference performance year. |

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

- **Performance-linked Plans (PLPs)**

  PLPs are formulated for sales personnel who are given sales targets but have limited impact on risk since credit decisions are exercised independent of the sales function. All PLP payouts are subject to the achievement of individual targets enumerated in the respective scorecards of the employees. A portion of the PLP payouts is deferred till the end of the year to provide for any unforeseen performance risks.

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

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

- **Annual bonus plan**

  These are paid to reward performance for a given financial year. This covers all employees and excludes employees receiving PLP payouts. This is based on performance of the business unit, performance rating, job band and functional category of the individual. For higher job bands the proportion of variable pay to total compensation tends to be higher.

- **Performance-linked Plans (PLPs)**

  These are paid to frontline sales staff for the achievement of specific sales targets but have limited impact on risk as credit decisions are exercised independent of the sales function. Further, it has been the endeavor of the Bank to ensure that the objectives set are based on the principles of a balanced scorecard that takes into account quantitative and qualitative measures rather than just the achievement of financial numbers. Further all PLPs have inherent risk adjustment mechanisms manifested in the form of deterrents. All PLP payouts are subject to the achievement of parameters, both qualitative and quantitative enumerated in the respective scorecards of the employees. A portion of the PLP payouts is deferred till the end of the year to provide for any unforeseen performance risks.

- **Employee stock option plan**

  This is to reward for contribution of employees in creating a long term, sustainable earnings and enhancing shareholder value.

Only employees in a certain job band and with a specific performance rating are eligible for stock options. Performance is the key criteria for granting stock options.

**Quantitative disclosures**

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

| Sr. No. | Subject | March 31, 2019 | March 31, 2018 |
|---|---|---|---|
| (a) | Number of meetings held by the NRC during the financial year and remuneration paid to its members | Number of meetings: 11<br><br>Remuneration paid: ₹ 0.17 crore | Number of meetings: 7<br><br>Remuneration paid: ₹ 0.13 crore |
| (b) (i) | Number of employees having received a variable remuneration award during the financial year | 33 employees | 34 employees |
| (b) (ii) | Number and total amount of sign-on awards made during the financial year | 4,65,000 stock options granted as sign-on awards during the year ended March 31, 2019. | None |
| (b) (iii) | Number and total amount of guaranteed bonuses awarded during the financial year | None | None |
| (b) (iv) | Details of severance pay, in addition to accrued benefits, if any | None | None |
| (c) (i) | Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms | Total amount of outstanding deferred remuneration (cash bonus) was ₹ 1.91 crore. | Total amount of outstanding deferred remuneration (cash bonus) was ₹ 2.80 crore. |
| (c) (ii) | Total amount of deferred remuneration paid out in the financial year | ₹ 2.28 crore | ₹ 1.82 crore |

| Sr. No. | Subject | March 31, 2019 | March 31, 2018 |
|---|---|---|---|
| (d) | Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred | ₹ 66.59 crore (Fixed*)<br>₹ 13.69 crore (variable pay pertaining to financial year ended March 31, 2018, in relation to employees where there was no deferment of pay).<br>₹ 5.90 crore (variable pay pertaining to financial year ended March 31, 2017, in relation to employees where there was a deferment of pay), of which ₹ 4.51 crore was non-deferred variable pay and ₹ 1.39 crore was deferred variable pay.<br>The approval of the RBI on the variable pay of the Bank's Whole Time Directors for the year ended March 31, 2018 is awaited. There were no other employees where there was deferment of variable pay.<br>Number of stock options granted during the financial year: 33,51,000<br>The approval of the RBI in relation to grant of stock options to the Bank's Whole Time Directors for the year ended March 31, 2019 is awaited. | ₹ 55.43 crore (Fixed*)<br>₹ 11.76 crore (variable pay pertaining to financial year ended March 31, 2017, in relation to employees where there was no deferment of pay).<br>The approval of the RBI on the variable pay of the Bank's Whole Time Directors for the year ended March 31, 2017 is awaited. There were no other employees where there was deferment of pay.<br>Number of stock options granted during the financial year: 47,11,100 |
| (e) (i) | Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and / or implicit adjustments | Total amount of outstanding deferred remuneration (cash bonus) was ₹ 1.91 crore. | Total amount of outstanding deferred remuneration (cash bonus) was ₹ 2.80 crore. |
| (e) (ii) | Total amount of reductions during the financial year due to ex-post explicit adjustments | Nil | Nil |
| (e) (iii) | Total amount of reductions during the financial year due to ex-post implicit adjustments | Nil | Nil |

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

**25. Segment reporting**

**Business segments**

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

**a) Treasury**

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

**b) Retail banking**

The retail banking segment serves retail customers through the Bank's branch network and other 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 parabanking activities such as credit cards, debit cards, third party product distribution, primary dealership business and the associated costs.

**e) Unallocated**

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

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

**Geographic segments**

The geographic segments of the Bank are categorised as domestic operations and foreign operations. Domestic operations comprise branches in India and foreign operations comprise branches outside India.

Segment reporting for the year ended March 31, 2019 is given below:

**Business segments:** (₹ crore)

| Sr. No. | Particulars | Treasury | Retail banking | Wholesale banking | Other banking operations | Total |
|---|---|---|---|---|---|---|
| 1 | Segment revenue | 23,576.48 | 89,222.34 | 54,563.54 | 15,299.43 | 182,661.79 |
| 2 | Unallocated revenue | | | | | 52.78 |
| 3 | Less: Inter-segment revenue | | | | | 66,116.65 |
| 4 | Income from operations (1) + (2) - (3) | | | | | 116,597.92 |
| 5 | Segment results | 1,305.76 | 11,796.27 | 14,224.12 | 6,791.53 | 34,117.68 |
| 6 | Unallocated expenses | | | | | 1,918.04 |
| 7 | Income tax expense (including deferred tax) | | | | | 11,121.50 |
| 8 | Net profit (5) - (6) - (7) | | | | | 21,078.14 |
| 9 | Segment assets | 348,766.21 | 428,790.92 | 408,749.72 | 50,854.71 | 1,237,161.56 |
| 10 | Unallocated assets | | | | | 7,379.15 |
| 11 | Total assets (9) + (10) | | | | | 1,244,540.71 |
| 12 | Segment liabilities | 61,438.85 | 732,294.96 | 271,887.13 | 5,357.06 | 1,070,978.00 |
| 13 | Unallocated liabilities | | | | | 24,356.39 |
| 14 | Total liabilities (12) + (13) | | | | | 1,095,334.39 |
| 15 | Capital employed (9) - (12) (Segment assets - Segment liabilities) | 287,327.36 | (303,504.04) | 136,862.59 | 45,497.65 | 166,183.56 |
| 16 | Unallocated (10) - (13) | | | | | (16,977.24) |
| 17 | Total (15) + (16) | | | | | 149,206.32 |
| 18 | Capital expenditure | 93.67 | 1,149.97 | 192.62 | 141.93 | 1,578.19 |
| 19 | Depreciation | 26.31 | 912.24 | 104.52 | 97.04 | 1,140.11 |
| 20 | Provisions for non - performing assets / others* | (0.20) | 4,608.34 | 1,689.09 | 1,247.44 | 7,544.67 |
| 21 | Unallocated other provisions* | | | | | 5.41 |

**Represents material non-cash charge other than depreciation and taxation.*

**Geographic segments:** (₹ crore)

| Particulars | Domestic | International |
|---|---|---|
| Revenue | 115,358.96 | 1,238.96 |
| Assets | 1,210,826.50 | 33,714.21 |
| Capital expenditure | 1,576.84 | 1.35 |

Segment reporting for the year ended March 31, 2018 is given below:

**Business segments:** **(₹ crore)**

| Sr. No. | Particulars | Treasury | Retail banking | Wholesale banking | Other banking operations | Total |
|---|---|---|---|---|---|---|
| 1 | Segment revenue | 19,841.37 | 73,843.05 | 41,504.13 | 12,259.14 | 147,447.69 |
| 2 | Unallocated revenue | | | | | - |
| 3 | Less: Inter-segment revenue | | | | | 51,986.03 |
| 4 | Income from operations (1) + (2) - (3) | | | | | 95,461.66 |
| 5 | Segment results | 1,540.00 | 9,971.72 | 11,720.51 | 5,487.90 | 28,720.13 |
| 6 | Unallocated expenses | | | | | 2,022.81 |
| 7 | Income tax expense (including deferred tax) | | | | | 9,210.57 |
| 8 | Net profit (5) - (6) - (7) | | | | | 17,486.75 |
| 9 | Segment assets | 350,894.38 | 371,906.59 | 297,040.57 | 37,595.49 | 1,057,437.03 |
| 10 | Unallocated assets | | | | | 6,497.28 |
| 11 | Total assets (9) + (10) | | | | | 1,063,934.31 |
| 12 | Segment liabilities | 55,349.70 | 598,785.46 | 270,287.20 | 4,081.50 | 928,503.86 |
| 13 | Unallocated liabilities | | | | | 29,135.42 |
| 14 | Total liabilities (12) + (13) | | | | | 957,639.28 |
| 15 | Capital employed (9) - (12) (Segment assets - Segment liabilities) | 295,544.68 | (226,878.87) | 26,753.37 | 33,513.99 | 128,933.17 |
| 16 | Unallocated (10) - (13) | | | | | (22,638.14) |
| 17 | Total (15) + (16) | | | | | 106,295.03 |
| 18 | Capital expenditure | 5.77 | 729.47 | 73.05 | 88.39 | 896.68 |
| 19 | Depreciation | 11.58 | 723.91 | 92.36 | 78.49 | 906.34 |
| 20 | Provisions for non - performing assets / others* | 35.36 | 3,539.06 | 1,565.79 | 773.10 | 5,913.31 |
| 21 | Unallocated other provisions* | | | | | 14.18 |

**Represents material non-cash charge other than depreciation and taxation.*

**Geographic segments:** **(₹ crore)**

| Particulars | Domestic | International |
|---|---|---|
| Revenue | 94,643.54 | 818.12 |
| Assets | 1,036,987.78 | 26,946.53 |
| Capital expenditure | 896.33 | 0.35 |

## 26. Liquidity coverage ratio

Quantitative information on Liquidity Coverage Ratio ('LCR') for year ended March 31, 2019 is given below: **(₹ crore)**

| | Particulars | Quarter ended March 31, 2019 | | Quarter ended December 31, 2018 | | Quarter ended September 30, 2018 | | Quarter ended June 30, 2018 | |
|---|---|---|---|---|---|---|---|---|---|
| | | Total unweighted value (average)* | Total weighted value (average)* | Total unweighted value (average)* | Total weighted value (average)* | Total unweighted value (average)* | Total weighted value (average)* | Total unweighted value (average)* | Total weighted value (average)* |
| 1 | Total High Quality Liquid Assets (HQLA) | | 202,599.15 | | 188,250.76 | | 178,276.15 | | 175,093.91 |
| 2 | Retail deposits and deposits from small business customers, of which: | 541,900.33 | 50,120.87 | 520,268.66 | 48,092.79 | 502,045.40 | 46,411.31 | 476,575.65 | 43,977.35 |
| *(i)* | *Stable deposits* | 81,383.24 | 4,069.16 | 78,681.49 | 3,934.07 | 75,864.72 | 3,793.24 | 73,604.32 | 3,680.22 |
| *(ii)* | *Less stable deposits* | 460,517.09 | 46,051.71 | 441,587.17 | 44,158.72 | 426,180.68 | 42,618.07 | 402,971.33 | 40,297.13 |
| 3 | Unsecured wholesale funding, of which: | 246,345.36 | 128,744.90 | 227,318.17 | 113,256.87 | 220,583.99 | 108,041.95 | 229,841.48 | 114,864.45 |
| *(i)* | *Operational deposits (all counterparties)* | 48,828.51 | 12,129.38 | 37,321.49 | 9,253.61 | 29,619.33 | 7,328.47 | 29,621.23 | 7,329.11 |
| *(ii)* | *Non-operational deposits (all counterparties)* | 185,626.41 | 104,725.08 | 174,949.82 | 88,956.40 | 179,240.43 | 88,989.25 | 187,489.34 | 94,804.43 |
| *(iii)* | *Unsecured debt* | 11,890.44 | 11,890.44 | 15,046.86 | 15,046.86 | 11,724.23 | 11,724.23 | 12,730.91 | 12,730.91 |
| 4 | Secured wholesale funding | | 8,430.54 | | 1,772.41 | | 7,336.78 | | 4,790.74 |
| 5 | Additional requirements, of which | 103,036.61 | 70,251.68 | 118,812.30 | 88,217.02 | 104,875.38 | 74,165.59 | 98,242.91 | 67,486.12 |
| *(i)* | *Outflows related to derivative exposures and other collateral requirement* | 60,637.90 | 60,637.90 | 79,939.76 | 79,939.76 | 65,418.01 | 65,418.01 | 59,024.43 | 59,024.43 |
| *(ii)* | *Outflows related to loss of funding on debt products* | - | - | - | - | - | - | - | - |
| *(iii)* | *Credit and liquidity facilities* | 42,398.71 | 9,613.78 | 38,872.54 | 8,277.26 | 39,457.37 | 8,747.58 | 39,218.48 | 8,461.69 |
| 6 | Other contractual funding obligation | 17,948.21 | 17,948.21 | 17,361.18 | 17,361.18 | 16,669.89 | 16,669.89 | 16,435.76 | 16,435.76 |
| 7 | Other contingent funding obligations | 71,060.49 | 2,131.81 | 71,246.42 | 2,137.39 | 66,669.99 | 2,000.10 | 66,965.75 | 2,008.97 |
| **8** | **Total Cash Outflows** | | **277,628.01** | | **270,837.66** | | **254,625.62** | | **249,563.39** |
| 9 | Secured lending (e.g. reverse repo) | - | - | - | - | 213.46 | - | - | - |
| 10 | Inflows from fully performing exposures | 59,980.73 | 32,853.96 | 58,509.81 | 32,376.30 | 54,193.26 | 28,899.47 | 50,922.85 | 26,538.23 |
| 11 | Other cash inflows | 77,422.45 | 72,019.99 | 93,685.78 | 89,094.61 | 80,956.77 | 75,328.74 | 71,191.50 | 66,337.13 |
| **12** | **Total Cash Inflows** | **137,403.18** | **104,873.95** | **152,195.59** | **121,470.91** | **135,363.49** | **104,228.21** | **122,114.35** | **92,875.36** |
| | | | Total Adjusted Value | | Total Adjusted Value | | Total Adjusted Value | | Total Adjusted Value |
| **13** | **TOTAL HQLA** | | **202,599.15** | | **188,250.76** | | **178,276.15** | | **175,093.91** |
| **14** | **Total Net Cash Outflows** | | **172,754.06** | | **149,366.75** | | **150,397.41** | | **156,688.03** |
| **15** | **Liquidity Coverage Ratio (%)** | | **117.28%** | | **126.03%** | | **118.54%** | | **111.75%** |

* *The average weighted and unweighted amounts are calculated taking simple average based on daily observation for the respective quarters.*

Quantitative information on Liquidity Coverage Ratio (LCR) for year ended March 31, 2018 is given below: **(₹ crore)**

| | Particulars | Quarter ended March 31, 2018 | | Quarter ended December 31, 2017 | | Quarter ended September 30, 2017 | | Quarter ended June 30, 2017 | |
|---|---|---|---|---|---|---|---|---|---|
| | | Total unweighted value (average)* | Total weighted value (average)* | Total unweighted value (average)* | Total weighted value (average)* | Total unweighted value (average)* | Total weighted value (average)* | Total unweighted value (average)* | Total weighted value (average)* |
| 1 | Total High Quality Liquid Assets (HQLA) | | 159,124.53 | | 144,640.70 | | 139,746.99 | | 129,486.04 |
| 2 | Retail deposits and deposits from small business customers, of which: | 451,439.43 | 41,543.33 | 437,781.88 | 40,242.17 | 424,604.50 | 39,008.20 | 416,803.77 | 38,258.84 |
| *(i)* | *Stable deposits* | 72,012.25 | 3,600.61 | 70,720.40 | 3,536.02 | 69,044.92 | 3,452.25 | 68,430.67 | 3,421.53 |
| *(ii)* | *Less stable deposits* | 379,427.18 | 37,942.72 | 367,061.48 | 36,706.15 | 355,559.58 | 35,555.95 | 348,373.10 | 34,837.31 |
| 3 | Unsecured wholesale funding, of which: | 217,228.50 | 108,512.17 | 218,185.05 | 108,548.59 | 208,551.94 | 103,584.62 | 193,071.47 | 97,650.85 |
| *(i)* | *Operational deposits (all counterparties)* | 30,439.14 | 7,531.20 | 32,391.28 | 8,019.39 | 27,759.15 | 6,860.56 | 26,283.04 | 6,494.60 |
| *(ii)* | *Non-operational deposits (all counterparties)* | 177,618.56 | 91,810.17 | 176,441.84 | 91,177.28 | 172,534.99 | 88,466.26 | 156,271.16 | 80,638.98 |
| *(iii)* | *Unsecured debt* | 9,170.80 | 9,170.80 | 9,351.92 | 9,351.92 | 8,257.80 | 8,257.80 | 10,517.27 | 10,517.27 |
| 4 | Secured wholesale funding | | 8,812.39 | | 4,075.92 | | 2,629.35 | | 1,109.89 |
| 5 | Additional requirements, of which | 100,425.78 | 66,017.10 | 89,779.68 | 61,816.62 | 97,874.66 | 65,983.77 | 86,528.11 | 56,903.77 |
| *(i)* | *Outflows related to derivative exposures and other collateral requirement* | 55,868.70 | 55,868.70 | 52,671.96 | 52,671.96 | 57,282.24 | 57,282.24 | 48,362.71 | 48,362.71 |
| *(ii)* | *Outflows related to loss of funding on debt products* | - | - | - | - | - | - | - | - |
| *(iii)* | *Credit and liquidity facilities* | 44,557.08 | 10,148.40 | 37,107.72 | 9,144.66 | 40,592.42 | 8,701.53 | 38,165.40 | 8,541.06 |
| 6 | Other contractual funding obligation | 18,406.90 | 18,406.90 | 16,645.61 | 16,645.61 | 16,735.66 | 16,735.66 | 22,232.29 | 22,232.29 |
| 7 | Other contingent funding obligations | 59,074.58 | 1,772.24 | 57,544.60 | 1,726.34 | 53,170.78 | 1,595.12 | 55,532.12 | 1,870.86 |
| **8** | **Total Cash Outflows** | | **245,064.13** | | **233,055.25** | | **229,536.72** | | **218,026.50** |
| 9 | Secured lending (e.g. reverse repo) | 60.11 | - | 685.87 | - | 457.78 | - | 1,158.69 | - |
| 10 | Inflows from fully performing exposures | 51,397.30 | 27,229.36 | 48,750.21 | 25,705.12 | 42,881.46 | 22,698.40 | 41,246.92 | 21,944.76 |
| 11 | Other cash inflows | 72,083.27 | 66,513.09 | 66,728.00 | 61,994.69 | 69,006.74 | 63,779.42 | 59,786.42 | 55,149.29 |
| **12** | **Total Cash Inflows** | **123,540.68** | **93,742.45** | **116,164.08** | **87,699.81** | **112,345.98** | **86,477.82** | **102,192.03** | **77,094.05** |
| | | | Total Adjusted Value | | Total Adjusted Value | | Total Adjusted Value | | Total Adjusted Value |
| **13** | **TOTAL HQLA** | | **159,124.53** | | **144,640.70** | | **139,746.99** | | **129,486.04** |
| **14** | **Total Net Cash Outflows** | | **151,321.68** | | **145,355.44** | | **143,058.90** | | **140,932.45** |
| **15** | **Liquidity Coverage Ratio (%)** | | **105.16%** | | **99.51%** | | **97.68%** | | **91.88%** |

** The average weighted and unweighted amounts are calculated taking simple average based on daily observation for the respective quarters.*

**Qualitative disclosure on LCR**

The Liquidity Coverage Ratio (LCR) is one of the Basel Committee's key reforms to develop a more resilient banking sector. The objective of the LCR is to promote the short-term resilience of the liquidity risk profile of banks. It does this by ensuring that banks have an adequate stock of unencumbered High-Quality Liquid Assets (HQLA) that can be converted easily and immediately into cash to meet their liquidity needs for a 30 calendar day liquidity stress scenario. The LCR is expected to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spillover from the financial sector to the real economy.

The Liquidity Risk Management of the Bank is governed by the Asset Liability Management (ALM) Policy approved by the Board. The Asset Liability Committee ('ALCO') is a decision-making unit responsible for implementing the liquidity and interest rate risk management strategy of the Bank in line with its risk management objectives and ensures adherence to the risk tolerance / limits set by the Board. In order to determine cash outflows, the Bank segregates its deposits into various customer segments, viz Retail (which include deposits from individuals), Small Business Customers (those with deposits under ₹ 5 crore), and Wholesale (which would cover all residual deposits). Within Wholesale, deposits that are attributable to clearing, custody and cash management services are classified as Operational Deposits. Other contractual funding, including a portion of other liabilities which are expected to run down in a 30 day time frame are included in the cash outflows. These classifications, based on extant regulatory guidelines, are part of the Bank's LCR framework, and are also submitted to the RBI.

The LCR is calculated by dividing a Bank's stock of HQLA by its total net cash outflows over a 30-day stress period. The guidelines for LCR were effective January 1, 2015, with then minimum requirement at 60% which rose in equal annual steps to reach 100% on January 1, 2019. This graduated approach was designed to ensure that the LCR could be introduced without material disruption to the orderly strengthening of banking systems or the ongoing financing of economic activity. The present requirement, as on March 31, 2019 is 100%.

In the Indian context, the run-off factors for the stressed scenarios are prescribed by the RBI, for various categories of liabilities (viz., deposits, unsecured and secured wholesale borrowings), undrawn commitments, derivative-related exposures and offset with inflows emanating from assets maturing within the same time period. Given below is a table of run-off factors and the average LCR maintained by the Bank quarter-wise over the past two years:

| Particulars | Run-off factors |
|---|---|
| Retail Deposits | 5% - 10% |
| Small Business Customers | 5% - 10% |
| Operational deposits | 5% - 25% |
| Non-financial corporates, sovereigns, central banks, multilateral development banks and PSEs | 40% |
| Other legal entities | 100% |

| Quarter ended | LCR Maintained (Average) | LCR Required |
|---|---|---|
| March 31, 2019 | 117.28% | 100.00% |
| December 31, 2018 | 126.03% | 90.00% |
| September 30, 2018 | 118.54% | 90.00% |
| June 30, 2018 | 111.75% | 90.00% |
| March 31, 2018 | 105.16% | 90.00% |
| December 31, 2017 | 99.51% | 80.00% |
| September 30, 2017 | 97.68% | 80.00% |
| June 30, 2017 | 91.88% | 80.00% |

The average LCR for the quarter ended March 31, 2019 was at 117.28% as against 105.16% for the quarter ended March 31, 2018, and well above the present prescribed minimum requirement of 100%. The average HQLA for the quarter ended March 31, 2019 was ₹ 202,599.15 crore, as against was ₹ 159,124.53 crore for the quarter ended March 31, 2018. During the same period the composition of government securities and treasury bills in the HQLA increased from 87% to 91%.

For the quarter ended March 31, 2019, derivative exposures (net of cash inflows) / collateral requirements and undrawn commitments constituted just about 0.5% and 3.4% respectively of average cash outflow, in line with earlier periods. The Bank has consistently maintained a robust funding profile with a significant portion of funding through deposits. As of March 31, 2019, the top 20 depositors comprised of 6.1% of total deposits.

**27. Related party disclosures**

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

**Promoter**

Housing Development Finance Corporation Limited

**Subsidiaries**

HDFC Securities Limited

HDB Financial Services Limited

**Welfare trust of the Bank**

HDB Employees Welfare Trust

**Key management personnel**

Aditya Puri, Managing Director

Paresh Sukthankar, Deputy Managing Director (ceased to be related party effective November 8, 2018)

Kaizad Bharucha, Executive Director

**Relatives of key management personnel**

Anita Puri, Amit Puri, Amrita Puri, Adishwar Puri, Aarti Sood, Havovi Bharucha, Huzaan Bharucha, Danesh Bharucha, Daraius Bharucha.

**Entities in which key management personnel are interested**

Salisbury Investments Private Limited and Akuri by Puri

The following ceased to be related party effective November 8, 2018:

Tanaksh Innovations Private Limited, Sangeeta Sukthankar, Dattatraya Sukthankar, Shubhada Sukthankar, Akshay Sukthankar, Ankita Sukthankar, Madhavi Lad.

In accordance with paragraph 5 of AS-18, the Bank has not disclosed certain transactions with relatives and interested entities 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, 2019 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: HDB Financial Services Limited ₹ 4.56 crore (previous year: ₹ 2.47 crore); Housing Development Finance Corporation Limited ₹ 5.49 crore (previous year: ₹ 5.96 crore).

- Interest received: HDB Financial Services Limited ₹ 294.50 crore (previous year: ₹ 136.61 crore), HDFC Limited ₹ 35.20 crore (previous year: ₹ 13.28 crore).
- Rendering of services: Housing Development Finance Corporation Limited ₹ 282.97 crore (previous year: ₹ 264.27 crore).
- Receiving of services: HDB Financial Services Limited ₹ 1,916.90 crore (previous year: ₹ 1,759.67 crore); Housing Development Finance Corporation Limited ₹ 486.95 crore (previous year: ₹ 405.17 crore).
- Dividend paid: Housing Development Finance Corporation Limited ₹ 511.17 crore (previous year: ₹ 432.53 crore).
- Dividend received: HDB Financial Services Limited ₹ 52.54 crore (previous year: ₹ 112.59 crore); HDFC Securities Limited ₹ 151.90 crore (previous year: ₹ 129.06 crore).

The Bank's related party balances and transactions for the year ended March 31, 2019 are summarised as follows: **(₹ crore)**

| **Items / Related party** | **Promoter** | **Subsidiaries** | **Associates** | **Key management personnel** | **Total** |
|---|---|---|---|---|---|
| Deposits taken | 3,290.99<br>(3,290.99) | 614.20<br>(614.20) | -<br>- | 27.02<br>(27.02) | 3,932.21<br>(3,932.21) |
| Deposits placed | 0.47<br>(0.47) | 10.62<br>(10.62) | -<br>- | 0.76<br>(2.51) | 11.85<br>(13.60) |
| Advances given | -<br>- | 3,104.74<br>(3,104.74) | -<br>- | 2.96<br>(3.11) | 3,107.70<br>(3,107.85) |
| Fixed assets purchased from | - | - | - | - | - |
| Fixed assets sold to | - | - | - | - | - |
| Interest paid to | 5.49 | 4.65 | - | 1.13 | 11.27 |
| Interest received from | 35.20 | 294.50 | - | 0.10 | 329.80 |
| Income from services rendered to | 282.97 | 49.65 | - | # | 332.62 |
| Expenses for receiving services from | 486.95 | 1,922.45 | - | 0.61 | 2,410.01 |
| Equity investments | -<br>- | 3,826.49<br>(3,826.49) | -<br>- | -<br>- | 3,826.49<br>(3,826.49) |
| Other investments | -<br>(1,740.49) | 964.95<br>(1,154.65) | -<br>- | -<br>- | 964.95<br>(2,895.14) |
| Dividend paid to | 511.17 | - | - | 7.43 | 518.60 |
| Dividend received from | - | 204.44 | - | - | 204.44 |
| Receivable from | 30.55<br>(48.40) | 16.41<br>(16.41) | -<br>- | -<br>- | 46.96<br>(64.81) |
| Payable to | 83.64<br>(83.64) | 85.16<br>(85.16) | -<br>- | -<br>- | 168.80<br>(168.80) |
| Guarantees given | 0.37<br>(0.40) | -<br>- | -<br>- | -<br>- | 0.37<br>(0.40) |
| Remuneration paid | - | - | - | 25.88 | 25.88 |
| Loans purchased from | 23,982.42 | - | - | - | 23,982.42 |

\# *Denotes amount less than ₹ 1 lakh.*

- *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.*
- *Bonus and retiral benefits for key managerial personnel are accrued as a part of an overall pool and are not allocated against the key managerial personnel. These will be paid based on approval from RBI. As of March 31, 2019, approved unpaid deferred bonus in respect of earlier years was ₹ 1.91 crore.*

The Bank being an authorised dealer, deals in foreign exchange and derivative transactions with parties which include its promoter. The foreign exchange and derivative transactions are undertaken in line with the RBI guidelines. The notional principal amount of foreign exchange and derivative contracts transacted with the promoter that were outstanding as on March 31, 2019 is ₹ 5,865.50 crore (previous year: ₹ 5,972.14 crore). The contingent credit exposure pertaining to these contracts computed in line with the extant RBI guidelines on exposure norms was ₹ 79.12 crore (previous year: ₹ 80.76 crore).

During the year ended March 31, 2019, the Bank purchased debt securities from Housing Development Finance Corporation Limited ₹ 685.00 crore (previous year: ₹ 2,105.00 crore) and from HDB Financial Services Limited ₹ 2,180.58 crore (previous year: ₹ 1,885.00 crore) issued by these entities.

During the year ended March 31, 2019, the Bank made investment of ₹ 963.22 crore (previous year: Nil) in pass through certificates in respect of assets securitised out by HDB Financial Services Limited for which the outstanding as on March 31, 2019 was ₹ 878.20 crore.

During the year ended March 31, 2019, the Bank paid rent of ₹ 0.66 crore (previous year: ₹ 0.66 crore) to party related to the Bank's key management personnel in relation to residential accommodation. As at March 31, 2019, the security deposit outstanding was ₹ 3.50 crore (previous year: ₹ 3.50 crore).

The deposit outstanding from HDB Employees Welfare Trust as at March 31, 2019 was ₹ 37.19 crore (previous year: ₹ 49.26 crore). The Bank also paid interest on deposit from HDB Employees Welfare Trust aggregating to ₹ 3.00 crore (previous year: ₹ 3.21 crore).

The Bank's related party balances and transactions for the year ended March 31, 2018 are summarised as follows: **(₹ crore)**

| Items / Related party | Promoter | Subsidiaries | Associates | Key management personnel | Total |
|---|---|---|---|---|---|
| Deposits taken | 3,250.77<br>(3,250.77) | 365.55<br>(811.29) | -<br>- | 14.10<br>(37.45) | 3,630.42<br>(4,099.51) |
| Deposits placed | 0.47<br>(0.47) | 10.62<br>(10.62) | -<br>- | 2.51<br>(2.51) | 13.60<br>(13.60) |
| Advances given | -<br>- | 1,590.92<br>(1,590.92) | -<br>- | 3.16<br>(3.45) | 1,594.08<br>(1,594.37) |
| Fixed assets purchased from | - | - | - | - | - |
| Fixed assets sold to | - | - | - | - | - |
| Interest paid to | 5.96 | 14.12 | 1.70 | 1.05 | 22.83 |
| Interest received from | 13.28 | 136.62 | - | 0.12 | 150.02 |
| Income from services rendered to | 264.27 | 28.96 | - | # | 293.23 |
| Expenses for receiving services from | 405.17 | 1,768.09 | - | 0.76 | 2,174.02 |
| Equity investments | -<br>- | 3,826.49<br>(3,826.49) | -<br>- | -<br>- | 3,826.49<br>(3,826.49) |
| Other Investments | 1,603.88<br>(1,603.88) | 1,120.04<br>(1,165.58) | -<br>- | -<br>- | 2,723.92<br>(2,769.46) |
| Dividend paid to | 432.53 | - | - | 5.67 | 438.20 |
| Dividend received from | - | 241.65 | - | - | 241.65 |
| Receivable from | 28.34<br>(60.79) | 1.40<br>(7.74) | -<br>- | -<br>- | 29.74<br>(68.53) |
| Payable to | 32.78<br>(36.17) | 72.04<br>(175.20) | -<br>- | -<br>- | 104.82<br>(211.37) |
| Guarantees given | 0.25<br>(0.27) | -<br>- | -<br>- | -<br>- | 0.25<br>(0.27) |
| Remuneration paid | - | - | - | 19.29 | 19.29 |
| Loans purchased from | 5,623.94 | - | - | - | 5,623.94 |

\# *Denotes amount less than ₹ 1 lakh.*

- *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.*
- *Bonus and retiral benefits for key managerial personnel are accrued as a part of an overall pool and are not allocated against the key managerial personnel. These will be paid based on approval from RBI. As of March 31, 2018, approved unpaid deferred bonus in respect of earlier years was ₹ 2.80 crore.*

**28. Intra-Group exposure**

Intra-Group exposures in accordance with RBI guidelines are as follows: **(₹ crore)**

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Total amount of intra-group exposures | 7,368.31 | 7,137.13 |
| Total amount of top 20 intra-group exposures | 7,368.31 | 7,137.13 |
| Percentage of intra-group exposures to total exposure of the Bank on borrowers / customers | 0.56% | 0.67% |
| Details of breach of limits on intra-group exposures and regulatory action thereon, if any | Nil | Nil |

**29. Leases**

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

**(₹ crore)**

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Not later than one year | 993.31 | 958.85 |
| Later than one year and not later than five years | 3,217.18 | 3,107.95 |
| Later than five years | 4,016.39 | 3,540.07 |
| **Total** | **8,226.88** | **7,606.87** |
| The total of minimum lease payments recognised in the Profit and Loss Account for the year | 1,199.66 | 1,166.50 |
| Total of future minimum sub-lease payments expected to be received under non-cancellable sub-leases | 29.31 | 6.33 |
| Sub-lease amounts recognised in the Profit and Loss Account for the year | 9.35 | 7.77 |
| Contingent (usage based) lease payments recognised in the Profit and Loss Account for the year | 206.55 | 174.87 |

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

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

**30. Transfers to Depositor Education and Awareness Fund (DEAF)**

The details of amount transferred during the respective year to DEAF are as under: **(₹ crore)**

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Opening balance of amounts transferred to DEAF | 367.68 | 230.50 |
| Add: Amounts transferred to DEAF during the year | 132.28 | 139.93 |
| Less: Amounts reimbursed by DEAF towards claims | (3.36) | (2.75) |
| Closing balance of amounts transferred to DEAF | 496.60 | 367.68 |

**31. Penalties levied by the RBI**

During the year ended March 31, 2019, RBI has imposed a penalty of ₹ 0.20 crore (previous year: Nil) for non-compliance with various directions issued by RBI on Know Your Customer (KYC) / Anti-Money Laundering (AML) standards.

**32. Disclosure for customer complaints / unimplemented awards of Banking Ombudsman**

- **Customer complaints**

(A) Customer complaints other than ATM transaction disputes

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| (a) No. of complaints pending at the beginning of the year | 4,064 | 2,349 |
| (b) No. of complaints received during the year | 169,846 | 120,439 |
| (c) No. of complaints redressed during the year | 169,222 | 118,724 |
| (d) No. of complaints pending at the end of the year | 4,688 | 4,064 |

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

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| (a) No. of complaints pending at the beginning of the year | 225 | 145 |
| (b) No. of complaints received during the year | 19,438 | 19,105 |
| (c) No. of complaints redressed during the year | 19,481 | 19,025 |
| (d) No. of complaints pending at the end of the year | 182 | 225 |
| (e) Complaints per ten thousand transactions | 0.94 | 1.00 |

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

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| (a) No. of complaints pending at the beginning of the year | 2,553 | 1,464 |
| (b) No. of complaints received during the year | 209,083 | 127,307 |
| (c) No. of complaints redressed during the year | 208,864 | 126,218 |
| (d) No. of complaints pending at the end of the year | 2,772 | 2,553 |
| (e) Complaints per ten thousand transactions | 7.31 | 4.98 |

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

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| (a) No. of complaints pending at the beginning of the year | 6,842 | 3,958 |
| (b) No. of complaints received during the year | 398,367 | 266,851 |
| (c) No. of complaints redressed during the year | 397,567 | 263,967 |
| (d) No. of complaints pending at the end of the year | 7,642 | 6,842 |

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

- **Awards passed by the Banking Ombudsman (BO)**

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| (a) No. of unimplemented awards at the beginning of the year | - | - |
| (b) No. of awards passed by the BO during the year | - | - |
| (c) No. of awards implemented during the year | - | - |
| (d) No. of unimplemented awards at the end of the year | - | - |

- **Top areas of customer complaints**

The average number of customer complaints per branch, including ATM transaction disputes, was 6.9 per month during the year ended March 31, 2019 (previous year: 4.7 per month). For the year ended March 31, 2019, retail liability segment accounted for 80.37% of the total complaints (previous year: 76.46%), followed by credit cards at 14.56% of the total complaints (previous year: 17.14%), retail assets at 4.50% of the total complaints (previous year: 5.57%), while other segments accounted for 0.57% of total complaints (previous year: 0.83%). The top 10 areas of customer complaints for the year ended March 31, 2019, including ATM transaction disputes, aggregated 318,540 complaints (previous year: 2,03,045 complaints) and accounted for 79.96% of total complaints (previous year: 76.09%). The top 5 areas of customer complaints on which the Bank is working towards root cause remediation are - unauthorized usage through debit card online, cash not dispensed or less cash dispensed in the Bank's ATMs, Transaction dispute related - credit cards, Sales related - credit cards and Unauthorized usage through debit card done at Other Bank ATMs. The above is based on the information available with the Bank which has been relied upon by the auditors.

**33. Disclosure of Letters of Comfort (LoC) issued by the Bank**

The Bank has not issued any Letter of Comfort during the years ended March 31, 2019 and March 31, 2018.

**34. Small and micro industries**

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments during the years ended March 31, 2019 and March 31, 2018. The above is based on the information available with the Bank which has been relied upon by the auditors.

**35. Overseas assets, NPAs and revenue**

(₹ crore)

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Total Assets | 33,714.21 | 26,946.53 |
| Total NPAs | 23.31 | 134.64 |
| Total Revenue | 1,238.96 | 818.12 |

**36. Off-Balance Sheet SPVs**

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

**37. Credit default swaps**

The Bank has not transacted in credit default swaps during the year ended March 31, 2019 (previous year: Nil).

**38. Corporate social responsibility**

Operating expenses include ₹ 443.77 crore (previous year: ₹ 374.54 crore) for the year ended March 31, 2019 towards Corporate Social Responsibility (CSR), in accordance with Companies Act, 2013.

The Bank has spent 2.02% (previous year: 2.04%) of its average net profit for the last three financial years as part of its CSR for the year ended March 31, 2019. As a responsible bank, it has approached the mandatory requirements of CSR spends positively by laying a foundation on which it would build and scale future projects and partnerships. The Bank continues to evaluate strategic avenues for CSR expenditure in order to deliver maximum impact. In the years to come, the Bank will further strengthen its processes as per requirement.

The details of amount spent during the respective year towards CSR are as under:

(₹ crore)

| Sr. No. | Particulars | March 31, 2019 | | | March 31, 2018 | | |
|---|---|---|---|---|---|---|---|
| | | Amount spent | Amount unpaid / provision | Total | Amount spent | Amount unpaid / provision | Total |
| (i) | Construction / acquisition of any asset | - | - | - | - | - | - |
| (ii) | On purpose other than (i) above | 443.77 | - | 443.77 | 374.54 | - | 374.54 |

**39. Investor education and protection fund**

There has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Bank during the years ended March 31, 2019 and March 31, 2018.

**40. Disclosure on remuneration to Non-Executive Directors**

Remuneration by way of sitting fees to the Non-Executive Directors for attending meetings of the Board and its committees during the year ended March 31, 2019 amounted to ₹ 1.62 crore (previous year: ₹ 1.58 crore).

Further, in accordance with RBI guidelines, profit related commission to all Non-Executive Directors other than the Chairperson for the year ended March 31, 2019 amounted to ₹ 0.90 crore (previous year: ₹ 0.80 crore).

**41. Comparative figures**

Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the current year's presentation. The previous year comparative numbers were audited by a firm of Chartered Accountants other than S.R. Batliboi & Co. LLP.

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As per our report of even date.

**For S. R. BATLIBOI & CO. LLP**
*Chartered Accountants*
Firm Registration No. 301003E/E300005

**per Sudhir Soni**
*Partner*
Membership No.: 41870

**Mumbai, April 20, 2019**

For and on behalf of the Board

**Shyamala Gopinath**
*Chairperson*

**Aditya Puri**
*Managing Director*

**Keki Mistry**
**Malay Patel**
**Umesh Sarangi**
**Sanjiv Sachar**
**Sandeep Parekh**
**M D Ranganath**
*Directors*

**Kaizad Bharucha**
*Executive Director*

**Santosh Haldankar**
*Vice President (Legal)*
*& Company Secretary*

**Sashidhar Jagdishan**
*Chief Financial Officer*

# INDEPENDENT AUDITOR'S REPORT

## To the Members of HDFC Bank Limited

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the accompanying consolidated financial statements of HDFC Bank Limited (hereinafter referred to as "the Bank") and its subsidiaries (the Bank and its subsidiaries together referred to as "the Group") comprising of the consolidated Balance sheet as at March 31, 2019, the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiaries, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2019, their consolidated profit and their consolidated cash flows for the year ended on that date.

### Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Consolidated Financial Statements' section of our report. We are independent of the Group in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year ended March 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the 'Auditor's Responsibilities for the Audit of the Consolidated Financial Statements' section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of audit procedures performed by us and by other auditors of components not audited by us, as reported by them in their audit reports furnished to us by the management, including those procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2"><u>Identification of Non-performing advances and provisioning of advances:</u></td></tr>
<tr><td>
Advances constitute a significant portion of the Group’s assets and the quality of these advances is measured in terms of ratio of Non-Performing Advances (“NPA”) to the gross advances of the Group. The Group’s net advances constitute 67.24% of the total assets as at March 31, 2019.<br><br>
The Reserve Bank of India’s (“RBI”) guidelines on Income recognition and asset classification (“IRAC”) prescribe the prudential norms for identification and classification of NPAs and the minimum provision required for such assets. The Group is also required to apply its judgement to determine the identification and provision required against NPAs by applying quantitative as well as qualitative factors. The risk of identification of NPAs is affected by factors like stress and liquidity concerns in certain sectors.<br><br>
The provisioning for identified NPAs is estimated based on ageing and classification of NPAs, recovery estimates, value of security and other qualitative factors and is subject to the minimum provisioning norms specified by RBI.<br><br>
Additionally, the Bank makes provisions on exposures that are not classified as NPAs, including advances in certain sectors and identified advances or group advances that can potentially slip into NPA. These are classified as contingency provisions.<br><br>
The Group has detailed its accounting policy in this regard in Significant accounting policies under schedule 17 Note D 2 - Advances.<br><br>
Since the identification of NPAs and provisioning for advances require significant level of estimation and given its significance to the overall audit, we have ascertained identification and provisioning for NPAs as a key audit matter.
</td><td>
The audit procedures performed, among others, included:<br><br>
- Considering the Group’s policies for NPA identification and provisioning and assessing compliance with the IRAC Norms.<br><br>
- Understanding, evaluating and testing the design and operating effectiveness of key controls (including application controls) around identification of impaired accounts based on the extant guidelines on IRAC.<br><br>
- Performing other procedures including substantive audit procedures covering the identification of NPAs by the Bank. These procedures included:<br><br>
- Considering testing of the exception reports generated from the application systems where the advances have been recorded.<br><br>
- Considering the accounts reported by the Bank and other Banks as Special Mention Accounts (“SMA”) in RBI’s central repository of information on large credits (CRILC) to identify stress.<br><br>
- Reviewing account statements and other related information of the borrowers selected based on quantitative and qualitative risk factors.<br><br>
- Performing inquiries with the credit and risk departments to ascertain if there were indicators of stress or an occurrence of an event of default in a particular loan account or any product category which need to be considered as NPA. Examining the early warning reports generated by the Bank to identify stressed loan accounts.<br><br>
- Holding specific discussions with the management of the Bank on sectors where there is perceived credit risk and the steps taken to mitigate the risks to identified sectors.<br><br>
With respect to provisioning of advances, we performed the following procedures:<br><br>
- Gained an understanding of the Group’s process for provisioning of advances.<br><br>
- Tested on a sample basis the calculation performed by the management for compliance with RBI regulations and internally laid down policies for provisioning.<br><br>
For loan accounts, where the Bank made provisions which were not classified as NPA, we reviewed the Bank’s assessment for these provisions.
</td></tr>
</table>

| Evaluation of open tax litigations (Direct and Indirect Tax) | |
|---|---|
| The Bank has material open tax litigations including matters under dispute which involve significant judgment to determine the possible outcome of these disputes.<br><br>Since the assessment of these open tax litigations requires significant level of judgement, we have included this as a key audit matter. | - Gained an understanding of the Bank's process for determining tax liabilities and the tax provisions.<br>- Involved direct and indirect tax specialists to understand the evaluation of likelihood and level of liability for significant tax risks after considering legal precedence, other rulings and new information in respect of open tax positions as at reporting date.<br>- Agreed underlying tax balances to supporting documentation, including correspondence with tax authorities.<br>- Assessed the disclosures within the consolidated financial statements in this regard. |
| **Information Technology ("IT") Systems and Controls** | |
| The reliability and security of IT systems plays a key role in the business operations of the Group. Since large volume of transactions are processed daily, the IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner. These systems also play a key role in the financial accounting and reporting process of the Bank.<br><br>Due to the pervasive nature and complexity of the IT environment we have ascertained IT systems and controls as a key audit matter. | - For testing the IT general controls, application controls and IT dependent manual controls, we involved IT specialists as part of the audit. The team also assisted in testing the accuracy of the information produced by the IT systems.<br>- Tested the design and operating effectiveness of the Group's IT access controls over the information systems that are critical to financial reporting. We tested IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were appropriately reviewed and authorized.<br>- Tested the Bank's periodic review of access rights. We inspected requests of changes to systems for appropriate approval and authorisation. We considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to the audit.<br>- In addition to the above, the design and operating effectiveness of certain automated controls that were considered as key internal controls over financial reporting were tested.<br>- Tested compensating controls or performed alternate procedures, where necessary. In addition, understood where relevant, changes made to the IT landscape during the audit period and tested those changes that had a significant impact on financial reporting. |

**Information Other than the Consolidated Financial Statements and Auditor's Report Thereon**

The Bank's Board of Directors is responsible for the other information. The other information comprises the information included in the Basel III - Pillar 3 disclosures and graphical representation of financial highlights (but does not include the financial statements and our auditor's reports thereon) which we obtained prior to the date of this auditor's report, and Annual Report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether such other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those Charged with Governance.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

The Bank's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance, consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act read Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Group and the guidelines issued by the Reserve Bank of India.

The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Bank, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are also responsible for overseeing the financial reporting process of the Group.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group of which we are the independent auditors, to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those Charged with Governance of the Bank and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the financial year ended March 31, 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Other Matter**

(a) We did not audit the financial statements and other financial information, in respect of 2 subsidiaries, whose financial statements include total assets of Rs. 571,930,600 (thousands) as at March 31, 2019, and total revenues of Rs. 96,231,600 (thousands) and net cash inflows of Rs. 1,514,400 (thousands) for the year ended on that date. These financial statement and other financial information have been audited by other auditors, which financial statements, other financial information and auditor's reports have been furnished to us by the management. Our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, is based solely on the reports of such other auditors.

Our opinion above on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements and other financial information certified by the Management.

(b) The consolidated financial statements of the Group for the year ended March 31, 2018, included in these consolidated financial statements, have been audited by the predecessor auditor who expressed an unmodified opinion on those statements on April 21, 2018.

**Report on Other Legal and Regulatory Requirements**

As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of subsidiaries, as noted in the 'other matter' paragraph we report, to the extent applicable, that:

(a) We/the other auditors whose report we have relied upon have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements;

(b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books and reports of the other auditors;

(c) The Consolidated Balance Sheet, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated financial statements;

(d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Accounts) Rules, 2014;

(e) On the basis of the written representations received from the directors of the Bank as on March 31, 2019 taken on record by the Board of Directors of the Bank and the reports of the statutory auditors who are appointed under Section 139 of the Act, of its subsidiary companies, none of the directors of the Group's companies is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164(2) of the Act. As reported by the statutory auditor of a subsidiary company, based on the information available on the Ministry of Corporate Affairs website, it is understood that a director of a subsidiary company has attracted disqualification under section 164(2) as on March 31, 2019. The subsidiary company has represented to its statutory auditor that the said director is in disagreement with the disqualification and has tendered his resignation as a director of the subsidiary company on April 16, 2019.

(f) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting with reference to these consolidated financial statements of the Bank and its subsidiary companies, refer to our separate Report in "Annexure 1" to this report;

(g) In our opinion, the Bank being a banking company, the remuneration to whole-time directors of the Bank during the year ended March 31, 2019 has been paid by the Bank in accordance with the provisions of Section 35B (1) of the Banking Regulation Act, 1949. Based on the consideration of reports of other auditors of the subsidiaries, the remuneration paid by subsidiaries to their directors during the current year is in accordance with the provisions of section 197 of the Act;

(h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries, as noted in the 'Other matter' paragraph:

    i. The consolidated financial statements disclose the impact of pending litigations on its consolidated financial position of the Group in its consolidated financial statements - Refer Schedule 12.1, Schedule 17 Note D 17, and Schedule 18 Note 11(d) to the consolidated financial statements;

    ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer Schedule 17 Note D 7 and D 17 and Schedule 18 Note 11(d) to the consolidated financial statements in respect of such items as it relates to the Group;

    iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank and its subsidiaries during the year ended March 31, 2019.

**For S. R. Batliboi & Co. LLP**
Chartered Accountants
Firm's Registration No.: 301003E/E300005

per Sudhir Soni
Partner
Membership No.: 41870

Mumbai
April 20, 2019

## ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF HDFC BANK LIMTED

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

To the Members of HDFC Bank Limited

In conjunction with our audit of the consolidated financial statements of HDFC Bank Limited as of and for the year ended March 31, 2019, we have audited the internal financial controls over financial reporting of HDFC Bank Limited (hereinafter referred to as the "Bank") and its subsidiary companies, which are companies incorporated in India, as of that date.

**Management's Responsibility for Internal Financial Controls**

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

**Auditor's Responsibility**

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

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

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

**Meaning of Internal Financial Controls Over Financial Reporting**

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

### Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

### Opinion

In our opinion, the Bank and its subsidiary companies, have, maintained in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

### Other Matters

Our report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting of the Bank, insofar as it relates to its subsidiary companies, is based on the corresponding reports of the auditors of such subsidiary companies.

**For S. R. Batliboi & Co. LLP**
Chartered Accountants
Firm’s Registration No.: 301003E/E300005

per Sudhir Soni
Partner
Membership No.: 41870

Mumbai
April 20, 2019

# CONSOLIDATED BALANCE SHEET

## As at March 31, 2019

₹ in '000

| | Schedule | As at 31-Mar-19 | As at 31-Mar-18 |
|---|---|---|---|
| **CAPITAL AND LIABILITIES** | | | |
| Capital | 1 | **5,446,613** | 5,190,181 |
| Reserves and surplus | 2 | **1,531,279,982** | 1,090,801,062 |
| Minority interest | 2A | **5,017,945** | 3,563,322 |
| Deposits | 3 | **9,225,026,779** | 7,883,751,419 |
| Borrowings | 4 | **1,577,327,790** | 1,564,420,848 |
| Other liabilities and provisions | 5 | **583,957,956** | 484,134,863 |
| | **Total** | **12,928,057,065** | 11,031,861,695 |
| **ASSETS** | | | |
| Cash and balances with Reserve Bank of India | 6 | **468,045,896** | 1,046,882,074 |
| Balances with banks and money at call and short notice | 7 | **350,130,527** | 183,733,488 |
| Investments | 8 | **2,869,176,781** | 2,384,609,240 |
| Advances | 9 | **8,692,226,631** | 7,000,338,363 |
| Fixed assets | 10 | **42,198,371** | 38,105,583 |
| Other assets | 11 | **506,278,859** | 378,192,947 |
| | **Total** | **12,928,057,065** | 11,031,861,695 |
| Contingent liabilities | 12 | **10,251,253,094** | 8,757,769,674 |
| Bills for collection | | **499,528,010** | 427,538,250 |
| 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 S. R. BATLIBOI & CO. LLP**
*Chartered Accountants*
Firm Registration No. 301003E/E300005

**per Sudhir Soni**
*Partner*
Membership No.: 41870

**Mumbai, April 20, 2019**

For and on behalf of the Board

**Shyamala Gopinath**
*Chairperson*

**Aditya Puri**
*Managing Director*

**Keki Mistry**
**Malay Patel**
**Umesh Sarangi**
**Sanjiv Sachar**
**Sandeep Parekh**
**M D Ranganath**
*Directors*

**Kaizad Bharucha**
*Executive Director*

**Santosh Haldankar**
*Vice President (Legal)*
*& Company Secretary*

**Sashidhar Jagdishan**
*Chief Financial Officer*

# **CONSOLIDATED** PROFIT AND LOSS ACCOUNT

**For the year ended March 31, 2019**

| | Schedule | Year ended 31-Mar-19 | ₹ in '000<br>Year ended 31-Mar-18 |
|---|---|---|---|
| **I INCOME** | | | |
| Interest earned | 13 | **1,051,607,400** | 852,878,437 |
| Other income | 14 | **189,470,509** | 160,566,041 |
| | **Total** | **1,241,077,909** | 1,013,444,478 |
| **II EXPENDITURE** | | | |
| Interest expended | 15 | **537,126,876** | 423,814,803 |
| Operating expenses | 16 | **276,947,604** | 239,272,220 |
| Provisions and contingencies | | **202,547,300** | 164,749,045 |
| | **Total** | **1,016,621,780** | 827,836,068 |
| **III PROFIT** | | | |
| Net profit for the year | | **224,456,129** | 185,608,410 |
| Less: Minority interest | | **1,131,820** | 513,389 |
| Add: Share in profits of associates | | **-** | 5,221 |
| Consolidated profit for the year | | **223,324,309** | 185,100,242 |
| Balance in the Profit and Loss Account brought forward | | **430,989,822** | 345,323,284 |
| | **Total** | **654,314,131** | 530,423,526 |
| **IV APPROPRIATIONS** | | | |
| Transfer to Statutory Reserve | | **54,997,602** | 45,620,310 |
| Tax (including cess) on dividend | | **433,081** | 507,653 |
| Dividend (including tax / cess thereon) pertaining to previous year paid during the year, net of dividend tax credits | | **40,525,854** | 33,905,804 |
| Transfer to General Reserve | | **21,078,165** | 17,486,728 |
| Transfer to Capital Reserve | | **1,053,354** | 2,355,227 |
| Transfer to / (from) Investment Reserve Account | | **-** | (442,018) |
| Transfer to / (from) Investment Fluctuation Reserve | | **7,730,000** | - |
| Balance carried over to Balance Sheet | | **528,496,075** | 430,989,822 |
| | **Total** | **654,314,131** | 530,423,526 |
| **V EARNINGS PER EQUITY SHARE (Face value ₹ 2 per share)** | | **₹** | ₹ |
| Basic | | **83.33** | 71.73 |
| Diluted | | **82.51** | 70.76 |
| Significant accounting policies and notes to the Consolidated financial statements | 17 & 18 | | |
| The schedules referred to above form an integral part of the Consolidated Profit and Loss Account. | | | |

As per our report of even date.

**For S. R. BATLIBOI & CO. LLP**
*Chartered Accountants*
Firm Registration No. 301003E/E300005

**per Sudhir Soni**
*Partner*
Membership No.: 41870

**Mumbai, April 20, 2019**

For and on behalf of the Board

**Shyamala Gopinath**
*Chairperson*

**Aditya Puri**
*Managing Director*

**Keki Mistry**
**Malay Patel**
**Umesh Sarangi**
**Sanjiv Sachar**
**Sandeep Parekh**
**M D Ranganath**
*Directors*

**Kaizad Bharucha**
*Executive Director*

**Santosh Haldankar**
*Vice President (Legal)*
*& Company Secretary*

**Sashidhar Jagdishan**
*Chief Financial Officer*

# CONSOLIDATED CASH FLOW STATEMENT

**For the year ended March 31, 2019**

₹ in '000

| | Year ended 31-Mar-19 | Year ended 31-Mar-18 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Consolidated profit before income tax | **342,049,793** | 284,131,068 |
| **Adjustments for:** | | |
| Depreciation on fixed assets | **12,206,675** | 9,667,819 |
| (Profit) / loss on revaluation of investments | **152,437** | 1,570,448 |
| Amortisation of premia on held to maturity investments | **4,534,626** | 3,599,102 |
| (Profit) / loss on sale of fixed assets | **(62,054)** | 11,833 |
| Provision / charge for non performing assets | **74,186,708** | 57,553,339 |
| Provision for dimunition in value of investments | **47,066** | 308,075 |
| Provision for standard assets | **6,861,413** | 6,575,746 |
| Contingency provisions | **4,991,092** | 3,961,191 |
| Share in current year's profits of associates | **-** | (5,221) |
| | **444,967,756** | 367,373,400 |
| **Adjustments for:** | | |
| (Increase) / decrease in investments (excluding investments in subsidiaries) | **(489,301,670)** | (282,310,524) |
| (Increase) / decrease in advances | **(1,766,074,976)** | (1,203,053,719) |
| Increase / (decrease) in deposits | **1,341,275,360** | 1,452,408,940 |
| (Increase) / decrease in other assets | **(122,449,924)** | 52,336,433 |
| Increase / (decrease) in other liabilities and provisions | **87,851,107** | (114,511,772) |
| | **(503,732,347)** | 272,242,758 |
| Direct taxes paid (net of refunds) | **(124,983,100)** | (100,098,994) |
| **Net cash flow (used in) / from operating activities** | **(628,715,447)** | 172,143,764 |
| **Cash flows used in investing activities** | | |
| Purchase of fixed assets | **(16,206,124)** | (8,477,746) |
| Proceeds from sale of fixed assets | **222,037** | 99,204 |
| Investment in subsidiaries and / or joint ventures | **-** | (143,331) |
| **Net cash flow used in investing activities** | **(15,984,087)** | (8,521,873) |

# **CONSOLIDATED** CASH FLOW STATEMENT

**For the year ended March 31, 2019**

₹ in '000

| | Year ended 31-Mar-19 | Year ended 31-Mar-18 |
|---|---|---|
| **Cash flows from financing activities** | | |
| Increase in minority interest | **1,454,623** | 666,553 |
| Proceeds from issue of equity shares under preferential allotment | **84,999,999** | - |
| Proceeds from issue of shares under Qualified Institutions Placement and American Depository Receipt offering (net of issue expenses) | **150,896,153** | - |
| Money received on exercise of stock options by employees | **22,008,150** | 27,259,098 |
| Increase / (decrease) in borrowings (excluding subordinate debt, perpetual debt and upper Tier II instruments) | **32,656,942** | 498,214,409 |
| Proceeds from issue of Additional Tier I and Tier II Capital Bonds | **9,000,000** | 102,800,000 |
| Redemption of subordinated debt | **(28,750,000)** | (20,750,000) |
| Dividend paid during the year | **(33,842,896)** | (28,312,716) |
| Tax on dividend paid during the year | **(7,116,039)** | (6,100,741) |
| **Net cash flow from financing activities** | **231,306,932** | 573,776,603 |
| **Effect of exchange fluctuation on translation reserve** | **953,463** | 105,872 |
| **Net increase / (decrease) in cash and cash equivalents** | **(412,439,139)** | 737,504,366 |
| **Cash and cash equivalents as at April 1st, 2018** | **1,230,615,562** | 493,111,196 |
| **Cash and cash equivalents as at March 31st, 2019** | **818,176,423** | 1,230,615,562 |

As per our report of even date.

**For S. R. BATLIBOI & CO. LLP**
*Chartered Accountants*
Firm Registration No. 301003E/E300005

**per Sudhir Soni**
*Partner*
Membership No.: 41870

**Mumbai, April 20, 2019**

For and on behalf of the Board

**Shyamala Gopinath**
*Chairperson*

**Aditya Puri**
*Managing Director*

**Keki Mistry**
**Malay Patel**
**Umesh Sarangi**
**Sanjiv Sachar**
**Sandeep Parekh**
**M D Ranganath**
*Directors*

**Kaizad Bharucha**
*Executive Director*

**Santosh Haldankar**
*Vice President (Legal)*
*& Company Secretary*

**Sashidhar Jagdishan**
*Chief Financial Officer*

₹ in '000

| | | As at 31-Mar-19 | As at 31-Mar-18 |
|---|---|---|---|
| **SCHEDULE 1 - CAPITAL** | | | |
| **Authorised capital** | | | |
| 3,25,00,00,000 (31 March, 2018: 3,25,00,00,000) Equity Shares of ₹ 2/- each | | **6,500,000** | 6,500,000 |
| **Issued, subscribed and paid-up capital** | | | |
| 2,72,33,06,610 (31 March, 2018: 2,59,50,90,267) Equity Shares of ₹ 2/- each | | **5,446,613** | 5,190,181 |
| | Total | **5,446,613** | 5,190,181 |
| **SCHEDULE 2 - RESERVES AND SURPLUS** | | | |
| **I Statutory reserve** | | | |
| Opening balance | | **233,323,511** | 187,703,201 |
| Additions during the year | | **54,997,602** | 45,620,310 |
| | Total | **288,321,113** | 233,323,511 |
| **II General reserve** | | | |
| Opening balance | | **89,405,878** | 71,919,150 |
| Additions during the year | | **21,078,165** | 17,486,728 |
| | Total | **110,484,043** | 89,405,878 |
| **III Balance in profit and loss account** | | **528,496,075** | 430,989,822 |
| **IV Share premium account** | | | |
| Opening balance | | **311,945,097** | 284,751,089 |
| Additions during the year | | **258,422,941** | 27,194,008 |
| Deductions during the year [Refer Schedule 18 (4)] | | **(1,262,858)** | - |
| | Total | **569,105,180** | 311,945,097 |
| **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 | | **14,355,910** | 12,000,683 |
| Additions during the year | | **1,053,354** | 2,355,227 |
| | Total | **15,409,264** | 14,355,910 |
| **VII Investment reserve account** | | | |
| Opening balance | | **-** | 442,018 |
| Additions during the year | | **162,237** | 45,086 |
| Deductions during the year | | **(162,237)** | (487,104) |
| | Total | **-** | - |
| **VIII Investment fluctuation reserve** | | | |
| Opening balance | | **-** | - |
| Additions during the year | | **7,730,000** | - |
| | Total | **7,730,000** | - |
| **IX Foreign currency translation account** | | | |
| Opening balance | | **145,280** | 39,408 |
| Additions / (deductions) during the year | | **953,463** | 105,872 |
| | Total | **1,098,743** | 145,280 |
| | Total | **1,531,279,982** | 1,090,801,062 |

₹ in '000

| | | As at 31-Mar-19 | As at 31-Mar-18 |
|---|---|---|---|
| **SCHEDULE 2A - MINORITY INTEREST** | | | |
| Minority interest at the date on which parent subsidiary relationship came into existence | | **276,029** | 276,029 |
| Subsequent increase | | **4,741,916** | 3,287,293 |
| | **Total** | **5,017,945** | 3,563,322 |
| *Includes reserves of Employee Welfare Trust of ₹ 142.75 crore (previous year: ₹ 76.78 crore)* | | | |
| **SCHEDULE 3 - DEPOSITS** | | | |
| **A I Demand deposits** | | | |
| (i) From banks | | **34,189,112** | 27,237,788 |
| (ii) From others | | **1,386,120,241** | 1,162,864,325 |
| | **Total** | **1,420,309,353** | 1,190,102,113 |
| **II Savings bank deposits** | | **2,487,001,601** | 2,237,968,679 |
| **III Term deposits** | | | |
| (i) From banks | | **60,287,319** | 72,775,645 |
| (ii) From others | | **5,257,428,506** | 4,382,904,982 |
| | **Total** | **5,317,715,825** | 4,455,680,627 |
| | **Total** | **9,225,026,779** | 7,883,751,419 |
| **B I Deposits of branches in India** | | **9,167,385,012** | 7,843,931,322 |
| **II Deposits of branches outside India** | | **57,641,767** | 39,820,097 |
| | **Total** | **9,225,026,779** | 7,883,751,419 |
| **SCHEDULE 4 - BORROWINGS** | | | |
| **I Borrowings in India** | | | |
| (i) Reserve Bank of India | | **174,000,000** | 138,000,000 |
| (ii) Other banks | | **145,278,089** | 168,280,179 |
| (iii) Other institutions and agencies | | **325,310,645** | 371,460,868 |
| (iv) Upper and lower Tier II capital and innovative perpetual debts | | **211,320,000** | 231,070,000 |
| (v) Bonds and Debentures (excluding subordinated debt) | | **381,110,476** | 290,528,000 |
| | **Total** | **1,237,019,210** | 1,199,339,047 |
| **II Borrowings outside India** | | **340,308,580** | 365,081,801 |
| | **Total** | **1,577,327,790** | 1,564,420,848 |
| *Secured borrowings included in I & II above: ₹ 32,819.98 crore (previous year: ₹ 27,269.82 crore) other than borrowings of ₹ 17,400.00 crore (March 31, 2018: ₹ 14,239.95 crore) under Collateralised Borrowing and Lending Obligation and transactions under Liquidity Adjustment Facility and Marginal Standing Facility.* | | | |
| **SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS** | | | |
| I Bills payable | | **70,403,952** | 82,217,908 |
| II Interest accrued | | **82,477,845** | 66,759,768 |
| III Others (including provisions) | | **392,586,642** | 303,545,722 |
| IV Contingent provisions against standard assets | | **38,489,517** | 31,611,465 |
| | **Total** | **583,957,956** | 484,134,863 |

₹ in '000

| | | As at 31-Mar-19 | As at 31-Mar-18 |
|---|---|---|---|
| **SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA** | | | |
| I Cash in hand *(including foreign currency notes)* | | **74,324,614** | 75,500,625 |
| II Balances with Reserve Bank of India: | | | |
| (a) In current accounts | | **391,721,282** | 364,381,449 |
| (b) In other accounts | | **2,000,000** | 607,000,000 |
| | **Total** | **393,721,282** | 971,381,449 |
| | **Total** | **468,045,896** | 1,046,882,074 |
| **SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE** | | | |
| **I In India** | | | |
| (i) Balances with banks: | | | |
| (a) In current accounts | | **3,458,949** | 8,734,805 |
| (b) In other deposit accounts | | **4,242,945** | 2,091,212 |
| | **Total** | **7,701,894** | 10,826,017 |
| (ii) Money at call and short notice: | | | |
| (a) With banks | | **18,000,000** | - |
| (b) With other institutions | | **77,213,500** | 45,018,623 |
| | **Total** | **95,213,500** | 45,018,623 |
| | **Total** | **102,915,394** | 55,844,640 |
| **II Outside India** | | | |
| (i) In current accounts | | **83,970,273** | 26,124,304 |
| (ii) In deposit accounts | | **2,863,017** | 6,191,625 |
| (iii) Money at call and short notice | | **160,381,843** | 95,572,919 |
| | **Total** | **247,215,133** | 127,888,848 |
| | **Total** | **350,130,527** | 183,733,488 |
| **SCHEDULE 8 - INVESTMENTS** | | | |
| **A Investments in India in** | | | |
| (i) Government securities | | **2,396,593,098** | 1,883,648,036 |
| (ii) Other approved securities | | **-** | - |
| (iii) Shares | | **4,095,538** | 1,396,772 |
| (iv) Debentures and bonds | | **277,328,845** | 336,681,684 |
| (v) Others (Units, CDs, CPs, PTCs and security receipts) | | **176,107,269** | 147,405,912 |
| | **Total** | **2,854,124,750** | 2,369,132,404 |
| **B Investments outside India in** | | | |
| (i) Government securities (including Local Authorities) | | **7,236,612** | 4,218,786 |
| (ii) Other investments | | | |
| (a) Shares | | **35,024** | 28,375 |
| (b) Debentures and bonds | | **7,780,395** | 11,229,675 |
| | **Total** | **15,052,031** | 15,476,836 |
| | **Total** | **2,869,176,781** | 2,384,609,240 |

₹ in '000

| | | | As at 31-Mar-19 | As at 31-Mar-18 |
|---|---|---|---|---|
| **SCHEDULE 9 - ADVANCES** | | | | |
| **A** | (i) | Bills purchased and discounted | **320,438,660** | 216,592,055 |
| | (ii) | Cash credits, overdrafts and loans repayable on demand | **2,022,142,263** | 1,681,643,640 |
| | (iii) | Term loans | **6,349,645,708** | 5,102,102,668 |
| | | **Total** | **8,692,226,631** | 7,000,338,363 |
| **B** | (i) | Secured by tangible assets* | **6,085,438,502** | 5,042,641,201 |
| | (ii) | Covered by bank / government guarantees | **278,716,962** | 191,682,760 |
| | (iii) | Unsecured | **2,328,071,167** | 1,766,014,402 |
| | | **Total** | **8,692,226,631** | 7,000,338,363 |
| ** Including advances against book debts* | | | | |
| **C** | **I** | **Advances in India** | | |
| | | (i) Priority sector | **2,213,382,045** | 1,765,302,486 |
| | | (ii) Public sector | **270,921,248** | 137,708,318 |
| | | (iii) Banks | **9,754,795** | 8,357,208 |
| | | (iv) Others | **5,948,342,204** | 4,885,715,328 |
| | | **Total** | **8,442,400,292** | 6,797,083,340 |
| **C** | **II** | **Advances outside India** | | |
| | | (i) Due from banks | **35,655,221** | 33,046,352 |
| | | (ii) Due from others | | |
| | | (a) Bills purchased and discounted | **860,526** | 1,052,278 |
| | | (b) Syndicated loans | **16,686,474** | 18,265,990 |
| | | (c) Others | **196,624,118** | 150,890,403 |
| | | **Total** | **249,826,339** | 203,255,023 |
| | | **Total** | **8,692,226,631** | 7,000,338,363 |
| *(Advances are net of provisions)* | | | | |
| **SCHEDULE 10 - FIXED ASSETS** | | | | |
| **A** | | **Premises** *(including land)* | | |
| | | **Gross block** | | |
| | | At cost on 31 March of the preceding year | **17,285,825** | 16,384,648 |
| | | Additions during the year | **1,079,471** | 978,572 |
| | | Deductions during the year | **(106,705)** | (77,395) |
| | | **Total** | **18,258,591** | 17,285,825 |
| | | **Depreciation** | | |
| | | As at 31 March of the preceding year | **5,321,464** | 4,798,856 |
| | | Charge for the year | **584,394** | 597,187 |
| | | On deductions during the year | **(89,465)** | (74,579) |
| | | **Total** | **5,816,393** | 5,321,464 |
| | | **Net block** | **12,442,198** | 11,964,361 |

₹ in '000

| | | | As at 31-Mar-19 | As at 31-Mar-18 |
|---|---|---|---|---|
| **B** | **Other fixed assets** *(including furniture and fixtures)* | | | |
| | **Gross block** | | | |
| | At cost on 31 March of the preceding year | | **92,109,943** | 84,574,310 |
| | Additions during the year | | **15,385,650** | 8,752,421 |
| | Deductions during the year | | **(1,647,235)** | (1,216,788) |
| | | **Total** | **105,848,358** | 92,109,943 |
| | **Depreciation** | | | |
| | As at 31 March of the preceding year | | **65,968,721** | 58,013,105 |
| | Charge for the year | | **11,627,195** | 9,071,123 |
| | On deductions during the year | | **(1,503,731)** | (1,115,507) |
| | | **Total** | **76,092,185** | 65,968,721 |
| | **Net block** | | **29,756,173** | 26,141,222 |
| **C** | **Assets on lease** *(plant and machinery)* | | | |
| | **Gross block** | | | |
| | At cost on 31 March of the preceding year | | **4,546,923** | 4,546,923 |
| | Additions during the year | | **-** | - |
| | | **Total** | **4,546,923** | 4,546,923 |
| | **Depreciation** | | | |
| | As at 31 March of the preceding year | | **4,104,467** | 4,104,467 |
| | Charge for the year | | **-** | - |
| | | **Total** | **4,104,467** | 4,104,467 |
| | **Lease adjustment account** | | | |
| | As at 31 March of the preceding year | | **442,456** | 442,456 |
| | Charge for the year | | **-** | - |
| | | **Total** | **442,456** | 442,456 |
| | **Unamortised cost of assets on lease** | | **-** | - |
| | | **Total** | **42,198,371** | 38,105,583 |
| **SCHEDULE 11 - OTHER ASSETS** | | | | |
| I | Interest accrued | | **118,544,724** | 90,775,781 |
| II | Advance tax / tax deducted at source (net of provisions) | | **19,546,668** | 18,304,321 |
| III | Stationery and stamps | | **345,677** | 333,306 |
| IV | Non banking assets acquired in satisfaction of claims | | **-** | - |
| V | Bond and share application money pending allotment | | **146,197** | - |
| VI | Security deposit for commercial and residential property | | **5,293,406** | 5,167,669 |
| VII | Others* | | **362,402,187** | 263,611,870 |
| | | **Total** | **506,278,859** | 378,192,947 |

**Includes deferred tax asset (net) of ₹ 4,620.68 crore (previous year: ₹ 3,532.07 crore), goodwill of ₹ 148.79 crore (previous year: ₹ 148.79 crore) and deposits placed with NABARD / SIDBI / NHB on account of shortfall in lending to priority sector of ₹ 10,832.25 crore (previous year: ₹ 13,357.25 crore)*

₹ in '000

| | | | As at 31-Mar-19 | As at 31-Mar-18 |
|---|---|---|---|---|
| **SCHEDULE 12 - CONTINGENT LIABILITIES** | | | | |
| I | Claims against the bank not acknowledged as debts - taxation | | **12,612,813** | 11,359,710 |
| II | Claims against the bank not acknowledged as debts - others | | **1,255,424** | 1,985,622 |
| III | Liability on account of outstanding forward exchange contracts | | **5,561,859,469** | 4,344,675,713 |
| IV | Liability on account of outstanding derivative contracts | | **3,639,008,146** | 3,482,687,822 |
| V | Guarantees given on behalf of constituents | | | |
| | - in India | | **536,870,994** | 448,741,092 |
| | - outside India | | **752,190** | 557,296 |
| VI | Acceptances, endorsements and other obligations | | **475,617,760** | 395,452,699 |
| VII | Other items for which the Bank is contingently liable | | **23,276,298** | 72,309,720 |
| | | **Total** | **10,251,253,094** | 8,757,769,674 |
| **SCHEDULE 13 - INTEREST EARNED** | | | | |
| I | Interest / discount on advances / bills | | **837,361,574** | 676,589,047 |
| II | Income from investments | | **199,247,497** | 162,297,863 |
| III | Interest on balance with RBI and other inter-bank funds | | **6,606,217** | 5,406,186 |
| IV | Others | | **8,392,112** | 8,585,341 |
| | | **Total** | **1,051,607,400** | 852,878,437 |
| **SCHEDULE 14 - OTHER INCOME** | | | | |
| I | Commission, exchange and brokerage | | **149,313,053** | 122,935,083 |
| II | Profit / (loss) on sale of investments (net) | | **5,735,619** | 11,005,345 |
| III | Profit / (loss) on revaluation of investments (net) | | **(152,437)** | (1,570,448) |
| IV | Profit / (loss) on sale of building and other assets (net) | | **62,054** | (11,833) |
| V | Profit / (loss) on exchange / derivative transactions (net) | | **17,203,935** | 15,234,978 |
| VI | Miscellaneous income | | **17,308,285** | 12,972,916 |
| | | **Total** | **189,470,509** | 160,566,041 |

₹ in '000

| | | | Year ended 31-Mar-19 | Year ended 31-Mar-18 |
|---|---|---|---|---|
| **SCHEDULE 15 - INTEREST EXPENDED** | | | | |
| I | Interest on deposits | | **410,442,557** | 327,540,435 |
| II | Interest on RBI / inter-bank borrowings | | **124,978,211** | 95,426,124 |
| III | Other interest | | **1,706,108** | 848,244 |
| | | **Total** | **537,126,876** | 423,814,803 |
| **SCHEDULE 16 - OPERATING EXPENSES** | | | | |
| I | Payments to and provisions for employees | | **104,511,480** | 91,939,035 |
| II | Rent, taxes and lighting | | **15,775,363** | 15,231,599 |
| III | Printing and stationery | | **5,261,700** | 4,821,103 |
| IV | Advertisement and publicity | | **1,593,970** | 1,719,205 |
| V | Depreciation on bank's property | | **12,206,675** | 9,667,819 |
| VI | Directors' fees / remuneration, allowances and expenses | | **35,988** | 32,496 |
| VII | Auditors' fees and expenses | | **36,230** | 26,301 |
| VIII | Law charges | | **1,419,023** | 1,648,413 |
| IX | Postage, telegram, telephone etc. | | **4,490,653** | 4,850,740 |
| X | Repairs and maintenance | | **12,835,334** | 13,149,745 |
| XI | Insurance | | **10,424,807** | 8,286,960 |
| XII | Other expenditure* | | **108,356,381** | 87,898,804 |
| | | **Total** | **276,947,604** | 239,272,220 |

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

# SCHEDULE 17 - Significant accounting policies appended to and forming part of the consolidated financial statements for the year ended March 31, 2019

## A Background

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

HDB Financial Services Limited (HDBFSL) and HDFC Securities Limited (HSL) are subsidiaries of the Bank. HDBFSL is a non-deposit taking non-banking finance company. HSL is a financial services provider along with broking as a core product.

## B Principles Of Consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries constituting the 'Group'. The corresponding consolidated financial statement of pervious year also include the 'Group's' share of profits in an associate.

The Bank consolidates its subsidiaries in accordance with Accounting Standard ('AS') 21, Consolidated Financial Statements, specified under Section 133 of the Companies Act, 2013, on a line-by-line basis by adding together the like items of assets, liabilities, income and expenditure. Capital reserve / Goodwill on consolidation represent the difference between the Bank's share in the net worth of the subsidiary and the cost of acquisition at the time of making the investment in the subsidiary. Further, the Bank accounts for investments in associates under equity method of accounting in accordance with AS-23, Accounting for Investments in Associates in Consolidated Financial Statements, specified under Section 133 of the Companies Act, 2013.

## C Basis Of Preparation

The consolidated financial statements have been prepared and presented under the historical cost convention and accrual basis of accounting, unless otherwise stated and are in accordance with Generally Accepted Accounting Principles in India ('GAAP'), statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, Accounting Standards ('AS') specified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016, in so far as they apply to banks.

**Use of estimates**

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

**Basis of consolidation**

The consolidated financial statements present the accounts of HDFC Bank Limited with its following subsidiaries:

| Name | Relation | Country of incorporation | Ownership interest** |
|---|---|---|---|
| HDFC Securities Limited | Subsidiary | India | 97.3% |
| HDB Financial Services Limited | Subsidiary | India | 95.5% |
| HDB Employee Welfare Trust | * | India | |

The financial statements of HDBFSL and HSL have been prepared in accordance with notified Indian Accounting Standards ('Ind-AS') with effect from April 1, 2018. The financial statements used for consolidation are special purpose financial statements prepared in accordance with Generally Accepted Accounting Principles in India ('GAAP') specified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016.

* *The accounts of HDB Employee Welfare Trust, a trust established for providing general welfare measures such as medical relief and educational assistance to the employees of the Bank and their dependents has been entirely consolidated.*

** *Denotes HDFC Bank's direct interest.*

*During the year ended March 31, 2018, the un-audited financial statements of an associate have been drawn for the period ended December 31, 2017. International Asset Reconstruction Company Private limited ceased to be an associate with effect from March 9, 2018 on account of reduction in ownership interest from 29.4% to 19.2%.*

*During the year ended March 31, 2019 the Bank's shareholding in HDB Financial Services Limited decreased from 95.9% to 95.5% on account of the stock options exercised by minority stakeholders.*

*During the year ended March 31, 2019 the Bank's shareholding in HDFC Securities Limited decreased from 97.7% to 97.3% on account of the stock options exercised by minority stakeholders.*

The audited financial statements of the subsidiary companies, entity controlled by the Bank have been drawn up to the same reporting date as that of the Bank, i.e. March 31, 2019.

## D Principal Accounting Policies

### 1 Investments

*HDFC Bank Limited*

**Classification:**

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

Purchase and sale transactions in securities are recorded under settlement date of accounting, except in the case of equity shares where trade date accounting is followed.

**Basis of classification:**

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

**Acquisition cost:**

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

**Disposal of investments:**

Profit / Loss on sale of investments under the aforesaid three categories is recognised in the Profit and Loss Account. Cost of investments is based on the weighted average cost method. The profit from sale of investment under HTM category, net of taxes and transfer to statutory reserve is appropriated from the Profit and Loss Account 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 categorised under HFT category and netted off from investments in the Balance Sheet. The short position is marked to market and loss, if any, is charged to the Profit and Loss Account while gain, if any, is ignored. Profit / Loss on settlement of the short position is recognised in the Profit and Loss Account.

**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') / Financial Benchmarks India Pvt Ltd. ('FBIL'), 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 / FBIL.

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

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 published by FIMMDA / FBIL.

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.

Investment in unquoted venture capital fund are categorised under HTM category for the initial period of three years and valued at cost. Such investment is required to be transferred to AFS thereafter.

Pass Through Certificates ('PTCs') including Priority Sector-PTCs are valued by using FIMMDA credit spread as applicable for the NBFC category, based on the credit rating of the respective PTC over the YTM rates for government securities published by FIMMDA / FBIL.

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

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

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

**Repurchase and reverse repurchase transactions:**

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

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

*HDFC Securities Limited*

Investments that are readily realisable and are intended to be held for not more than one year from the date, on which such investments are made, are classified as current investments. All other investments are classified as long term investments. Current investments are carried at cost or fair value, whichever is lower. Long-term investments are carried at cost. However, provision for diminution is made to recognise a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually.

*HDB Financial Services Limited*

Investments expected to mature after twelve months are taken as long term / non-current investment and stated at cost. Provision is recognised only in case of diminution, which is other than temporary in nature. Investments maturing within three months from the date of acquisition are classified as cash equivalents if they are readily convertible into cash. All other investments are recognised as short term / current investments and are valued at lower of cost and net realisable value.

**2 Advances**

*HDFC Bank Limited*

**Classification:**

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

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

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

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

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

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

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

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

*HDB Financial Services Limited*

**Classification:**

Advances are classified as standard, sub-standard and doubtful assets as per the Company policy approved by the Board. The rates applied for making provisions on non-performing advances are higher than those required by the relevant RBI guidelines. Interest on non-performing advances is transferred to an interest suspense account and not recognised in the Profit and Loss Account until received. Loan assets are recognised on disbursement of loan and in case of new asset financing on the transfer of ownership.

**Provisioning:**

The Company assesses all receivables for their recoverability and accordingly recognises provision for non-performing and doubtful assets as per approved Company policies and guidelines. The Company ensures provisions made are not lower than as stipulated by RBI guidelines.

The Company provides 0.40% on standard assets as stipulated by RBI master direction (RBI/DNBR/2016-17/45 Master Direction DNBR PD 008/03.10.119/2016-17) issued on September 1, 2016 Non-Banking Financial Company - Systematically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions 2016 as amended.

**Loan origination costs:**

Brokerage, commission, incentive to employee, etc. paid at the time of acquisition of loans are charged to expenses.

**3 Securitisation and transfer of assets**

*HDFC Bank Limited*

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

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

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

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

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

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

The Bank enters into transactions for the sale or purchase of Priority Sector Lending Certificates ('PSLCs'). In the case of a sale transaction, the Bank sells the fulfilment of priority sector obligation and in the case of a purchase transaction the Bank buys the fulfilment of priority sector obligation through the RBI trading platform. There is no transfer of risks or loan assets. The fee received for the sale of PSLCs is recorded as miscellaneous income and the fee paid for purchase of the PSLCs is recorded as other expenditure in Profit and Loss Account. These are amortised over the period of the Certificate.

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

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

*HDB Financial Services Limited*

- Prior to Issuance of RBI Circular dated August 21, 2012

  a) On receivables being assigned / securtised, the assets are de-recognised as all the rights, title, future receivables & interest thereof are assigned to the purchaser.

  b) Gains arising on assignment of receivables will be recognised at the end of the tenure of assignment contract as per the RBI guidelines, while loss, if any is recognised upfront.

- Post Issuance of RBI Circular dated August 21, 2012

  a) Securitised receivables are de-recognised in the Balance Sheet when they are sold i.e. they meet true sale criteria.

  b) Gains arising out of securitisation of assets are recognised over the tenure of the securities issued by Special Purpose Vehicle Trust ('SPV').

  c) The excess interest spread on the securitisation transactions are recognised in the Profit and Loss Account only when it is redeemed in cash by the SPV after adjusting for overdue receivable for more than 90 days. Losses, if any, are recognised upfront.

**4 Fixed assets and depreciation**

*HDFC Bank Limited*

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

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

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

- Improvements to lease hold premises are charged off over the remaining primary period of lease.
- Software and system development expenditure is depreciated over a period of 5 years.
- For assets purchased and sold during the year, depreciation is provided on pro-rata basis by the Bank.
- Whenever there is a revision of the estimated useful life of an asset, the unamortised depreciable amount is charged over the revised remaining useful life of the said asset.
- Profit on sale of immovable property net of taxes and transfer to statutory reserve, are transferred to capital reserve account.
- Assets costing less than ₹ 5,000 individually are fully depreciated in the year of purchase.

*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 Profit and Loss Account in the year of disposal or retirement.

Capital work-in-progress are fixed assets which are not yet ready for their intended use. Such assets are carried at cost comprising direct cost and related incidental expenses.

Depreciation is provided on a pro-rata basis to fully depreciate the assets using the straight-line method over the estimated useful lives of the assets.

For the following categories of assets, depreciation on tangible fixed assets has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013:

| Asset | Estimated useful life |
|---|---|
| Computer hardware | 3 years |
| Office equipment | 5 years |
| Furniture and fixtures | 10 years |
| Leasehold improvements | Over the remaining period of the lease |
| Electricals | 10 years |
| Office premises | 60 years |

For the following categories of assets, the Company has assessed useful life based on technical advice, taking into account the nature of the asset, the estimates usage of asset, the operating condition of asset, anticipated technological changes and utility in the business, as below:

| Asset | Estimated useful life |
|---|---|
| Vehicles | 4 years |
| Network & servers | 4 years |

- All tangible and intangible assets costing less than ₹ 5,000 individually are fully depreciated in the year of purchase.
- Useful lives are reviewed at each financial year end and adjusted if required.
- Intangible assets are stated at acquisition cost, net of accumulated amortisation and accumulated impairment losses, if any.
- Cost of an intangible asset includes purchase price, non-refundable taxes and duties and any other directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset is charged to the Profit and Loss Account as an expense unless it is probable that such expenditure will enable the intangible asset increase the future benefits from the existing asset beyond its previously assessed standard of performance and such expenditure can be measured and attributed to the intangible asset reliably, in which case, such expenditure is capitalised.
- Expenditure on software development eligible for capitalisation are carried as intangible assets under development where such assets are not yet ready for their intended use.
- Intangible assets are amortised on a straight-line basis over their estimated useful lives. The amortisation period and the amortisation method are reviewed at least at each reporting date. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.
- Gains or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised as income or expense in the Profit and Loss Account in the year of disposal.

The estimated useful lives of intangible assets used for amortisation are:

| Asset | Estimated useful life |
|---|---|
| Computer software licenses | 5 years |
| Electronic trading platform (Website) | 5 years |
| Bombay Stock Exchange card | 10 years |

*HDB Financial Services Limited*

Fixed assets are stated at cost less accumulated depreciation and impairment, if any. The cost of fixed assets comprise purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit / functioning capability from / of such assets.

Depreciation is charged over the estimated useful life of the fixed assets on a straight line basis in the manner prescribed in Schedule II of the Companies Act, 2013. The estimated lives used and differences from the lives prescribed under Schedule II are noted in the table below:

| Asset | Estimated useful life as assessed by the Company | Estimated useful life under Schedule II of Companies Act, 2013 |
|---|---|---|
| Building | 60 years | 60 years |
| Leasehold improvements | Tenure of lease agreements | Tenure of lease agreements |
| Motor cars | 4 years | 8 years |
| Computers | 2 to 5 years | 3 years |
| Furniture and fixtures | 3 to 7 years | 10 years |
| Office equipment | 3 years | 5 years |

- Improvements to lease hold premises are charged off over the primary period of lease or its useful life, whichever is lower.
- Items costing less than ₹ 5,000 are fully depreciated in the year of purchase.
- The Company has estimated Nil residual value at the end of the useful life for all block of assets.
- For assets purchased and sold during the year, depreciation is being provided on pro-rata basis by the Company.

During the year, the Company re-assessed the useful lives of certain computer-related assets, furniture and fixtures and office equipment. As a result of the re-assessment, the Company changed the estimated lives from 3 years to a range of 2 to 5 years for computer-related assets, from 10 years to a range of 3 to 7 years for furniture and fixtures and from 5 years to 3 years for office equipment. The change in estimate resulted in total additional cumulative catch-up depreciation of ₹ 10.10 crores during the current year.

Software and system development expenditure are capitalised at cost of acquisition including cost attributable to bring the same in working condition and the useful life of the same is estimated of 3 years with zero residual value. Any expenses on such software for support and maintenance payable annually are charged to the Profit and Loss Account.

## 5 Impairment of assets

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 Profit and Loss Account to the extent the carrying amount of assets exceeds their estimated recoverable amount.

## 6 Translation of foreign currency items

*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 and offshore banking units) 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 Profit and Loss Account.

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 disposal of the non-integral foreign operations in accordance with AS - 11, The Effects of Changes in Foreign Exchange Rates.

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

*HDFC Securities Limited*

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Exchange differences, if any, arising out of transactions settled during the year are recognized in the Profit and Loss Account. Monetary assets and liabilities denominated in foreign currencies as at the Balance Sheet date are translated at the closing exchange rate on that date. The exchange differences, if any, are recognised in the Profit and Loss Account and related assets and liabilities are accordingly restated in the Balance Sheet.

**7 Foreign exchange and derivative contracts**

*HDFC Bank Limited*

Foreign exchange spot and forward contracts outstanding as at the Balance Sheet date and held for trading, are revalued at the closing spot and forward rates respectively as notified by FEDAI and at interpolated rates for contracts of interim maturities.

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

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

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 Profit and Loss Account.

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 Profit and Loss Account 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 Profit and Loss Account.

**8 Revenue recognition**

*HDFC Bank Limited*

- Interest income is recognised in the Profit and Loss Account on an accrual basis, except in the case of non-performing assets. Also in case of domestic advances, where interest is collected on rear end basis, such interest is accounted on receipt basis in accordance with the RBI communication.
- Interest income on investments in PTCs and loans bought out through the direct assignment route is recognised at their effective interest rate.
- Income on non-coupon bearing discounted instruments is recognised over the tenor of the instrument on a constant effective yield basis.
- Loan processing fee is recognised as income when due. Syndication / Arranger fee is recognised as income when a significant act / milestone is completed.
- Gain / loss on sell down of loans is recognised in line with the extant RBI guidelines.
- Dividend on equity shares, preference shares and on mutual fund units is recognised as income when the right to receive the dividend is established.
- Guarantee commission, commission on letter of credit, annual locker rent fees and annual fees for credit cards are recognised on a straight-line basis over the period of contract. Other fees and commission income are recognised when due, where the Bank is reasonably certain of ultimate collection.

*HDFC Securities Limited*

- Income from services rendered as a broker is recognised upon rendering of the services.
- Fees for subscription based services are received periodically but are recognised as earned on a pro-rata basis over the term of the contract.
- Commissions from distribution of financial products are recognised upon allotment of the securities to the applicant or as the case may be, issue of the insurance policy to the applicant.
- Commissions and fees recognised as aforesaid are exclusive of service tax, goods and service tax, securities transaction tax, stamp duties and other levies by SEBI and stock exchanges.
- Interest is earned on delayed payments from clients and amounts funded to them as well as term deposits with banks.
- Interest income is recognised on a time proportion basis taking into account the amount outstanding from customers or on the financial instrument and the rate applicable.
- Dividend income is recognised when the right to receive the dividend is established.

*HDB Financial Services Limited*

- Interest income is recognised in the Profit and Loss Account 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 Profit and Loss Account when the right to receive is established.

**9 Employee benefits**

*HDFC Bank Limited*

**Employee Stock Option Scheme ('ESOS'):**

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

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

**Gratuity:**

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

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

**Superannuation:**

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

**Provident fund:**

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

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

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

**Leave encashment / Compensated absences:**

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

**Pension:**

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

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

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

**New Pension Scheme ('NPS'):**

In respect of employees who opt for contribution to the NPS, the Bank contributes certain percentage of the basic salary of employees to the aforesaid scheme, a defined contribution plan, which is managed and administered by pension fund management companies. The Bank has no liability other than its contribution, and recognises such contributions as an expense in the year incurred.

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**Short term**

Short term employee benefits include salaries and performance incentives. A liability is recognised for the amount expected to be paid under short-term cash bonus or target based incentives if the Company has a present legal or informal obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. These costs are recognised as an expense in the Profit and Loss Account at the undiscounted amount expected to be paid over the period of services rendered by the employees to the Company.

**Long term**

The Company offers its employees long term benefits by way of defined-contribution and defined-benefit plans, of which some have assets in special funds or securities. The plans are financed by the Company and in the case of some defined contribution plans by the Company along with its employees.

**Defined-contribution plans**

These are plans in which the Company pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to the National Pension Scheme, Employees' Provident Fund, Family Pension Fund and Superannuation Fund. The Company's payments to the defined-contribution plans are reported as expenses during the period in which the employees perform the services that the payment covers.

**Defined-benefit plans**

Expenses for defined-benefit gratuity plan are calculated as at the Balance Sheet date by an independent actuary in a manner that distributes expenses over the employee's working life. These commitments are valued at the present value of the expected future payments, with consideration for calculated future salary increases, using a discount rate corresponding to the interest rate estimated by the actuary having regard to the interest rate on government bonds with a remaining term that is almost equivalent to the average balance working period of employees. The fair values of the plan assets are deducted in determining the net liability. When the fair value of plan assets exceeds the commitments computed as aforesaid, the recognised asset is limited to the net total of any cumulative past service costs and the present value of any economic benefits available in the form of reductions in future contributions to the plan.

Actuarial losses or gains are recognised in the Profit and Loss Account in the year in which they arise.

**Other employee benefits**

Compensated absences which accrue to employees and which can be carried to future periods but are expected to be availed in twelve months immediately following the year in which the employee has rendered service are reported as expenses during the year in which the employees perform the services that the benefit covers and the liabilities are reported at the undiscounted amount of the benefits.

**Share-based payment transactions**

Equity settled stock options granted under the Company's Employee Stock Option Schemes are accounted for as per the accounting treatment prescribed by the Guidance Note on Employee Share-based Payments issued by the Institute of Chartered Accountants of India. The intrinsic value of the option being excess of fair value of the underlying share immediately prior to date of grant over its exercise price is recognised as deferred employee compensation with a credit to employee stock option outstanding account. The deferred employee compensation is charged to Profit and Loss Account 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.

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**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 Profit and Loss Account.

**Provident fund**

In accordance with the applicable law, all employees of the Company are entitled to receive benefits under the Provident Fund Act, 1952. The Company contributes an amount, on a monthly basis, at a determined rate to the Pension Scheme administered by the Regional Provident Fund Commissioner ('RPFC') and the Company has no liability for future provident fund benefits other than its annual contribution. Since it is a defined contribution plan, the contributions are accounted for on an accrual basis and recognized in the Profit and Loss Account.

**Compensated absences**

The Company does not have a policy of encashment of unavailed leaves for its employees but are permitted to carry forward subject to a prescribed maximum days. The Company provides for compensated absences in accordance with AS-15 (revised 2005), Employee Benefits issued by Institute of Chartered Accountants of India. The provision is based on an independent external actuarial valuation at the Balance Sheet date.

**10 Debit and credit cards reward points**

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

**11 Bullion**

*HDFC Bank Limited*

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

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

**12 Lease accounting**

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

**13 Income tax**

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

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

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

**14 Earnings per share**

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

**15 Share issue expenses**

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

**16 Segment information**

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

**17 Accounting for provisions, contingent liabilities and contingent assets**

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

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

A disclosure of contingent liability is made when there is:

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

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

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

**Onerous contracts**

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

**18 Cash and cash equivalents**

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

**19 Corporate social responsibility**

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

## SCHEDULE 18 - Notes forming part of the consolidated financial statements for the year ended March 31, 2019

Amounts in notes forming part of the consolidated financial statements for the year ended March 31, 2019 are denominated in rupee crore to conform to extant RBI guidelines, except where stated otherwise.

### 1 Proposed dividend

The Board of Directors of the Bank, at their meeting held on April 20, 2019, have proposed a dividend of ₹ 15.00 per equity share (previous year: ₹ 13.00 per equity share) aggregating ₹ 4,924.64 crore (previous year: ₹ 4,067.07 crore) inclusive of tax on dividend. The proposal is subject to the approval of shareholders at the Annual General Meeting. In terms of the revised Accounting Standard (AS) 4 'Contingencies and Events Occurring After the Balance Sheet Date', the Bank has not appropriated the proposed dividend from the Profit and Loss Account. However, the effect of the proposed dividend has been reckoned in determining capital funds in the computation of the capital adequacy ratios.

### 2 Capital infusion

Pursuant to the shareholder and regulatory approvals, the Bank on July 17, 2018, made a preferential allotment of 3,90,96,817 equity shares to Housing Development Finance Corporation Limited at a price of ₹ 2,174.09 per equity share (including share premium of ₹ 2,172.09 per equity share), aggregating to ₹ 8,500.00 crore and on August 2, 2018, concluded a Qualified Institutional Placement (QIP) of 1,28,47,222 equity shares at a price of ₹ 2,160.00 per equity share aggregating to ₹ 2,775.00 crore and an American Depository Receipt (ADR) offering of 1,75,00,000 ADR (representing 5,25,00,000 equity shares) at a price of USD 104 per ADR, aggregating to USD 1,820.00 million (equivalent ₹ 12,440.90 crore). Consequent to the above issuances, share capital increased by ₹ 20.89 crore and share premium increased by ₹ 23,568.72 crore, net of share issue expenses of ₹ 126.29 crore.

During the year ended March 31, 2019, the Bank allotted 2,37,72,304 equity shares (previous year: 3,25,44,550 equity shares) aggregating to face value ₹ 4.75 crore (previous year: ₹ 6.51 crore) in respect of stock options exercised. Accordingly, the share capital increased by ₹ 4.75 crore (previous year: ₹ 6.51 crore) and the share premium increased by ₹ 2,196.06 crore (previous year: ₹ 2,719.40 crore).

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

| **Particulars** | **March 31, 2019** | **March 31, 2018** |
|---|---|---|
| Opening balance | 519.02 | 512.51 |
| Addition pursuant to Preferential allotment / QIP / ADR offering | 20.89 | - |
| Addition pursuant to stock options exercised | 4.75 | 6.51 |
| Closing balance | 544.66 | 519.02 |

### 3 Earnings per equity share

Basic and diluted earnings per equity share have been calculated based on the consolidated net profit after tax attributable to the Group of ₹ 22,332.43 crore (previous year: ₹ 18,510.02 crore) and the weighted average number of equity shares outstanding during the year of 2,68,00,34,029 (previous year: 2,58,05,38,505).

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

| **Particulars** | **For the years ended** | |
|---|---|---|
| | **March 31, 2019** | **March 31, 2018** |
| Nominal value per share (₹) | 2.00 | 2.00 |
| Basic earnings per share (₹) | 83.33 | 71.73 |
| Effect of potential equity shares (per share) (₹) | (0.82) | (0.97) |
| Diluted earnings per share (₹) | 82.51 | 70.76 |

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

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

| Particulars | For the years ended | |
|---|---|---|
| | **March 31, 2019** | **March 31, 2018** |
| Weighted average number of equity shares used in computing basic earnings per equity share | 2,68,00,34,029 | 2,58,05,38,505 |
| Effect of potential equity shares outstanding | 2,66,37,645 | 3,55,30,885 |
| Weighted average number of equity shares used in computing diluted earnings per equity share | 2,70,66,71,674 | 2,61,60,69,390 |

**4 Reserves and Surplus**

**Statutory Reserve**

The Bank and a subsidiary has made an appropriation of ₹ 5,499.76 crore (previous year: ₹ 4,562.03 crore) out of profits for the year ended March 31, 2019 to the Statutory Reserve pursuant to the requirements of Section 17 of the Banking Regulation Act, 1949 and RBI guidelines dated September 23, 2000.

**Capital Reserve**

During the year ended March 31, 2019, the Bank appropriated ₹ 105.34 crore (previous year: ₹ 235.52 crore), being the profit from sale of investments under HTM category and profit on sale of immovable properties, net of taxes and transfer to statutory reserve, from the Profit and Loss Account to the Capital Reserve.

**General Reserve**

The Bank has made an appropriation of ₹ 2,107.82 crore (previous year: ₹ 1,748.67 crore) out of profits for the year ended March 31, 2019 to the General Reserve.

**Investment Fluctuation Reserve**

In accordance with RBI guidelines, banks are required to create an Investment Fluctuation Reserve ('IFR') equivalent to 2% of their HFT and AFS investment portfolios, within a period of three years starting fiscal 2019. Accordingly, during the year ended March 31, 2019, the Bank has made an appropriation of ₹ 773.00 crore to the Investment Fluctuation Reserve from the Profit and Loss Account.

**Investment Reserve Account**

During the year ended March 31, 2019, the net transfer between Investment Reserve Account and Profit and Loss Account was Nil (previous year: ₹ 44.20 crore (net) transferred by the Bank from the Investment Reserve Account to the Profit and Loss Account) as per the RBI guidelines.

**Draw down from reserves**

**Share Premium**

The Bank has not undertaken any drawdown from share premium during the year ended March 31, 2019 except towards share issue expenses of ₹ 126.29 crore, incurred for the equity raised through the QIP and ADR routes, which have been adjusted against the share premium account in terms of section 52 of the Companies Act, 2013. There had been no drawdown from reserves during the year ended March 31, 2018.

**5 Dividend on shares allotted pursuant to exercise of stock options**

The Bank may allot equity shares after the Balance Sheet date but before the book closure date pursuant to the exercise of any employee stock options. These equity shares will be eligible for full dividend for the year ended March 31, 2019, if approved at the ensuing Annual General Meeting.

**6 Accounting for employee share based payments**

*HDFC Bank Limited*

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

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

The vesting conditions applicable to the options are at the discretion of the NRC. These options are exercisable on vesting, for a period as set forth by the NRC at the time of grant. The period in which the options may be exercised cannot exceed five years from date of expiry of vesting period. During the years ended March 31, 2019 and March 31, 2018, no modifications were made to the terms and conditions of ESOPs as approved by the NRC.

Activity in the options outstanding under the Employee Stock Option Plans

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2019:

| Particulars | Number of Options | Weighted average exercise price (₹) |
|---|---|---|
| Options outstanding, beginning of year | 7,54,43,800 | 1,050.22 |
| Granted during the year | 1,98,95,000 | 2,060.47 |
| Exercised during the year | 2,37,72,304 | 925.79 |
| Forfeited / Lapsed during the year | 32,60,085 | 1,506.99 |
| Options outstanding, end of year | 6,83,06,411 | 1,365.97 |
| Options exercisable | 4,03,04,861 | 1,017.78 |

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2018:

| Particulars | Number of Options | Weighted average exercise price (₹) |
|---|---|---|
| Options outstanding, beginning of year | 9,21,56,300 | 904.97 |
| Granted during the year | 1,68,82,050 | 1,433.23 |
| Exercised during the year | 3,25,44,550 | 837.59 |
| Forfeited / Lapsed during the year | 10,50,000 | 1,050.05 |
| Options outstanding, end of year | 7,54,43,800 | 1,050.22 |
| Options exercisable | 4,68,10,250 | 901.44 |

- The following table summarises the information about stock options outstanding as at March 31, 2019:

| Plan | Range of exercise price (₹) | Number of shares arising out of options | Weighted average life of options (in years) | Weighted average exercise price (₹) |
|---|---|---|---|---|
| Plan C | 680.00 to 835.50 | 15,37,400 | 0.87 | 685.70 |
| Plan D | 680.00 | 6,59,900 | 0.97 | 680.00 |
| Plan E | 680.00 | 24,98,700 | 0.96 | 680.00 |
| Plan F | 835.50 to 1,462.15 | 4,42,38,411 | 2.71 | 1,134.48 |
| Plan G | 2,006.05 to 2,090.45 | 1,93,72,000 | 3.57 | 2,060.45 |

- The following table summarises the information about stock options outstanding as at March 31, 2018:

| Plan | Range of exercise price (₹) | Number of shares arising out of options | Weighted average life of options (in years) | Weighted average exercise price (₹) |
|---|---|---|---|---|
| Plan C | 680.00 to 835.50 | 32,61,500 | 1.32 | 685.72 |
| Plan D | 680.00 | 16,35,700 | 1.43 | 680.00 |
| Plan E | 680.00 | 62,24,900 | 1.51 | 680.00 |
| Plan F | 835.50 to 1,462.15 | 6,43,21,700 | 3.59 | 1,113.95 |

*Fair value methodology*

The fair value of options used to compute the *proforma* net profit and earnings per equity share have been estimated on the dates of each grant using the binomial option-pricing model. The Bank estimates the volatility based on the historical prices of its equity shares. The Bank granted 1,98,95,000 options during the year ended March 31, 2019 (previous year: 1,68,82,050). The various assumptions considered in the pricing model for the ESOPs granted during the year ended March 31, 2019 are:

| Particulars | March 31, 2019 |
|---|---|
| Dividend yield | 0.62% to 0.65% |
| Expected volatility | 14.53% to 18.68% |
| Risk - free interest rate | 7.23% to 8.31% |
| Expected life of the options | 1 to 6 years |

*Impact of the fair value method on the 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 for the year and earnings per share would have been as per the *proforma* amounts indicated below: (₹ **crore**)

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Net profit (as reported) | 21,078.17 | 17,486.73 |
| Add: Stock-based employee compensation expense included in net income | - | - |
| Less: Stock-based compensation expense determined under fair value based method *(proforma)* | 535.90 | 650.41 |
| Net profit *(proforma)* | 20,542.27 | 16,836.32 |
| | (₹) | (₹) |
| Basic earnings per share (as reported) | 78.65 | 67.76 |
| Basic earnings per share *(proforma)* | 76.65 | 65.24 |
| Diluted earnings per share (as reported) | 77.87 | 66.84 |
| Diluted earnings per share *(proforma)* | 75.89 | 64.36 |

*HDFC Securities Limited*

The Shareholders of the Company approved a stock option scheme (viz. ESOS - II) in February 2017 ("Company Options"). Under the terms of the scheme, the Company issues stock options to employees, whole time director, managing director and directors (excluding Independent Directors) of the Company, each of which is convertible into one equity share.

Scheme ESOS - II provides for the issuance of options at the recommendation of the Compensation Committee of the Board of Directors (the "Compensation Committee") at a price of ₹ 1,136/- per share, being the fair market value of the share arrived by considering the average price of the two independent valuation reports. Method of settlement of this options are equity shares of the Company. Weighted average remaining contractual life of these options is 11 months.

Such options vest at definitive dates, save for specific incidents, prescribed in the scheme as framed / approved by the Compensation Committee. Such options are exercisable for a period following the vesting at the discretion of the Compensation Committee.

*Method used for accounting for shared based payment plan*

The Company uses the Intrinsic Value method to account for the compensation cost of stock options to employees of the Company.

*Activity in the options outstanding under the Employee Stock Options Plan*

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2019:

| Particulars | Company options | Weighted average exercise price (₹) |
|---|---|---|
| Options outstanding, beginning of year | 2,01,450 | 1,136 |
| Granted during the year | - | - |
| Exercised during the year | 61,150 | 1,136 |
| Forfeited / Lapsed during the year | 6,650 | 1,136 |
| Options outstanding, end of year | 1,33,650 | 1,136 |
| Options exercisable | 29,050 | 1,136 |

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2018:

| Particulars | Company options | Weighted average exercise price (₹) |
|---|---|---|
| Options outstanding, beginning of year | 2,80,000 | 1,136 |
| Granted during the year | - | - |
| Exercised during the year | 69,550 | 1,136 |
| Forfeited / Lapsed during the year | 9,000 | 1,136 |
| Options outstanding, end of year | 2,01,450 | 1,136 |
| Options exercisable | 11,750 | 1,136 |

- The following table summarises the information about stock options outstanding as at March 31, 2019:

| Plan | Range of exercise price (₹) | Number of shares arising out of options | Weighted average remaining contractual life of options (in years) | Weighted average exercise price (₹) |
|---|---|---|---|---|
| Company Options | 1,136 | 1,33,650 | 0.9 Years | 1,136 |

- The following table summarises the information about stock options outstanding as at March 31, 2018:

| Plan | Range of exercise price (₹) | Number of shares arising out of options | Weighted average remaining contractual life of options (in years) | Weighted average exercise price (₹) |
|---|---|---|---|---|
| Company Options | 1,136 | 201,450 | 1.8 Years | 1,136 |

*Fair value methodology*

The fair value of options used to compute *proforma* net income and earnings per equity share have been estimated on dates of each grant using the Black and Scholes model. The shares of the Company are not listed on any stock exchange. Accordingly, the Company has considered the volatility of its stock price as an average of the historical volatility of similar listed enterprises for the purpose of calculating the fair value to reduce any company specific variations. The various assumptions considered in the pricing model for the stock options granted by the Company.

| Particulars | March 31, 2017 |
|---|---|
| Dividend yield | 3.52% |
| Expected volatility | 43.53% to 42. 48% |
| Risk - free interest rate | 6.60% to 6.90% |
| Expected life of the options | 3 to 5 years |

*Impact of the fair value method on the net profit and earning per share*

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

(₹ **crore**)

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Net Profit (as reported) | 347.95 | 344.42 |
| Add: Stock-based employee compensation expense included in net income | - | - |
| Less: Stock-based compensation expense determined under fair value based method *(proforma)* | 2.66 | 2.64 |
| Net Profit *(proforma)* | 345.29 | 341.78 |

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| | (₹) | (₹) |
| Basic earnings per share (as reported) | 223.65 | 222.40 |
| Basic earnings per share *(proforma)* | 221.94 | 220.69 |
| Diluted earnings per share (as reported) | 223.20 | 221.84 |
| Diluted earnings per share *(proforma)* | 221.50 | 220.14 |

*HDB Financial Services Limited*

In accordance with resolution approved by the shareholders, the Company has reserved shares, for issue to employees through ESOS Scheme. On the approval of Nomination and Remuneration Committee (NRC), each ESOS scheme is issued. The NRC has approved stock option schemes ESOS-8 on July 14, 2015, ESOS-9 on October 18, 2016 and ESOS-10 on October 13, 2017 and ESOS-11 on January 15, 2019. Under the term of the schemes, the Company may issue stock options to employees and directors of the Company, each of which is convertible into one equity share.

Such options vest at a definitive date, save for specific incidents, prescribed in the scheme as framed / approved by the NRC. Such options are exercisable for a period following vesting at the discretion of the NRC, subject to a maximum of two years from the date of vesting for ESOS-8 and maximum of four years from the date of vesting for ESOS-9, ESOS-10 and ESOS-11.

*Method used for accounting for shared based payment plan*

The Company uses intrinsic value to account for the compensation cost of stock options to employees of the Company.

*Activity in the options outstanding under the Employee Stock Option Plans*

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2019:

| Particulars | Options | Weighted average exercise price (₹) |
|---|---|---|
| Options outstanding, beginning of year | 62,69,950 | 168.41 |
| Granted during the year | 9,10,500 | 274.00 |
| Exercised during the year | 27,64,050 | 141.22 |
| Forfeited / Lapsed during the year | 1,86,100 | 159.37 |
| Options outstanding, end of year | 42,30,300 | 209.36 |

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2018:

| Particulars | Options | Weighted average exercise price (₹) |
|---|---|---|
| Options outstanding, beginning of year | 58,78,660 | 112.46 |
| Granted during the year | 33,40,250 | 213.00 |
| Exercised during the year | 26,91,960 | 106.74 |
| Forfeited / Lapsed during the year | 2,57,000 | 114.01 |
| Options outstanding, end of year | 62,69,950 | 168.41 |

- The following table summarises the information about stock options outstanding as at March 31, 2019:

| Plan | Range of exercise price (₹) | Number of shares arising out of options | Weighted average remaining contractual life of options (in years) | Weighted average exercise price (₹) |
|---|---|---|---|---|
| ESOS - 8 | 88.00 | 34,500 | 1.50 | 88.00 |
| ESOS - 9 | 137.00 | 874,200 | 4.53 | 137.00 |
| ESOS - 10 | 213.00 | 2,414,200 | 5.06 | 213.00 |
| ESOS - 11 | 274.00 | 907,400 | 5.94 | 274.00 |

- The following table summarises the information about stock options outstanding as at March 31, 2018:

| Plan | Range of exercise price (₹) | Number of shares arising out of options | Weighted average remaining contractual life of options (in years) | Weighted average exercise price (₹) |
|---|---|---|---|---|
| ESOS - 8 | 88.00 | 11,15,000 | 2.47 | 88.00 |
| ESOS - 9 | 137.00 | 18,44,200 | 5.02 | 137.00 |
| ESOS - 10 | 213.00 | 33,10,750 | 5.69 | 213.00 |

*Fair Value methodology*

The fair value of options used to compute *proforma* net income and earnings per equity share have been estimated on the dates of each grant using the Black-Scholes model. The shares of Company are not listed on any stock exchange. Accordingly, the Company has considered the volatility of its stock price based on historical volatility of similar listed enterprises. The various assumptions considered in the pricing model for the stock options granted by the Company during the year ended March 31, 2019 are:

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Dividend yield | 0.66% | 0.70% |
| Expected volatility | 34.90% | 42.85% |
| Risk-free interest rate | 7.23% | 6.44% |
| Expected life of the option | 3.01 years | 3.05 years |

*Impact of the fair value method on the net profit and earning per share*

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

**(₹ crore)**

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Net Profit (as reported) | 1,151.10 | 951.74 |
| Add: Stock-based employee compensation expense included in net income | - | - |
| Less: Stock-based compensation expense determined under fair value based method *(proforma)* | 16.05 | 15.27 |
| Net Profit *(proforma)* | 1,135.05 | 936.47 |

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| | (₹) | (₹) |
| Basic earnings per share (as reported) | 14.69 | 12.18 |
| Basic earnings per share *(proforma)* | 14.48 | 11.99 |
| Diluted earnings per share (as reported) | 14.67 | 12.16 |
| Diluted earnings per share *(proforma)* | 14.46 | 11.97 |

*Group*

*Impact of the fair value method on the net profit and earning per share of the Group*

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

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Net Profit (as reported) | 22,332.43 | 18,510.02 |
| Less: Stock-based compensation expense determined under fair value based method *(proforma)* | 554.61 | 668.32 |
| Net Profit *(proforma)* | 21,777.82 | 17,841.70 |
| | (₹) | (₹) |
| Basic earnings per share (as reported) | 83.33 | 71.73 |
| Basic earnings per share *(proforma)* | 81.26 | 69.14 |
| Diluted earnings per share (as reported) | 82.51 | 70.76 |
| Diluted earnings per share *(proforma)* | 80.46 | 68.20 |

## 7 Other liabilities

The Bank has presented gross unrealised gain on foreign exchange and derivative contracts under other assets and gross unrealised loss on foreign exchange and derivative contracts under other liabilities. Accordingly, other liabilities as at March 31, 2019 include unrealised loss on foreign exchange and derivative contracts of ₹ 12,772.60 crore (previous year: ₹ 5,093.04 crore).

## 8 Investments

*HDFC Bank Limited*

The details of securities that are kept as margin are as under:

**(₹ crore)**

| Sr. No. | Particulars | Face value as at March 31, 2019 | 2018 |
|---|---|---|---|
| I. | Securities kept as margin with Clearing Corporation of India towards: | | |
| | a) Collateral and funds management - Securities segment | 1,420.00 | 1,520.00 |
| | b) Collateral and funds management - Collateralised Borrowing and Lending Obligation (CBLO) segment / Triparty Repo | 47,713.88 | 25,770.78 |
| | c) Default fund - Forex Forward segment | 110.00 | 100.00 |
| | d) Default fund - Forex Settlement segment | 51.05 | 41.05 |
| | e) Default fund - Rupee Derivatives (Guaranteed Settlement) segment | 43.00 | 41.00 |
| | f) Default fund - Securities segment | 65.00 | 65.00 |
| | g) Default fund - CBLO / Triparty repo segment | 45.00 | 25.00 |

| Sr. No. | Particulars | Face value as at March 31, | |
|---|---|---|---|
| | | 2019 | 2018 |
| II. | Securities kept as margin with the RBI towards: | | |
| | a) Real Time Gross Settlement (RTGS) | 72,411.67 | 90,130.65 |
| | b) Repo transactions | 37,216.66 | 16,307.49 |
| | c) Reverse repo transactions | - | 58,341.00 |
| III. | Securities kept as margin with National Securities Clearing Corporation of India (NSCCIL) towards NSE Currency Derivatives segment. | 309.72 | 16.00 |
| IV. | Securities kept as margin with Indian Clearing Corporation Limited towards BSE Currency Derivatives segment. | 241.00 | 241.00 |
| V. | Securities kept as margin with Metropolitan Clearing Corporation of India towards MCX Currency Derivatives segment. | 13.00 | 13.00 |

*HDFC Securities Limited* **(₹ crore)**

| Sr. No. | Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|---|
| I. | Mutual funds marked as lien with stock exchange for margin requirement | 319.00 | 599.06 |

## 9 Other fixed assets

Other fixed assets includes amount capitalised relating to software, Bombay Stock Exchange card and electronic trading platform. Details regarding the same are tabulated below: **(₹ crore)**

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| **Cost** | | |
| As at March 31 of the previous year | 2,454.48 | 2,188.08 |
| Additions during the year | 525.99 | 266.40 |
| Deductions during the year | - | - |
| **Total (a)** | **2,980.47** | **2,454.48** |
| **Depreciation** | | |
| As at March 31 of the previous year | 1,791.73 | 1,509.12 |
| Charge for the year | 362.14 | 282.61 |
| On deductions during the year | - | - |
| **Total (b)** | **2,153.87** | **1,791.73** |
| **Net value (a-b)** | **826.60** | **662.75** |

## 10 Other assets

Other assets include deferred tax asset (net) of ₹ 4,620.68 crore (previous year: ₹ 3,532.07 crore). The break-up of the same is as follows:

**(₹ crore)**

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| **Deferred tax asset arising out of:** | | |
| Loan loss provisions | 3,735.12 | 2,945.98 |
| Employee benefits | 212.53 | 186.11 |

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Depreciation | 30.44 | - |
| Others | 642.59 | 446.58 |
| **Total (a)** | **4,620.68** | **3,578.67** |
| **Deferred tax liability arising out of:** | | |
| Depreciation | - | (46.60) |
| **Total (b)** | **-** | **(46.60)** |
| **Deferred tax asset (net) (a-b)** | **4,620.68** | **3,532.07** |

- 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 assets as at March 31, 2019 include unrealised gain on foreign exchange and derivative contracts of ₹ 13,261.24 crore (previous year: ₹ 5,091.67 crore).

## 11 Provisions and contingent liabilities

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

### a) Provision for credit card and debit card reward points

(₹ crore)

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Opening provision for reward points | 471.12 | 431.24 |
| Provision for reward points made during the year | 387.56 | 261.95 |
| Utilisation / write back of provision for reward points | (255.59) | (222.07) |
| Closing provision for reward points | 603.09 | 471.12 |

### b) Provision for legal and other contingencies

(₹ crore)

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Opening provision | 314.01 | 311.90 |
| Movement during the year (net) | 84.42 | 2.11 |
| Closing provision | 398.43 | 314.01 |

### c) Provision pertaining to fraud accounts

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| No. of frauds reported during the year | 5,484 | 3,612 |
| Amount involved in fraud (₹ crore) | 498.44 | 146.55 |
| Amount involved in fraud net of recoveries / write-offs as at the end of the year (₹ crore) | 431.42 | 119.02 |
| Provisions held as at the end of the year (₹ crore) | 431.42 | 119.02 |
| Amount of unamortised provision debited from “other reserves” as at the end of the year (₹ crore) | - | - |

**d) Description of contingent liabilities**

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

**Also refer Schedule 12 - Contingent Liabilities*

**e)** The Hon'ble Supreme Court of India issued an order dated February 28, 2019 of relating to employer's contribution to the provident fund ('PF') under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952. The Group is in the process of evaluating the said order and would consider any further effect in its financial statements upon receiving additional clarity on the subject.

**12 Commission, exchange and brokerage income**

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

**13 Provisions and contingencies**

The break-up of 'Provisions and Contingencies' included in the Profit and Loss Account is given below:

(₹ crore)

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Provision for income tax - Current | 12,961.15 | 10,848.11 |
| - Deferred | (1,088.60) | (945.03) |
| Provision for NPAs | 7,192.22 | 5,487.32 |
| Provision for diminution in value of non-performing investments | 4.71 | 30.80 |
| Provision for standard assets | 686.14 | 657.58 |
| Other provisions and contingencies* | 499.11 | 396.12 |
| **Total** | **20,254.73** | **16,474.90** |

**Includes provisions for tax, legal and other contingencies ₹ 496.52 crore (previous year: ₹ 396.98 crore), provisions / (write back) for securitised-out assets ₹ 2.59 crore (previous year: ₹ 2.14 crore) and standard restructured assets Nil (previous year: ₹ (3.00) crore).*

**14 Employee benefits**

**Gratuity** (₹ crore)

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| **Reconciliation of opening and closing balance of the present value of the defined benefit obligation** | | |
| Present value of obligation as at April 1 | 614.06 | 548.50 |
| Interest cost | 44.46 | 39.12 |
| Current service cost | 90.11 | 78.58 |
| Benefits paid | (56.77) | (48.11) |
| Actuarial (gain) / loss on obligation: | | |
| Experience adjustment | 10.46 | 13.69 |
| Assumption change | 0.54 | (17.72) |
| **Present value of obligation as at March 31** | **702.86** | **614.06** |
| **Reconciliation of opening and closing balance of the fair value of the plan assets** | | |
| Fair value of plan assets as at April 1 | 457.35 | 390.23 |
| Expected return on plan assets | 35.43 | 29.87 |
| Contributions | 102.39 | 87.71 |
| Benefits paid | (56.77) | (48.11) |
| Actuarial gain / (loss) on plan assets: | | |
| Experience adjustment | 12.04 | (2.35) |
| Assumption change | (2.69) | - |
| **Fair value of plan assets as at March 31** | **547.75** | **457.35** |
| **Amount recognised in Balance Sheet** | | |
| Fair value of plan assets as at March 31 | 547.75 | 457.35 |
| **Present value of obligation as at March 31** | **(702.86)** | **(614.06)** |
| **Asset / (liability) as at March 31** | **(155.11)** | **(156.71)** |

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| **Expenses recognised in Profit and Loss Account** | | |
| Interest cost | 44.46 | 39.12 |
| Current service cost | 90.11 | 78.58 |
| Expected return on plan assets | (35.43) | (29.87) |
| Net actuarial (gain) / loss recognised in the year | 1.64 | (1.68) |
| **Net cost** | **100.78** | **86.15** |
| Actual return on plan assets | 44.78 | 27.52 |
| Estimated contribution for the next year | 128.46 | 114.31 |
| Assumptions (HDFC Bank Limited) | | |
| Discount rate | 7.64% per annum | 7.50% per annum |
| Expected return on plan assets | 7.00% per annum | 7.00% per annum |
| Salary escalation rate | 8.00% per annum | 8.00% per annum |
| **Assumptions (HDFC Securities Limited)** | | |
| Discount rate | 7.20% per annum | 7.40% per annum |
| Expected return on plan assets | 7.20% per annum | 8.00% per annum |
| Salary escalation rate | 9.00% per annum | 11.00% per annum |
| **Assumptions (HDB Financial Services Limited)** | | |
| Discount rate | 6.84% - 6.92% per annum | 7.16% per annum |
| Expected return on plan assets | 7.50% per annum | 7.50% per annum |
| Salary escalation rate | 5.00% - 8.00% per annum | 5.00% - 7.00% per annum |

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors.

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, 2019 are given below:

| Category of plan assets | HDFC Bank Limited | HDFC Securities Limited | HDB Financial Services Limited |
|---|---|---|---|
| Government securities | 23.79% | 42.00% | 98.01% |
| Debenture and bonds | 28.96% | 44.00% | 0.19% |
| Equity shares | 45.03% | 10.00% | - |
| Others | 2.22% | 4.00% | 1.80% |
| **Total** | **100.00%** | **100.00%** | **100.00%** |

**Experience adjustment** **(₹ crore)**

| Particulars | Years ended March 31, | | | | |
|---|---|---|---|---|---|
| | **2019** | **2018** | **2017** | **2016** | **2015** |
| Plan assets | 547.75 | 457.35 | 390.23 | 295.46 | 248.13 |
| Defined benefit obligation | 702.86 | 614.06 | 548.50 | 401.93 | 318.37 |
| Surplus / (deficit) | (155.11) | (156.71) | (158.27) | (106.47) | (70.24) |
| Experience adjustment gain / (loss) on plan assets | 12.04 | (2.35) | 31.19 | (13.61) | 21.27 |
| Experience adjustment (gain) / loss on plan liabilities | 10.46 | 13.69 | 39.69 | 16.27 | 4.84 |

**Pension** (₹ crore)

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| **Reconciliation of opening and closing balance of the present value of the defined benefit obligation** | | |
| Present value of obligation as at April 1 | 73.06 | 73.55 |
| Interest cost | 5.10 | 5.19 |
| Current service cost | 0.75 | 0.74 |
| Benefits paid | (12.57) | (8.75) |
| Actuarial (gain) / loss on obligation: | | |
| Experience adjustment | 3.32 | 3.95 |
| Assumption change | (0.12) | (1.62) |
| **Present value of obligation as at March 31** | **69.54** | **73.06** |
| **Reconciliation of opening and closing balance of the fair value of the plan assets** | | |
| Fair value of plan assets as at April 1 | 31.30 | 36.16 |
| Expected return on plan assets | 1.86 | 2.36 |
| Contributions | 0.88 | 0.94 |
| Benefits paid | (12.57) | (8.75) |
| Actuarial gain / (loss) on plan assets: | | |
| Experience adjustment | 0.48 | 0.59 |
| Assumption change | - | - |
| **Fair value of plan assets as at March 31** | **21.95** | **31.30** |
| **Amount recognised in Balance Sheet** | | |
| Fair value of plan assets as at March 31 | 21.95 | 31.30 |
| Present value of obligation as at March 31 | (69.54) | (73.06) |
| **Asset / (liability) as at March 31** | **(47.59)** | **(41.76)** |
| **Expenses recognised in Profit and Loss Account** | | |
| Interest cost | 5.10 | 5.19 |
| Current service cost | 0.75 | 0.74 |
| Expected return on plan assets | (1.86) | (2.36) |
| Net actuarial (gain) / loss recognised in the year | 2.72 | 1.74 |
| **Net cost** | **6.71** | **5.31** |
| Actual return on plan assets | 2.34 | 2.95 |
| Estimated contribution for the next year | 14.03 | 13.79 |
| **Assumptions** | | |
| Discount rate | 7.64% per annum | 7.50% per annum |
| Expected return on plan assets | 7.00% per annum | 7.00% per annum |
| Salary escalation rate | 8.00% per annum | 8.00% per annum |

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors.

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, 2019 are given below:

| Category of plan assets | % of fair value to total plan assets as at March 31, 2019 |
|---|---|
| Government securities | 8.49% |
| Debenture and bonds | 73.88% |
| Others | 17.63% |
| **Total** | **100.00%** |

**Experience adjustment** **(₹ crore)**

| Particulars | Years ended March 31, | | | | |
|---|---|---|---|---|---|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Plan assets | 21.95 | 31.30 | 36.16 | 38.38 | 41.91 |
| Defined benefit obligation | 69.54 | 73.06 | 73.55 | 70.88 | 57.45 |
| Surplus / (deficit) | (47.59) | (41.76) | (37.39) | (32.50) | (15.54) |
| Experience adjustment gain / (loss) on plan assets | 0.48 | 0.59 | 0.39 | 1.43 | (2.38) |
| Experience adjustment (gain) / loss on plan liabilities | 3.32 | 3.95 | 4.65 | 17.35 | (0.19) |

**Provident fund**

The guidance note on AS-15, Employee Benefits, states that employer established provident funds, where interest is guaranteed are to be considered as defined benefit plans and the liability has to be valued. The Institute of Actuaries of India (IAI) has issued a guidance note on valuation of interest rate guarantees on exempt provident funds. The actuary has accordingly valued the same and the Bank held a provision of Nil as at March 31, 2019 (previous year: Nil) towards the present value of the guaranteed interest benefit obligation. The actuary has followed the deterministic approach as prescribed by the guidance note.

**Assumptions:**

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Discount rate (GOI security yield) | 7.64% per annum | 7.50% per annum |
| Expected guaranteed interest rate | 8.65% per annum | 8.55% per annum |

The Group does not have any unfunded defined benefit plan. The Group contributed ₹ 331.21 crore (previous year: ₹ 308.21 crore) to the provident fund. The Bank contributed ₹ 103.41 crore (previous year: ₹ 67.68 crore) to the superannuation plan and ₹ 3.27 crore (previous year: ₹ 2.76 crore) to the National Pension Scheme.

**Compensated absences**

The actuarial liability of compensated absences of accumulated privileged and sick leaves of the employees of the Group is given below: **(₹ crore)**

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Privileged leave | 347.22 | 283.08 |
| Sick leave | 67.74 | 62.67 |
| **Total actuarial liability** | **414.96** | **345.75** |
| **Assumptions (HDFC Bank Limited)** | | |
| Discount rate | 7.64% per annum | 7.50% per annum |
| Salary escalation rate | 8.00% per annum | 8.00% per annum |
| **Assumptions (HDFC Securities Limited)** | | |
| Discount rate | 7.20% per annum | 7.40% per annum |
| Salary escalation rate | 9.00% per annum | 11.00% per annum |
| **Assumptions (HDB Financial Services Limited)** | | |
| Discount rate | 6.84% - 6.92% per annum | 7.20% per annum |
| Salary escalation rate | 5.00% - 8.00% per annum | 5.00% - 7.00% per annum |

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors.

## 15 Segment reporting

### Business segments

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

**(a) Treasury**

The treasury segment primarily consists of net interest earnings from the Bank's 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 the Bank's 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 parabanking activities such as credit cards, debit cards, third party product distribution, primary dealership business and the associated costs. This segment also includes Bank's subsidiaries.

**(e) Unallocated**

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

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

**Geographic segments**

The geographic segments of the Bank are categorised as domestic operations and foreign operations. Domestic operations comprise branches in India and foreign operations comprise branches outside India.

Segment reporting for the year ended March 31, 2019 is given below:

**Business segments:** **(₹ crore)**

| Sr. No. | Particulars | Treasury | Retail banking | Wholesale banking | Other banking operations | Total |
|---|---|---|---|---|---|---|
| 1 | Segment revenue | 23,576.48 | 89,222.34 | 54,563.54 | 22,809.31 | 190,171.67 |
| 2 | Unallocated revenue | | | | | 52.78 |
| 3 | Less: Inter-segment revenue | | | | | 66,116.65 |
| 4 | Income from operations (1) + (2) - (3) | | | | | 124,107.80 |
| 5 | Segment results | 1,305.76 | 11,796.27 | 14,224.12 | 8,910.06 | 36,236.21 |
| 6 | Unallocated expenses | | | | | 1,918.04 |
| 7 | Income tax expense (including deferred tax) | | | | | 11,872.55 |
| 8 | Net profit (5) - (6) - (7) | | | | | 22,445.62 |
| 9 | Segment assets | 348,766.21 | 428,790.92 | 408,749.72 | 99,119.71 | 1,285,426.56 |
| 10 | Unallocated assets | | | | | 7,379.15 |
| 11 | Total assets (9) + (10) | | | | | 1,292,805.71 |
| 12 | Segment liabilities | 61,438.85 | 732,294.96 | 271,887.13 | 48,653.92 | 1,114,274.86 |
| 13 | Unallocated liabilities | | | | | 24,356.40 |
| 14 | Total liabilities (12) + (13) | | | | | 1,138,631.26 |
| 15 | Capital employed (9) - (12) (Segment assets - Segment liabilities) | 287,327.36 | (303,504.04) | 136,862.59 | 50,465.78 | 171,151.69 |
| 16 | Unallocated (10) - (13) | | | | | (16,977.24) |
| 17 | Total (15) + (16) | | | | | 154,174.45 |
| 18 | Capital expenditure | 93.67 | 1,149.97 | 192.62 | 210.25 | 1,646.51 |
| 19 | Depreciation | 26.31 | 912.24 | 104.52 | 177.60 | 1,220.67 |
| 20 | Provisions for non - performing assets / others* | (0.20) | 4,608.34 | 1,689.09 | 2,079.54 | 8,376.77 |
| 21 | Unallocated other provisions* | | | | | 5.41 |

**Represents material non-cash charge other than depreciation and taxation*

**Geographic segments:** (₹ crore)

| Particulars | Domestic | International |
|---|---|---|
| Revenue | 122,868.84 | 1,238.96 |
| Assets | 1,259,091.50 | 33,714.21 |
| Capital expenditure | 1,645.16 | 1.35 |

Segment reporting for the year ended March 31, 2018 is given below:

**Business segments:** (₹ crore)

| Sr. No. | Particulars | Treasury | Retail banking | Wholesale banking | Other banking operations | Total |
|---|---|---|---|---|---|---|
| 1 | Segment revenue | 19,841.37 | 73,843.05 | 41,504.13 | 18,141.93 | 153,330.48 |
| 2 | Unallocated revenue | | | | | - |
| 3 | Less: Inter-segment revenue | | | | | 51,986.03 |
| 4 | Income from operations (1) + (2) - (3) | | | | | 101,344.45 |
| 5 | Segment results | 1,540.00 | 9,971.72 | 11,720.51 | 7,254.51 | 30,486.74 |
| 6 | Unallocated expenses | | | | | 2,022.81 |
| 7 | Income tax expense (including deferred tax) | | | | | 9,903.08 |
| 8 | Net profit (5) - (6) - (7) | | | | | 18,560.85 |
| 9 | Segment assets | 350,894.38 | 371,906.59 | 297,040.57 | 76,847.35 | 1,096,688.89 |
| 10 | Unallocated assets | | | | | 6,497.28 |
| 11 | Total assets (9) + (10) | | | | | 1,103,186.17 |
| 12 | Segment liabilities | 55,349.70 | 598,785.46 | 270,287.20 | 39,672.93 | 964,095.29 |
| 13 | Unallocated liabilities | | | | | 29,135.42 |
| 14 | Total liabilities (12) + (13) | | | | | 993,230.71 |
| 15 | Capital employed (9) - (12) (Segment assets - Segment liabilities) | 295,544.68 | (226,878.87) | 26,753.37 | 37,174.42 | 132,593.60 |
| 16 | Unallocated (10) - (13) | | | | | (22,638.14) |
| 17 | Total (15) + (16) | | | | | 109,955.46 |
| 18 | Capital expenditure | 5.77 | 729.47 | 73.05 | 164.81 | 973.10 |
| 19 | Depreciation | 11.58 | 723.91 | 92.36 | 138.93 | 966.78 |
| 20 | Provisions for non - performing assets / others* | 35.36 | 3,539.06 | 1,565.79 | 1,417.43 | 6,557.64 |
| 21 | Unallocated other provisions* | | | | | 14.18 |

**Represents material non-cash charge other than depreciation and taxation*

**Geographic segments:** **(₹ crore)**

| **Particulars** | **Domestic** | **International** |
|---|---|---|
| Revenue | 100,526.33 | 818.12 |
| Assets | 1,076,239.64 | 26,946.53 |
| Capital expenditure | 972.75 | 0.35 |

**16 Related party disclosures**

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

**Promoter**

Housing Development Finance Corporation Limited

**Key management personnel**

Aditya Puri, Managing Director

Paresh Sukthankar, Deputy Managing Director (ceased to be related party effective November 8, 2018)

Kaizad Bharucha, Executive Director

**Relatives of key management personnel**

Anita Puri, Amit Puri, Amrita Puri, Adishwar Puri, Aarti Sood, Havovi Bharucha, Huzaan Bharucha, Danesh Bharucha, Daraius Bharucha.

**Entities in which key management personnel are interested**

Salisbury Investments Private Limited and Akuri by Puri

The following ceased to be related party effective November 8, 2018:

Tanaksh Innovations Private Limited, Sangeeta Sukthankar, Dattatraya Sukthankar, Shubhada Sukthankar, Akshay Sukthankar, Ankita Sukthankar, Madhavi Lad.

In accordance with paragraph 5 of AS-18, the Bank has not disclosed certain transactions with relatives and interested entities of key management personnel as they are in the nature of banker-customer relationship.

A specific related party transaction is a significant transaction wherever it exceeds 10% of all related party transactions in that category. Transactions between the Bank and Housing Development Finance Corporation Limited exceed 10% of all related party transactions in that category.

The Group's related party balances and transactions for the year ended March 31, 2019 are summarised as follows: **(₹ crore)**

| **Items / Related party** | **Promoter** | **Associates** | **Key management personnel** | **Total** |
|---|---|---|---|---|
| Deposits taken | 3,290.99 | - | 27.02 | 3,318.01 |
| | (3,290.99) | - | (27.02) | (3,318.01) |
| Deposits placed | 0.47 | - | 0.76 | 1.23 |
| | (0.47) | - | (2.51) | (2.98) |
| Advances given | - | - | 2.96 | 2.96 |
| | - | - | (3.11) | (3.11) |

| Items / Related party | Promoter | Associates | Key management personnel | Total |
|---|---|---|---|---|
| Fixed assets purchased from | - | - | - | - |
| Fixed assets sold to | - | - | - | - |
| Interest paid to | 5.49 | - | 1.13 | 6.62 |
| Interest received from | 35.20 | - | 0.10 | 35.30 |
| Income from services rendered to | 282.97 | - | # | 282.97 |
| Expenses for receiving services from | 486.95 | - | 0.61 | 487.56 |
| Equity investments | - | - | - | - |
| | - | - | - | - |
| Other investments | - | - | - | - |
| | (1,740.49) | - | - | (1,740.49) |
| Dividend paid to | 511.17 | - | 7.43 | 518.60 |
| Dividend received from | - | - | - | - |
| Receivable from | 30.55 | - | - | 30.55 |
| | (48.40) | - | - | (48.40) |
| Payable to | 83.64 | - | - | 83.64 |
| | (83.64) | - | - | (83.64) |
| Guarantees given | 0.37 | - | - | 0.37 |
| | (0.40) | - | - | (0.40) |
| Remuneration paid | - | - | 25.88 | 25.88 |
| Loans purchased from | 23,982.42 | - | - | 23,982.42 |

# *Denotes amount less than ₹ 1 lakh*

- *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.*
- *Bonus and retiral benefits for key managerial personnel are accrued as a part of an overall pool and are not allocated against the key managerial personnel. These will be paid based on approval from RBI. As of March 31, 2019, approved unpaid deferred bonus in respect of earlier years was ₹ 1.91 crore.*

The Bank being an authorised dealer, deals in foreign exchange and derivative transactions with parties which include its promoter. The foreign exchange and derivative transactions are undertaken in line with the RBI guidelines. The notional principal amount of foreign exchange and derivative contracts transacted with the promoter that were outstanding as at March 31, 2019 is ₹ 5,865.50 crore (previous year: ₹ 5,972.14 crore). The contingent credit exposure pertaining to these contracts computed in line with the extant RBI guidelines on exposure norms was ₹ 79.12 crore (previous year: ₹ 80.76 crore).

During the year ended March 31, 2019, the Bank purchased debt securities from Housing Development Finance Corporation Limited ₹ 685.00 crore (previous year: ₹ 2,105.00 crore) issued by it.

During the year ended March 31, 2019, 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, 2019, the security deposit outstanding was ₹ 3.50 crore (previous year: ₹ 3.50 crore).

The Group's related party balances and transactions for the year ended March 31, 2018 are summarised as follows: **(₹ crore)**

| Items / Related party | Promoter | Associates | Key management personnel | Total |
|---|---|---|---|---|
| Deposits taken | 3,250.77<br>(3,250.77) | -<br>- | 14.10<br>(37.45) | 3,264.87<br>(3,288.22) |
| Deposits placed | 0.47<br>(0.47) | -<br>- | 2.51<br>(2.51) | 2.98<br>(2.98) |
| Advances given | -<br>- | -<br>- | 3.16<br>(3.45) | 3.16<br>(3.45) |
| Fixed assets purchased from | - | - | - | - |
| Fixed assets sold to | - | - | - | - |
| Interest paid to | 5.96 | 1.70 | 1.05 | 8.71 |
| Interest received from | 13.28 | - | 0.12 | 13.40 |
| Income from services rendered to | 264.27 | - | # | 264.27 |
| Expenses for receiving services from | 405.17 | - | 0.76 | 405.93 |
| Equity investments | -<br>- | -<br>- | -<br>- | -<br>- |
| Other investments | 1,603.88<br>(1,603.88) | -<br>- | -<br>- | 1,603.88<br>(1,603.88) |
| Dividend paid to | 432.53 | - | 5.67 | 438.20 |
| Dividend received from | - | - | - | - |
| Receivable from | 28.34<br>(60.79) | -<br>- | -<br>- | 28.34<br>(60.79) |
| Payable to | 32.78<br>(36.17) | -<br>- | -<br>- | 32.78<br>(36.17) |
| Guarantees given | 0.25<br>(0.27) | -<br>- | -<br>- | 0.25<br>(0.27) |
| Remuneration paid | - | - | 19.29 | 19.29 |
| Loans purchased from | 5,623.94 | - | - | 5,623.94 |

\# *Denotes amount less than ₹ 1 lakh*

- *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.*
- *Bonus and retiral benefits for key managerial personnel are accrued as a part of an overall pool and are not allocated against the key managerial personnel. These will be paid based on approval from RBI. As of March 31, 2018, approved unpaid deferred bonus in respect of earlier years was ₹ 2.80 crore.*

**17 Additional information pursuant to Schedule III of the Companies Act, 2013**

Additional information to consolidated accounts at March 31, 2019 (Pursuant to Schedule III of the Companies Act, 2013)

**(₹ crore)**

| Name of entity | Net assets as of March 31, 2019 | | Profit or loss for the year ended March 31, 2019 | |
|---|---|---|---|---|
| | As % of consolidated net assets** | Amount*** | As % of consolidated profit or loss | Amount*** |
| **Parent:** | | | | |
| HDFC Bank Limited | 97.09% | 149,206.32 | 94.38% | 21,078.14 |
| **Subsidiaries*:** | | | | |
| 1. HDFC Securities Limited | 0.76% | 1,167.80 | 1.56% | 347.95 |
| 2. HDB Financial Services Limited | 4.77% | 7,326.28 | 5.15% | 1,151.09 |
| Minority Interest in all subsidiaries | 0.33% | 501.79 | 0.51% | 113.18 |

**The subsidiaries are domestic entities*

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

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

Additional information to consolidated accounts at March 31, 2018 (Pursuant to Schedule III of the Companies Act, 2013)

**(₹ crore)**

| Name of entity | Net assets as of March 31, 2018 | | Profit or loss for the year ended March 31, 2018 | |
|---|---|---|---|---|
| | As % of consolidated net assets** | Amount*** | As % of consolidated profit or loss | Amount*** |
| **Parent:** | | | | |
| HDFC Bank Limited | 96.99% | 106,295.03 | 94.47% | 17,486.75 |
| **Subsidiaries*:** | | | | |
| 1. HDFC Securities Limited | 0.91% | 1,000.78 | 1.86% | 344.42 |
| 2. HDB Financial Services Limited | 5.66% | 6,202.23 | 5.14% | 952.00 |
| Minority Interest in all subsidiaries | 0.33% | 356.33 | 0.28% | 51.34 |

**The subsidiaries are domestic entities*

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

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

**(₹ crore)**

| Name of entity | Investment as per equity method as of March 31, 2018 | | Share of profit or loss for the year ended March 31, 2018 | |
|---|---|---|---|---|
| | As % of consolidated net assets | Amount | As % of consolidated profit or loss | Amount |
| **Associate*:** | | | | |
| International Asset Reconstruction Company Private Limited** | 19.20% | Refer Note | 0.003% | 0.52 |

* *The associate is a domestic entity*

** *During the year ended March 31, 2018, the Bank's stake in IARC, hitherto at 29.4%, reduced to 19.2% due to further issue of equity shares made by IARC in which the Bank did not participate. Accordingly, IARC ceased to be an associate company of the Bank with effect from March 9, 2018.*

**18 Leases**

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

**(₹ crore)**

| **Particulars** | **March 31, 2019** | **March 31, 2018** |
|---|---|---|
| Not later than one year | 1,053.94 | 1,016.13 |
| Later than one year and not later than five years | 3,426.70 | 3,303.45 |
| Later than five years | 4,109.25 | 3,626.31 |
| **Total** | **8,589.89** | **7,945.89** |
| The total of minimum lease payments recognised in the Profit and Loss Account for the year | 1,261.30 | 1,231.87 |
| Total of future minimum sub-lease payments expected to be received under non-cancellable sub-leases | 29.94 | 7.08 |
| Sub-lease amounts recognised in the Profit and Loss Account for the year | 9.48 | 8.06 |
| Contingent (usage based) lease payments recognised in the Profit and Loss Account for the year | 206.55 | 174.87 |

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

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

**19 Penalties levied by the RBI**

During the year ended March 31, 2019, RBI has imposed a penalty of ₹ 0.20 crore (previous year: Nil) for non-compliance with various directions issued by RBI on Know Your Customer (KYC) / Anti-Money Laundering (AML) standards.

**20 Small and micro industries**

*HDFC Bank Limited*

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments during the years ended March 31, 2019 and March 31, 2018. The above is based on the information available with the Bank which has been relied upon by the auditors.

*HDFC Securities Limited*

On the basis of the information available with the Company and the intimation received from 'suppliers' regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 the amount unpaid as at March 31, 2019 was ₹ 0.04 crore (previous year: ₹ 0.03 crore).

*HDB Financial Services Limited*

As per the confirmation received from the suppliers covered under the Micro, Small and Medium Enterprises Development Act, 2006, the amount unpaid as at March 31, 2019 was Nil (previous year: Nil). The above is based on the information available with the Company which has been relied upon by the auditors.

### 21 Corporate social responsibility

Operating expenses include ₹ 473.50 crore (previous year: ₹ 391.92 crore) for the year ended March 31, 2019 towards Corporate Social Responsibility ('CSR'), in accordance with Companies Act, 2013.

The details of amount spent by the Group during the respective years towards CSR are as under: **(₹ crore)**

| Sr. No. | Particulars | March 31, 2019 | | | March 31, 2018 | | |
|---|---|---|---|---|---|---|---|
| | | Amount spent | Amount unpaid / provision | Total | Amount spent | Amount unpaid / provision | Total |
| (i) | Construction / acquisition of any asset | - | - | - | - | - | - |
| (ii) | On purpose other than (i) above | 473.50 | - | 473.50 | 391.92 | - | 391.92 |

### 22 Additional disclosure

Additional statutory information disclosed in the separate financial statements of the Bank and subsidiaries have no material bearing on the true and fair view of the Consolidated Financial Statements and the information pertaining to such items which are not material have not been disclosed in the Consolidated Financial Statements.

### 23 Comparative figures

Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the current year's presentation. The previous year comparative numbers were audited by a firm of Chartered Accountants other than S.R. Batliboi & Co. LLP.

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As per our report of even date.

**For S. R. BATLIBOI & CO. LLP**
*Chartered Accountants*
Firm Registration No. 301003E/E300005

**per Sudhir Soni**
*Partner*
Membership No.: 41870

**Mumbai, April 20, 2019**

For and on behalf of the Board

**Shyamala Gopinath**
*Chairperson*

**Aditya Puri**
*Managing Director*

**Keki Mistry**
**Malay Patel**
**Umesh Sarangi**
**Sanjiv Sachar**
**Sandeep Parekh**
**M D Ranganath**
*Directors*

**Kaizad Bharucha**
*Executive Director*

**Santosh Haldankar**
*Vice President (Legal)*
*& Company Secretary*

**Sashidhar Jagdishan**
*Chief Financial Officer*

# STATEMENT PURSUANT TO SECTION 129 OF THE COMPANIES ACT, 2013

**Form AOC - 1: Pursuant to the first proviso to sub-section (3) of section 129 of the Companies Act, 2013 read with rule 5 of Companies (Accounts) Rules, 2014 and Companies (Accounts) Amendment Rules, 2016**

Statement containing salient features of the financial statements of subsidiaries, associate companies and joint ventures

**Part A: Subsidiaries**

**(₹ crore)**

| Sr. No. | Name of the subsidiary | HDFC Securities Limited | HDB Financial Services Limited |
|---|---|---|---|
| 1. | The date since when subsidiary was acquired | September 28, 2005 | August 31, 2007 |
| 2. | Reporting period for the subsidiary concerned, if different from the holding company's reporting period | Reporting period of the subsidiary is the same as that of the holding company i.e. April 1, 2018 to March 31, 2019 | Reporting period of the subsidiary is the same as that of the holding company i.e. April 1, 2018 to March 31, 2019 |
| 3. | Reporting currency and exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries. | Not applicable as this is a domestic subsidiary | Not applicable as this is a domestic subsidiary |
| 4. | Share capital | 15.61 | 785.70 |
| 5. | Reserves & surplus | 1,152.19 | 6,540.58 |
| 6. | Total assets | 1,998.47 | 55,194.59 |
| 7. | Total liabilities | 830.67 | 47,868.31 |
| 8. | Investments | 398.58 | 627.28 |
| 9. | Turnover | 781.81 | 8,841.34 |
| 10. | Profit before taxation | 514.83 | 1,712.51 |
| 11. | Provision for taxation | 166.88 | 561.43 |
| 12. | Profit after taxation | 347.95 | 1,151.09 |
| 13. | Proposed dividend (including tax thereon)* | 207.06 | 170.50 |
| 14. | Extent of shareholding (in percentage) | 97.29% | 95.53% |

* *Includes interim dividend on equity shares paid during the year. In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, the subsidiaries have not appropriated their proposed dividend (including tax) from Profit and Loss Account for the year ended March 31, 2019.*

Notes:

1. There are no subsidiaries that are yet to commence operations.
2. No subsidiaries were liquidated or sold during the year.

**Part B: Associate Companies and Joint Ventures**

Not Applicable

For and on behalf of the Board

**Shyamala Gopinath**
*Chairperson*

**Kaizad Bharucha**
*Executive Director*

**Santosh Haldankar**
*Vice President (Legal) & Company Secretary*

**Aditya Puri**
*Managing Director*

**Sashidhar Jagdishan**
*Chief Financial Officer*

**Keki Mistry**
**Malay Patel**
**Umesh Sarangi**
**Sanjiv Sachar**
**Sandeep Parekh**
**M D Ranganath**
*Directors*

**Mumbai, April 20, 2019**

# **BASEL III - PILLAR 3** DISCLOSURES

**As at March 31, 2019**

The Reserve Bank of India (RBI) vide its circular under reference DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015 on 'Basel III Capital Regulations' ('Basel III circular') read together with the circular under reference DBR.No.BP.BC.80/21.06.201/2014-15 dated March 31, 2015 on 'Prudential Guidelines on Capital Adequacy and Liquidity Standards - Amendments' requires banks to make Pillar 3 disclosures including leverage ratio and liquidity coverage ratio under the Basel III Framework. These disclosures are available on HDFC Bank's website under the 'Regulatory Disclosures' section. The link to this section is given below:

http://www.hdfcbank.com/aboutus/basel_disclosures/default.htm

The Regulatory Disclosures section contains the following disclosures:

- Qualitative and quantitative Pillar 3 disclosures:
    - Scope of application
    - Capital adequacy
    - Credit risk
    - Credit risk: Portfolios subject to the standardised approach
    - Credit risk mitigation: Disclosures for standardised approach
    - Securitisation exposures
    - Market risk in trading book
    - Operational risk
    - Asset Liability Management ('ALM') risk management
    - General disclosures for exposures related to counterparty credit risk
    - Equities: Disclosure for banking book positions
- Composition of capital and reconciliation requirements.
- Main features and full terms and conditions of regulatory capital instruments.
- Leverage ratio disclosures.
- Liquidity coverage ratio disclosure.

# CERTIFICATE OF COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

**To The Members of**

**HDFC Bank Limited**

We have examined the compliance of conditions of corporate governance by HDFC Bank Limited (the 'Company') for the year ended March 31, 2019, as prescribed in Regulations 17 to 27, clauses (b) to (i) of sub-regulation (2) of regulation 46 and Para C, D and E of Schedule V to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('LODR').

We state that the compliance of conditions of Corporate Governance is the responsibility of the management, and our examination was limited to procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion, and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the aforesaid provisions of LODR.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

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

**B Narasimhan**
**Partner**
**FCS No.: 1303**
**COP No.: 10440**

**Place: Mumbai**
**Date: May 22, 2019**

# CERTIFICATE

**Pursuant to regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”)**

To
**The Members**
**HDFC Bank Limited**
HDFC Bank House
Senapati Bapat Marg
Lower Parel (W)
Mumbai 400013

We have examined the relevant books, papers, minutes books, forms and returns filed, Notices received from the Directors during the Financial Year 2018-19, and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives of HDFC Bank Limited CIN.: L65920MH1994PLC080618 (hereinafter called the ‘Bank’) having its Registered office at HDFC Bank House, Senapati Bapat Marg, Lower Parel (W) Mumbai - 400013 for the purpose of issuance of a Certificate, in accordance with Regulation 34 (3) read with Schedule V Para-C Sub clause 10 (i) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) 2015 (LODR), as amended vide notification no SEBI/LAD/NRO/GN/2018/10 dated May 9, 2018 issued by SEBI.

In our opinion and to the best of our knowledge and based on such examination as well as information and explanations furnished to us, which to the best of our knowledge and belief were necessary for the purpose of issuance of this certificate and based on such verification as considered necessary, we hereby certify that none of the Directors stated below who are on the Board of the Bank as on 31st March 2019 have been debarred or disqualified from being appointed or continuing as Directors of the Bank by Securities and Exchange Board of India or the Ministry of Corporate Affairs or any such other statutory authority.

| S. No. | Name of the Director | DIN | *Date of Appointment in the Bank |
|---|---|---|---|
| 1 | Shyamala Gopinath | 02362921 | 02/01/2015 |
| 2 | Aditya Puri | 00062650 | 12/10/2004 |
| 3 | Kaizad Maneck Bharucha | 02490648 | 24/12/2013 |
| 4 | Keki Minoo Mistry | 00008886 | 19/01/2012 |
| 5 | Sanjiv Sachar | 02013812 | 21/07/2018 |
| 6 | Umesh Chandra Sarangi | 02040436 | 01/03/2016 |
| 7 | Srikanth Nadhamuni | 02551389 | 20/09/2016 |
| 8 | Sandeep Pravin Parekh | 03268043 | 19/01/2019 |
| 9 | Malay Yogendra Patel | 06876386 | 31/03/2015 |
| 10 | Dwarakanath Ranganath Mavinakere | 07565125 | 31/01/2019 |

*Date of appointment is the date which is reflected on MCA portal.

We further state that such compliance is neither an assurance as to the future viability of the Bank nor of the efficiency or effectiveness with which the management has conducted the affairs of the Bank.

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

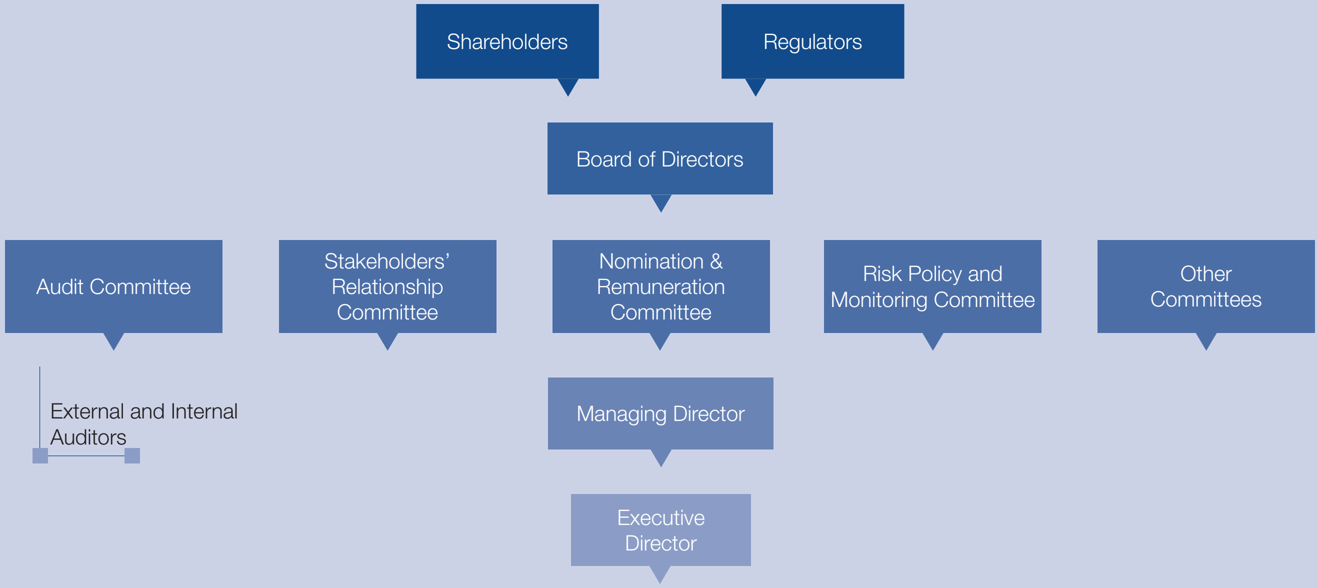
**B Narasimhan**
**Partner**
**FCS No.: 1303**
**COP No.: 10440**

**Place: Mumbai**
**Date: May 22, 2019**

# **CORPORATE** GOVERNANCE

[Report on Corporate Governance pursuant to the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 {"the SEBI Listing Regulations"} and forming a part of the report of the Board of Directors]

**CORPORATE GOVERNANCE FRAMEWORK**




- The Board of Directors of the Bank are the ultimate custodians of governance.
- The Board of Directors are accountable to various stakeholders such as- shareholders and regulatory authorities such as Reserve Bank of India, Securities and Exchange Board of India, Ministry of Corporate Affairs, etc.
- The Board of Directors has constituted various committees under it, each with defined roles and responsibilities - such as Audit Committee, Stakeholders' Relationship Committee, Nomination and Remuneration Committee, Risk Policy and Monitoring Committee and other committees. The Statutory Auditors have a reporting responsibility to the Audit Committee.
- The Managing Director is responsible for the overall affairs of the Bank, under the superintendence, guidance and control of the Board of Directors.
- The Executive Director, under the guidance of the Managing Director, has over-sight over various business functions.

**PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE**

The Bank believes in adopting and adhering to the best recognized corporate governance practices and continuously benchmarking itself against each such practice. The Bank understands and respects its role and responsibility towards its shareholders and strives hard to meet their expectations.

The Bank believes that best board practices, transparent disclosures and shareholder empowerment are necessary for creating shareholder value.

The Bank has infused the philosophy of corporate governance into all its activities. The philosophy on corporate governance is an important tool for shareholder protection and maximization of their long term values. The cardinal principles such as independence, accountability, responsibility, transparency, fair and timely disclosures, credibility, sustainability, etc. serve as the means for implementing the philosophy of corporate governance in letter and in spirit.

## BOARD OF DIRECTORS

The composition of the Board of Directors of the Bank ("Board") is governed by the provisions of the Companies Act, 2013, the Banking Regulation Act, 1949 and the listing requirements of the Indian Stock Exchanges where the securities issued by the Bank are listed.

The Board has 10 (ten) Directors as on March 31, 2019

Composition of the Board of Directors of the Bank as on March 31, 2019:

Executive Directors: Mr. Aditya Puri (Managing Director) and Mr. Kaizad Bharucha (Executive Director)

Non-Executive Directors: Mr. Keki Mistry and Mr. Srikanth Nadhamuni.

Independent Directors: Mrs. Shyamala Gopinath (Part-time Non-Executive Chairperson), Mr. Malay Patel, Mr. Umesh Chandra Sarangi, Mr. Sanjiv Sachar, Mr. Sandeep Parekh and Mr. M. D. Ranganath.

Mr. Sanjiv Sachar, Mr. Sandeep Parekh and Mr. M. D. Ranganath have been appointed as Additional Independent Directors, subject to the approval of the shareholders at the ensuing Annual General Meeting of the Bank.

All the Independent Directors of the Bank possess the requisite qualifications and experience which enable them to contribute effectively to the Bank. The Board confirms that in the opinion of the Board, the Independent Directors fulfill the conditions specified in the SEBI Listing Regulations and the Companies Act, 2013 and are independent of the management.

Mr. Keki Mistry represents Housing Development Finance Corporation Limited (HDFC Limited) on the Board of the Bank.

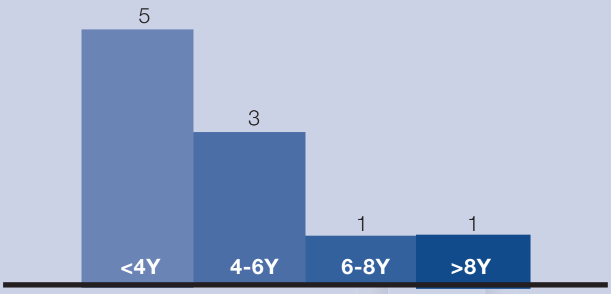
Mr. Paresh Sukthankar resigned as Deputy Managing Director of the Bank with effect from November 08, 2018 on account of personal considerations.

Mr. Partho Datta and Mr. Bobby Parikh ceased to be Directors of the Bank with effect from September 29, 2018 and January 26, 2019 respectively, each having completed term of eight continuous years, being the maximum period prescribed under the Banking Regulation Act, 1949.

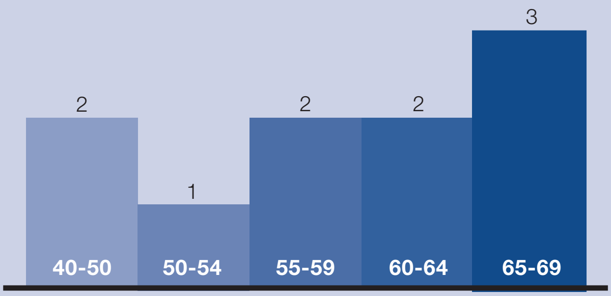
None of the Directors on the Board is a member of more than ten (10) Committees and Chairperson of more than five (5) Committees across all public companies in which he / she is a Director. All the Directors have made necessary disclosures regarding Committee positions occupied by them in other companies.

None of the Directors are related to each other.

**LENGTH OF SERVICE OF DIRECTORS - No. of years (Y)***

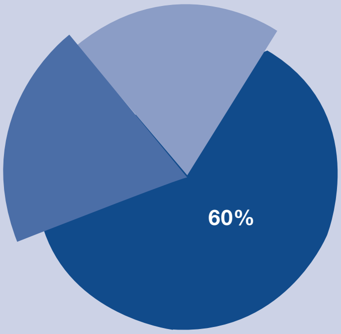



**AGE GROUP OF DIRECTORS - No. of years (Y)**




*Pursuant to Banking Regulation Act, 1949, only the Chairperson and Whole-Time directors may hold office for a period exceeding eight years.

## BOARD COMPOSITION




Details of directorships, memberships and chairpersonships of the committees of other companies for the current Directors of the Bank are as follows:

| Name of Director | Directorships on the Board of other companies* | Memberships of Committees of other companies * |
|---|---|---|
| Mrs. Shyamala Gopinath | 7 | 2 (4) |
| Mr. Malay Patel | 1 | - |
| Mr. Keki Mistry | 11 (1) | 6 (3) |
| Mr. Aditya Puri | (1) | - |
| Mr. Kaizad Bharucha | - | - |
| Mr. Umesh Chandra Sarangi | - | - |
| Mr. Srikanth Nadhamuni | 6 | - |
| Mr. Sanjiv Sachar | 1 | - |
| Mr. Sandeep Parekh | 1 | - |
| Mr. M. D. Ranganath | - | - |

** The figures in brackets indicate Chairpersonships.*

*Note: For the purpose of considering the limit of the Directorships and limits of Committees on which the directors are members / chairperson, all public limited companies (whether listed or not), private limited companies, foreign companies and companies under Section 8 of the Companies Act, 2013 have been included. Further, chairpersonships / memberships of only the Audit Committee and the Stakeholders' Relationship Committee in these companies have been considered.*

## PROFILE OF BOARD OF DIRECTORS

The profile of the Directors of the Bank as on March 31, 2019 is as under:

**Mrs. Shyamala Gopinath**

Mrs. Shyamala Gopinath, aged 69 years, holds a Master's Degree in Commerce and is a CAIIB. Mrs. Shyamala Gopinath has over 41 years of experience in financial sector policy formulation in different capacities at RBI. As Deputy Governor of RBI for seven years, and a member of the RBI's Board of Directors, she guided and influenced national policies in diverse areas such as regulation and supervision, development of financial markets, capital account management, management of government borrowings, forex reserves management and payment and settlement system. She has served on several Committees while with the RBI. During 2001-03, she worked as senior financial sector expert in the then Monetary Affairs and Exchange Department of the International Monetary Fund (Financial Institutions Division). She was on the Corporate Bonds and Securitisation Advisory Committee (CoBoSAC), a Sub-Committee of SEBI. She served as the Chairperson on the Advisory Board on Bank, Commercial and Financial Frauds for two years from 2012 to 2014. Apart from HDFC Bank, she is an Independent Director on few other companies including not for profit entities. She is also Chairperson of the Board of Governors of Indian Institute of Management, Raipur.

Mrs. Gopinath is currently on the Board of following 5 (five) public limited companies as Independent Director: Tata Elxsi Limited, Colgate-Palmolive (India) Limited, CMS Info Systems Limited, Lodha Developers Limited and BASF India Limited.

Mrs. Gopinath does not hold any shares in the Bank as on March 31, 2019.

**Mr. Aditya Puri**

Mr. Aditya Puri, aged 68 years, holds a Bachelor's degree in Commerce from Punjab University and is an Associate Member of the Institute of Chartered Accountants of India.

Prior to joining the Bank, Mr. Puri was the Chief Executive Officer of Citibank, Malaysia from 1992 to 1994. Mr. Puri has been the Managing Director of the Bank since September 1994. Mr. Puri has over four decades of experience in the banking sector in India and abroad.

Mr. Puri has provided outstanding leadership as the Managing Director and has contributed significantly to enable the Bank scale phenomenal heights under his stewardship. Recently, Mr. Aditya Puri was conferred the AIMA-JRD Tata Corporate Leadership Award for the Year 2018. Mr. Puri was also honoured for his corporate and philanthropic leadership by the American Indian Foundation (AIF) at their Annual New York Gala. He was recognized for transformative initiatives undertaken by HDFC Bank under his leadership. The numerous awards won by Mr. Puri and the Bank are a testimony to the tremendous credibility that Mr. Puri has built for himself and the Bank over the years. The Bank has made good and consistent progress on key parameters like balance sheet size, total deposits, net revenues, earnings per share and net profit during Mr. Puri's tenure. The rankings achieved by the Bank amongst all Indian banks with regard to market capitalization, profit after tax and balance sheet size remain amongst the top 10. During his tenure, Mr. Puri has led the Bank through two major mergers in the Indian banking industry i.e. merger of Times Bank Limited and Centurion Bank of Punjab Limited with HDFC Bank Limited. The subsequent integrations have been smooth and seamless under his inspired leadership. Mr. Puri's vision and strategy have been the driving force behind the Bank's foray into the world of "Digital Banking" resulting in the roll out of several digital banking products like EVA Webchat Bot, UPI, 10 - second personal loans, PayZapp, etc.

Mr. Puri is the Non-Executive Chairman on the Board of HDB Financial Services Limited.

Mr. Puri, along with his relatives, holds 37,04,544 equity shares in the Bank as on March 31, 2019.

**Mr. Keki Mistry**

Mr. Keki Mistry, aged 64 years, is a Non- Executive Director of the Bank. He holds a Bachelor's Degree in Commerce from the University of Mumbai. Mr. Mistry is a Fellow Member of the Institute of Chartered Accountants of India. Mr. Mistry brings with him over three decades of varied experience in banking and financial services domain. Mr. Mistry has worked with AF Ferguson & Co, a renowned Chartered Accountancy firm, followed by stints at Hindustan Unilever Limited and Indian Hotels Company Limited.

In the year 1981, Mr. Mistry joined Housing Development Finance Corporation Limited (HDFC Ltd.). Mr. Mistry was inducted on to the Board of HDFC Ltd. as an Executive Director in the year 1993 and was elevated to the post of Managing Director in November 2000. In October 2007, Mr. Mistry was appointed as Vice Chairman & Managing Director of HDFC Ltd. and became the Vice Chairman & CEO in January 2010. As a part of the management team, Mr. Mistry has played a critical role in the successful transformation of HDFC Ltd. into India's leading financial services conglomerate by facilitating formation of companies including HDFC Bank Ltd., HDFC Asset Management Company Ltd, HDFC Life Insurance Company Ltd. and HDFC Ergo General Insurance Company Ltd. He is currently the Chairman of CII National Council on Corporate Governance and a member of Primary Markets Advisory Committee set up by SEBI. He was also a member of the Committee of Corporate Governance set up by SEBI.

Mr. Keki Mistry is currently on Board of following 8 (eight) public limited companies: HDFC Limited: Vice Chairman and CEO, GRUH Finance Limited: Chairman, HDFC Asset Management Limited, HDFC Life Insurance Company Limited, HDFC ERGO General Insurance Company Limited, Greatship (India) Limited, Torrent Power Limited and Tata Consultancy Services Limited: Director.

Mr. Mistry, along with his relatives, holds 2,96,130 equity shares in the Bank as on March 31, 2019.

**Mr. Kaizad Bharucha**

Mr. Kaizad Bharucha, aged 54 years, holds a Bachelor's Degree in Commerce from University of Mumbai. He has been associated with the Bank since 1995. In his current position as Executive Director, he is responsible for Wholesale Banking covering areas of Corporate Banking, Emerging Corporate Group, Business Banking, Healthcare Finance, Agri Lending, Department for Special Operations and inclusive Banking Initiatives Group. He has driven growth and profitability in the aforesaid areas of the Wholesale Banking segment of the Bank.

In his previous position as Group Head - Credit & Market Risk, he was responsible for the Risk Management activities in the Bank viz., Credit Risk, Market Risk, Debt Management, Risk Intelligence and Control functions.

Mr. Bharucha has been a career banker with over three decades of banking experience. Prior to joining the Bank, he worked in SBI Commercial and International Bank in various areas including Trade Finance and Corporate Banking.

He has represented HDFC Bank as a member of the working group constituted by the Reserve Bank of India to examine the role of Credit Information Bureau and on the sub-committee with regard to adoption of the Basel II guidelines.

Mr. Bharucha is not a director in any other public limited company.

Mr. Bharucha, along with his relatives, holds 8,91,551 equity shares in the Bank as on March 31, 2019.

**Mr. Malay Patel**

Mr. Malay Patel, aged 42 years, is a Major in Engineering (Mechanical) from Rutgers University, Livingston, NJ, USA, and an A.A.B.A. in business from Bergen County College, Fairlawn, NJ, USA. He is a director on the Board of Eewa Engineering Company Private Limited, a company in the plastics / packaging industry with exports to more than 50 countries. He has been involved in varied roles such as export / import, procurement, sales and marketing, etc in Eewa Engineering Company Private Limited.

Mr. Malay Patel has special knowledge and practical experience in matters relating to small scale industries in terms of Section 10-A (2)(a) of the Banking Regulation Act, 1949.

Mr. Patel is not a director in any other public limited company.

Mr. Malay Patel does not hold any shares in the Bank as on March 31, 2019.

**Mr. Umesh Chandra Sarangi**

Mr. Umesh Chandra Sarangi, aged 67 years, holds a Master's Degree in Science (Botany) from the Utkal University (gold medalist).

Mr. Sarangi has 36 years of experience in the Indian Administrative Services and brought in significant reforms in modernization of agriculture, focus on agro processing and export. As the erstwhile Chairman of the National Bank for Agriculture and Rural Development (NABARD) from December 2007 to December 2010, Mr. Sarangi focused on rural infrastructure, accelerated initiatives such as microfinance, financial inclusion, watershed development and tribal development.

Mr. Sarangi has been appointed as a Director having specialized knowledge and experience in agriculture and rural economy pursuant to Section 10-A (2)(a) of the Banking Regulation Act, 1949.

Mr. Sarangi is not a director in any other public limited company.

Mr. Sarangi does not hold any shares in the Bank as on March 31, 2019.

**Mr. Srikanth Nadhamuni**

Mr. Srikanth Nadhamuni, aged 55 years, holds a Bachelor's degree in Electronics and Communications from National Institute of Engineering and a Master's degree in Electrical Engineering from Louisiana State University. Mr. Nadhamuni is a technologist and an entrepreneur with 29 years of experience in the areas of CPU design, Healthcare, e-Governance, National ID, Biometrics, Financial Technology and Banking sectors.

Mr. Nadhamuni is presently the Chairman of Novopay Solutions Private Limited, a company involved in the area of mobile payments and is the CEO of Khosla Labs Private Limited, a start-up incubator. He has also been a co-founder of e-Governments Foundation with Mr. Nandan Nilekani which works on the objectives to improve governance in Indian cities and creation of Municipal ERP suite which improves service delivery of cities.

Mr. Nadhamuni was the Chief Technology Officer of Aadhaar (UID Authority of India) during 2009-2012 where he participated in design and development of the world's largest biometric based ID system. He was instrumental in development of Aadhaar technology, several banking and financial protocols including MicroATM, Aadhaar Enabled Payment System (AEPS) and Aadhaar Payment Bridge (APB).

Mr. Nadhamuni spent 14 years in the Silicon Valley (California, US) working for several global companies such as Sun Microsystems (CPU design), Intel Corporation (CPU design), Silicon Graphics (Interactive TV) and WebMD (Internet Healthcare).

Mr. Nadhamuni has been appointed as a Director having expertise in the field of Information Technology.

Mr. Nadhamuni is not a director in any other public limited company.

Mr. Nadhamuni does not hold any shares in the Bank as on March 31, 2019.

**Mr. Sanjiv Sachar**

Mr. Sanjiv Sachar, aged 61 years is an Additional Independent Director on the Board of the Bank. Mr. Sachar, is a Fellow Associate of the Institute of Chartered Accountants of India and on 31st October, 2016 retired as the Senior Partner of Egon Zehnder, the world's largest privately held executive search firm.

Mr. Sachar set up the Egon Zehnder practice in India in 1995 and played a key role in establishing the firm as a market leader in the executive search space across various country segments. Over the course of his two decades at Egon Zehnder, Mr. Sachar has mentored senior executives across industry sectors that today are either Board members, CEOs or CFOs of large corporates in India and overseas. Mr. Sachar has also been the co-founder of the chartered accountancy and management consulting firm, Sachar Vasudeva & Associates and co-founded executive search firm, Direct Impact.

Mr. Sachar is an Independent Director on the Board of KDDL Limited.

Mr. Sanjiv Sachar does not hold any shares in the Bank as on March 31, 2019.

**Mr. Sandeep Parekh**

Mr. Sandeep Parekh, aged 48 years, holds an LL.M (Securities and Financial Regulations) degree from Georgetown University and an LL.B. degree from Delhi University. He is the managing partner of Finsec Law Advisors, a financial sector law firm based in Mumbai. He was an Executive Director at the Securities & Exchange Board of India during 2006-08, heading the Enforcement and Legal Affairs departments. He is a faculty at the Indian Institute of Management, Ahmedabad. He has worked for law firms in Delhi, Mumbai and Washington, D.C. Mr. Parekh focuses on securities regulations, investment regulations, private equity, corporate governance and financial regulations. He is admitted to practice law in New York and is a member of Mensa. He was recognized by the World Economic Forum as a "Young Global Leader" in 2008. He was Chairman and member of various SEBI and RBI Committees and sub-Committees and is presently the Chairman of SEBI's Proxy Advisory working group and a member of SEBI's Mutual Fund Advisory Committee.

Mr. Parekh is not a director in any other public limited company.

Mr. Sandeep Parekh does not hold any shares in the Bank as on March 31, 2019.

**Mr. M. D. Ranganath**

Mr. M. D. Ranganath, aged 57 years, holds Master's degree in technology from IIT, Madras and a Bachelor's degree in Engineering from the University of Mysore. He is a PGDM from IIM, Ahmedabad and a member of CPA, Australia.

Mr. Ranganath has over 26 years of experience in the Global IT services and financial services industry. He was Chief Financial Officer of Infosys Limited, a globally listed IT services corporation, with over 200,000 employees, till November, 2018. During his tenure of 18 years at Infosys, he was an integral part of the growth and transformation of Infosys into a globally respected IT services company and effectively played leadership roles in a wide spectrum of areas- Strategy, Finance, M&A, Consulting, Risk Management, and Corporate planning- culminating in the role of Chief Financial Officer and worked closely with the Board of Infosys and its committees in formulating and executing its strategic priorities. Prior to Infosys, he worked at ICICI Limited for 8 years and executed responsibilities in credit, treasury, equity portfolio management and corporate planning.

In the years 2017 and 2018, Mr. Ranganath was the recipient of the Best CFO Asia award in the technology sector, by Institutional Investor publication, based on poll of buy-side and sell-side investor community.

Mr. Ranganath is not a director in any other public limited company.

Mr. Ranganath does not hold any shares in the Bank as on March 31, 2019.

### ATTENDANCE AT BOARD MEETINGS & LAST ANNUAL GENERAL MEETING (AGM)

The Board / Committee Meetings are convened by giving appropriate notice well in advance of the meetings. The Directors / Members are provided with appropriate information in the form of agenda items in a timely manner, to enable them to deliberate on each agenda item and make informed decisions and provide appropriate directions to the Management in this regard.

Video-conferencing facility is also provided at the Board / Committee meetings in case any director is unable to attend but wishes to participate in the meetings.

At the Board / Committee meetings, presentations and deep-dive sessions are made covering important areas of the Bank such as annual plans and strategies, Cyber security and Data Privacy, amendments and salient provisions of the SEBI Listing Regulations and other applicable regulations / laws, macro-economic updates and monetary policy implications, Parivartan (CSR Initiatives), etc. Further, the Managing Director periodically provides a commentary on the current state of affairs of the Bank and macro-economic outlook, so as to give an insight to the Board of Directors on industry trends and developments.

During the financial year under review, 9 (nine) Board Meetings were held. The meetings were held on April 21, 2018, May 22, 2018, June 29, 2018, July 21, 2018, September 28, 2018, October 20, 2018, January 19, 2019, February 02, 2019 and March 07, 2019.

The Board meeting held on February 02, 2019 was a separate off-site meeting dedicated exclusively for strategic matters of the Bank.

Details of attendance at the Board Meetings held during the financial year under review and attendance at the last AGM are as follows:

| Name of the Director | Board Meetings attended during the year | Attendance at last AGM (June 29, 2018) |
|---|---|---|
| **Independent Directors** | | |
| Mrs. Shyamala Gopinath[1] | 9 | Absent |
| Mr. Partho Datta[2] | 4 | Present |
| Mr. Bobby Parikh[2] | 7 | Present |
| Mr. Malay Patel | 9 | Present |
| Mr. Umesh Chandra Sarangi | 9 | Present |
| Mr. Sandeep Parekh[3] | 2 | NA |
| Mr. M. D. Ranganath[3] | 2 | NA |
| Mr. Sanjiv Sachar[3] | 5 | NA |
| **Non-executive Directors** | | |
| Mr. Keki Mistry | 8 | Present |
| Mr. Srikanth Nadhamuni [4] | 7 | Absent |
| **Executive Directors** | | |
| Mr. Aditya Puri | 9 | Present |
| Mr. Paresh Sukthankar [5] | 6 | Present |
| Mr. Kaizad Bharucha | 9 | Present |

[1]Mrs. Shyamala Gopinath was unable to attend the previous AGM of the Bank due to prior personal commitments.

[2]Mr. Partho Datta and Mr. Bobby Parikh ceased to be Directors of the Bank with effect from September 29, 2018 and January 26, 2019 respectively.

[3]Mr. Sanjiv Sachar, Mr. Sandeep Parekh and Mr. M. D. Ranganath have been appointed as Directors of the Bank with effect from July 21, 2018, January 19, 2019 and January 31, 2019 respectively.

[4]Mr. Nadhamuni was unable to attend 2 board meetings held on April 21, 2018 and May 22, 2018 due to his prior commitments in relation to the Aadhaar matter in the Supreme Court. Further, he could not attend the last AGM of the Bank held on June 29, 2018 since he was unwell. (Mr. Nadhamuni has attended all the Board meetings of the Bank held during FY 2017-18, as well as the AGM of the Bank held on July 24, 2017 for FY 2016-17.)

[5]Mr. Paresh Sukthankar resigned as Deputy Managing Director of the Bank with effect from November 08, 2018.

## REMUNERATION OF DIRECTORS

### Managing Director and other Executive Directors:

The details of the remuneration paid to Mr. Aditya Puri, Managing Director; Mr. Paresh Sukthankar, Deputy Managing Director[$] and Mr. Kaizad Bharucha, Executive Director during the financial year 2018-19 are as under:

(Amount in ₹)

| Particulars | Mr. Aditya Puri | Mr. Paresh Sukthankar[$] | Mr. Kaizad Bharucha |
|---|---|---|---|
| Basic | 54,393,638 | 17,103,452 | 18,933,600 |
| Allowances and Perquisites | 32,915,672 | 22,068,605 | 21,032,795 |
| Provident Fund | 6,527,233 | 2,052,412 | 2,272,032 |
| Superannuation | 8,159,040 | 2,565,518 | 2,840,040 |
| Performance Bonus # | 34,709,143 | 19,553,858 | 13,700,087 |
| Number of stock options granted * | 492,000 | - | 171,000 |

[$] *Mr. Paresh Sukthankar resigned from the Bank with effect from November 8, 2018*

[#] *For the Managing Director, this amount includes 60% of the Performance Bonus for FY 2016-17 paid out in FY 2018-19 and deferred bonus tranches of previous financial years. For the Deputy Managing Director and the Executive Director, this amount includes full performance bonus for FY 2016-17 paid out in FY 2017-18 and deferred bonus tranches of previous financial years. At present, the bonus pertaining to the FY 2017-18 proposed to be paid out in FY 2018-19 is pending RBI approval. Therefore, after RBI approval is obtained, the approved amounts, if any, will be paid and disclosed in the Corporate Governance Report for the next financial year.*

** The stock options granted to Mr. Aditya Puri and Mr. Kaizad Bharucha have not been issued at discount and the same have been granted at the closing market price prevailing on the day prior to the date of grant on the National Stock Exchange of India Ltd. The Bank follows a method of conditional vesting, i.e. vesting of each tranche is subject to performance. The vesting schedule for the stock options is - 35% of options after expiry of twelve months from date of grant, 30% options after expiry of twenty-four months from the date of grant, 20% of options after expiry of thirty-six months from the date of grant and the balance options after expiry of forty-eight months from date of grant, subject to performance and approval of RBI. The options so vested are to be exercised within 2 years from the respective dates of vesting.*

The criteria for evaluation of performance of Whole-Time Directors include performance vis-à-vis business plans, performance vis-à-vis banking system, and performance in relation to regulatory and compliance requirements.

The notice period for each of them, as specified in their respective terms of appointments, is three months.

The appointment and tenure of Whole-Time Directors has been approved by the RBI.

The Bank provides for gratuity in the form of lump-sum payment on retirement or on death while in employment or on termination of employment of an amount equivalent to 15 (fifteen) days basic salary payable for each completed year of service.

The Bank makes annual contributions to funds administered by trustees and managed by insurance companies for amounts notified by the said insurance companies. The Bank accounts for the liability for future gratuity benefits based on an independent external actuarial valuation carried out annually.

Perquisites (evaluated as per Income Tax Rules, 1962 wherever applicable and at actual cost to the Bank otherwise) such as the benefit of the Bank's furnished accommodation, gas, electricity, water and furnishings, club fees, personal accident insurance, use of car and telephone at residence, medical reimbursement, leave and leave travel concession and other benefits like provident fund, superannuation and gratuity are provided in accordance with the rules of the Bank in this regard.

No sitting fees were paid to Mr. Puri, Mr. Sukthankar and Mr. Bharucha for attending meetings of the Board and / or its Committees.

**DETAILS OF REMUNERATION / SITTING FEES PAID TO NON-EXECUTIVE DIRECTORS**

All the non-executive directors including the independent directors and the Chairperson receive remuneration by way of sitting fees for each meeting of the Board and its various committees. No stock options are granted to any of the non-executive directors.

During the year, Mrs. Shyamala Gopinath was paid remuneration of ₹ 35,00,000. The remuneration of the Chairperson has been approved by the Reserve Bank of India. Pursuant to the provisions of Companies Act, 2013, the Directors are paid sitting fees of ₹ 50,000 and ₹ 100,000 per meeting for attending Committee & Board meetings respectively.

Pursuant to RBI guidelines dated June 1, 2015 on Compensation to Non-Executive Directors of Private Sector Banks and read with the relevant shareholders' resolution in this regard, non-executive directors, including the independent directors, other than the Chairperson, also receive profit related commission as per the limits prescribed in the RBI guidelines. Pursuant to these guidelines and shareholders' resolution passed at the 22nd Annual General Meeting of the Bank held on July 21, 2016, the non-executive directors were paid profit related commission of ₹ 1,000,000 each during the financial year 2018-19 pertaining to financial year 2017-18. This is in addition to the sitting fees paid to them for attending Committee & Board Meetings.

The details of sitting fees and commission paid to non-executive directors during the financial year 2018-19 is as under:

(Amount in ₹)

| Name of the Director | Sitting Fees | Commission # |
|---|---|---|
| Mrs. Shyamala Gopinath | 3,000,000 | - |
| Mr. Partho Datta* | 1,050,000 | 1,000,000 |
| Mr. Bobby Parikh* | 2,150,000 | 1,000,000 |
| Mr. Malay Patel | 2,950,000 | 1,000,000 |
| Mr. Keki Mistry | 2,050,000 | 1,000,000 |
| Mr. Umesh Chandra Sarangi | 2,000,000 | 1,000,000 |
| Mr. Srikanth Nadhamuni | 1,400,000 | 1,000,000 |
| Mr. Sanjiv Sachar $ | 1,000,000 | - |
| Mr. Sandeep Parekh $ | 350,000 | - |
| Mr. M. D. Ranganath $ | 250,000 | - |

*# Refers to commission for FY 2017-18, paid out in FY 2018-19.*

**Mr. Partho Datta and Mr. Bobby Parikh ceased to be directors of the Bank with effect from September 29, 2018 and January 26, 2019 respectively.*

*$ Mr. Sanjiv Sachar, Mr. Sandeep Parekh and Mr. M. D. Ranganath were appointed as Directors of the Bank with effect from July 21, 2018, January 19, 2019 and January 31, 2019 respectively.*

*There were no other pecuniary relationships or transactions of Non-Executive Directors vis-a-vis the Bank (except banking transactions in the ordinary course of business and on arm's length basis) during FY 2018-19.*

**COMPOSITION OF COMMITTEES OF DIRECTORS, TERMS OF REFERENCE 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 as per the scope defined in their Charter and terms of reference.

The Board's Committees are as follows:

| Classification | Director's Name | Audit | Nomination & Remuneration | Stakeholders' Relationship | Corporate Social Responsibility | Risk & Policy Monitoring | Fraud Monitoring | Customer Service | Credit Approval | Premises | Review: Wilful Defaulters' Identification | Review: Non Cooperative Borrowers | Digital Transactions Monitoring | IT Strategy* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Non Executive Directors | Mrs. Shyamala Gopinath | Member | Member | | | Member | Chairperson | Chairperson | | | Chairperson | Chairperson | | Member |
| | Mr. Malay Patel | | | Member | Member | | Member | Member | Chairperson | Member | | | Member | |
| | Mr. Keki Mistry | | | | | | Member | Member | | Chairperson | | | | |
| | Mr. Umesh Chandra Sarangi | Member | | Chairperson | Chairperson | | Member | | | | Member | Member | | |
| | Mr. Srikanth Nadhamuni | | | | | Chairperson | | Member | Member | | | | Chairperson | Member |
| | Mr. Sanjiv Sachar | Member | Chairperson | | Member | | | | | | Member | Member | | |
| | Mr. Sandeep Parekh | | Member | Member | | | Member | Member | | | Member | Member | | |
| | Mr. M. D. Ranganath | Chairperson | Member | | | Member | | | | | | | Member | Chairperson |
| Executive Directors | Mr. Aditya Puri | | | Member | Member | Member | Member | Member | Member | Member | Member | Member | Member | |
| | Mr. Kaizad Bharucha | | | | | | | | Member | | | | | |

** Not a Board-level Committee. Consists of members of senior management and external IT consultant in addition to the above members.*

● Chairperson ● Member

**Audit Committee:**

| | |
|---|---|
| **Brief Terms of Reference / Roles and responsibilities:** | a. Overseeing the Bank's financial reporting process and disclosure of financial information to ensure that the financial statement is correct, sufficient and credible;<br><br>b. Recommending appointment and removal of external auditors and fixing of their fees;<br><br>c. Reviewing with management the annual financial statements and auditor's report before submission to the Board with special emphasis on accounting policies and practices, compliance with accounting standards, disclosure of related party transactions and other legal requirements relating to financial statements;<br><br>d. Reviewing the adequacy of the Audit and Compliance functions, including their policies, procedures, techniques and other regulatory requirements; and<br><br>e. Any other terms of reference as may be included from time to time in the Companies Act, 2013, SEBI Listing Regulations, 2015, including any amendments / re-enactments thereof from time to time.<br><br>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. |
| **Composition:** | Mr. M. D. Ranganath (Chairman), Mrs. Shyamala Gopinath, Mr. Umesh Chandra Sarangi and Mr. Sanjiv Sachar, all of whom are independent directors. Mr. M. D. Ranganath and Mr. Sanjiv Sachar are the members of Audit Committee having financial expertise.<br><br>(During the year, Mr. Bobby Parikh and Mr. Partho Datta ceased to be members of the Committee pursuant to their cessation as Directors of the Bank. Further, Mr. M. D. Ranganath and Mr. Sanjiv Sachar were appointed as members of the Committee.)<br><br>Mr. Santosh Haldankar, Company Secretary of the Bank, acts as the Secretary of the Committee. |
| **Meetings:** | The Committee met 7 (seven) times during the year on April 20, 2018; May 22, 2018; July 17, 2018; July 20, 2018; October 19, 2018; January 18, 2019 and March 7, 2019. |

**Nomination and Remuneration Committee:**

| | |
|---|---|
| **Brief Terms of Reference / Roles and responsibilities:** | a. Scrutinizing the nominations of the directors with reference to their qualifications and experience, for identifying 'Fit and Proper' persons, assessing competency of the persons and reviewing compensation levels of the Bank's employees vis-à-vis other banks and the banking industry in general.<br>The NRC has formulated a Policy for Appointment and Fit and Proper Criteria of Directors, which inter-alia provides for criteria to assess the competency of the persons nominated, which includes:<br>• academic qualifications,<br>• previous experience,<br>• track record; and<br>• integrity of the candidates.<br>For assessing the integrity and suitability, features like criminal records, financial position, civil actions undertaken to pursue personal debts, refusal of admission to and expulsion from professional bodies, sanctions applied by regulators or similar bodies and previous questionable business practices are considered.<br>b. The Committee also formulates criteria for evaluation of performance of individual directors including independent directors, the Board of Directors and its Committees. The criteria for evaluation of performance of directors (including independent directors) include personal attributes such as attendance at meetings, communication skills, leadership skills and adaptability and professional attributes such as understanding of the Bank's core business and strategic objectives, industry knowledge, independent judgment, adherence to the Bank's Code of Conduct, Ethics and Values, etc. |
| **Composition:** | Mr. Sanjiv Sachar (Chairman), Mrs. Shyamala Gopinath, Mr. Sandeep Parekh and Mr. M. D. Ranganath.<br>(During the year, Mr. Bobby Parikh and Mr. Partho Datta ceased to be members of the Committee pursuant to their cessation as Directors of the Bank. Further, Mr. Sanjiv Sachar, Mr. Sandeep Parekh and Mr. M. D. Ranganath were appointed as members of the Committee)<br>All the members of the Committee are independent directors. |
| **Meetings:** | The Committee met 11 (eleven) times during the year on April 20, 2018; May 10, 2018; June 01, 2018; June 29, 2018; July 31, 2018; August 20, 2018; September 28, 2018; October 19, 2018; January 18, 2019; January 30, 2019 and March 07, 2019. |

**Stakeholders' Relationship Committee:**

| | |
|---|---|
| **Brief Terms of Reference / Roles and responsibilities:** | The Committee approves and monitors transfer, transmission, splitting and consolidation of shares and considers requests for dematerialization of shares. Allotment of shares to the employees on exercise of stock options granted under the various Employees Stock Option Schemes which are made in terms of the powers delegated by the Board in this regard, are placed before the Committee for ratification. The Committee also monitors redressal of grievances from shareholders relating to transfer of shares, non-receipt of Annual Report, dividends, etc.<br><br>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. Santosh Haldankar, Vice President-Legal & Company Secretary of the Bank is the Compliance Officer responsible for expediting the share transfer formalities.<br><br>As on March 31, 2019, 234 (Two Hundred Thirty Four) instruments of transfer for 49,313 equity shares was pending for transfer, which have since been processed. The details of the transfers are reported to the Committee from time to time.<br><br>During the year ended March 31, 2019, the Bank received 5,855 complaints from the shareholders. The Bank had attended to all the complaints. 101 complaints remained pending and 5 complaints have not been solved to the satisfaction of the shareholders as on March 31, 2019.<br><br>Besides, 15,905 letters were received from the shareholders relating to change of address, nomination requests, updation of email IDs and PAN No(s), updation of complete bank account details viz. Core Banking account no., IFSC and / MICR code, Mandate for crediting dividend by National Automated Clearing House (NACH) and National Electronic Fund Transfer (NEFT), claim of shares from Unclaimed Suspense account, and from the Investors Education and Protection Fund Authority, queries relating to the annual reports, non-receipt of shares upon sub-division of Bank's shares from the face value of ₹ 10/- each to the face value of ₹ 2/- each, amalgamation, request for re-validation of dividend warrants and various other investor related matters. These letters have also been responded to. |
| **Composition:** | Mr. Umesh Chandra Sarangi (Chairman), Mr. Aditya Puri, Mr. Malay Patel and Mr. Sandeep Parekh.<br><br>(During the year, Mr. Paresh Sukthankar ceased to be a member of the Committee pursuant to his resignation. Further, Mr. Sandeep Parekh was appointed as a member of the Committee.) |
| **Meetings:** | The Committee met 4 (four) times during the year on April 18, 2018; July 19, 2018; October 17, 2018 and January 17, 2019. |

**Risk Policy and Monitoring Committee:**

| | |
|---|---|
| **Brief Terms of Reference / Roles and responsibilities:** | The 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.<br><br>Further, as per RBI guidelines, the Chief Risk Officer of the Bank regularly interacts with the members of the Committee without the presence of management at the meetings of the Committee. |
| **Composition:** | Mr. Srikanth Nadhamuni (Chairman), Mrs. Shyamala Gopinath, Mr. M. D. Ranganath and Mr. Aditya Puri.<br><br>(During the year, Mr. Partho Datta ceased to be a member of the Committee pursuant to his cessation as a director of the Bank and Mr. Paresh Sukthankar ceased to be a member of the committee pursuant to his resignation as director of the Bank. Further, Mr. Nadhamuni and Mr. M. D. Ranganath were appointed as members of the Committee.) |
| **Meetings:** | The Committee met 5 (five) times during the year on April 18, 2018; June 29, 2018; July 19, 2018; October 17, 2018 and January 17, 2019. |

**Credit Approval Committee:**

| | |
|---|---|
| **Brief Terms of Reference / Roles and responsibilities:** | The Committee evaluates and 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 timely disbursement of loans. |
| **Composition:** | Mr. Malay Patel (Chairman), Mr. Aditya Puri, Mr. Kaizad Bharucha and Mr. Srikanth Nadhamuni.<br><br>(Mr. Keki Mistry ceased to be a member of the Committee with effect from May 02, 2019.) |
| **Meetings:** | The Committee met 13 (thirteen) times during the year on April 13, 2018; April 27, 2018; May 22, 2018; June 22, 2018; July 21, 2018; September 18, 2018; September 28, 2018; October 20, 2018; December 05, 2018; January 19, 2019; February 11, 2019; February 27, 2019 and March 28, 2019 |

**Premises Committee:**

| | |
|---|---|
| **Brief Terms of Reference / Roles and responsibilities:** | The 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. |
| **Composition:** | Mr. Keki Mistry (Chairman), Mr. Aditya Puri and Mr. Malay Patel. |
| **Meetings:** | The Committee met 5 (five) times during the year on April 18, 2018; July 21, 2018; October 17, 2018; January 17, 2019 and March 07, 2019. |

**Fraud Monitoring Committee:**

| | |
|---|---|
| **Brief Terms of Reference / Roles and responsibilities:** | Pursuant to the directions of the RBI, the Bank has constituted a Fraud Monitoring Committee, exclusively dedicated to the monitoring and following up of cases of fraud involving amounts of ₹ 1 crore and above.<br>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:<br>a. Identify the systemic lacunae, if any, that facilitated perpetration of the fraud and put in place measures to plug the same;<br>b. Identify the reasons for delay in detection, if any and report to top management of the Bank and RBI;<br>c. Monitor progress of Central Bureau of Investigation / Police Investigation and recovery position;<br>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;<br>e. Review the efficacy of the remedial action taken to prevent recurrence of frauds, such as strengthening of internal controls; and<br>f. Put in place other measures as may be considered relevant to strengthen preventive measures against frauds. |
| **Composition:** | Mrs. Shyamala Gopinath (Chairperson), Mr. Keki Mistry, Mr. Malay Patel, Mr. Umesh Chandra Sarangi, Mr. Aditya Puri and Mr. Sandeep Parekh.<br>(During the year, Mr. Partho Datta ceased to be a member of the Committee pursuant to his cessation as Director of the Bank. Further, Mr. Umesh Chandra Sarangi and Mr. Sandeep Parekh were appointed as members of the Committee.) |
| **Meetings:** | The Committee met 5 (Five) times during the year on April 18, 2018; July 19, 2018; September 28, 2018; October 17, 2018 and January 17, 2019. |

**Customer Service Committee:**

| | |
|---|---|
| **Brief Terms of Reference / Roles and responsibilities:** | The Committee monitors the quality of services rendered to the customers and also ensures implementation of directives received from the RBI in this regard. The terms of reference of the Committee are to formulate comprehensive deposit policy incorporating the issues arising out of the demise of a depositor for operation of his account, the product approval process, annual survey of depositor satisfaction and the triennial audit of such services. |
| **Composition:** | Mrs. Shyamala Gopinath (Chairperson), Mr. Keki Mistry, Mr. Malay Patel, Mr. Srikanth Nadhamuni, Mr. Aditya Puri and Mr. Sandeep Parekh.<br>(During the year, Mr. Sandeep Parekh was appointed as a member of the Committee.) |
| **Meetings:** | The Committee met 4 (Four) times during the year on April 18, 2018; July 19, 2018; October 17, 2018 and January 17, 2019. |

**Corporate Social Responsibility Committee:**

| | |
|---|---|
| **Brief Terms of Reference / Roles and responsibilities:** | The Board has constituted a Corporate Social Responsibility (CSR) Committee with the following terms of reference:<br>• To formulate the Bank's CSR Strategy, Policy and Goals<br>• To monitor the Bank's CSR policy and performance<br>• To review the CSR projects / initiatives from time to time<br>• To ensure legal and regulatory compliance from a CSR viewpoint<br>• To ensure reporting and communication to stakeholders on the Bank's CSR |
| **Composition:** | Mr. Umesh Chandra Sarangi (Chairman), Mr. Sanjiv Sachar, Mr. Malay Patel and Mr. Aditya Puri<br>(During the year, Mr. Bobby Parikh and Mr. Partho Datta ceased to be members of the Committee pursuant to their cessation as Directors of the Bank and Mr. Paresh Sukthankar ceased to be a member of the committee pursuant to his resignation as director of the Bank. Further, Mr. Sanjiv Sachar and Mr. Malay Patel were appointed as members of the Committee.) |
| **Meetings:** | The Committee met 4 (four) times during the year on April 18, 2018; July 19, 2018; October 17, 2018 and January 17, 2019. |

**Review Committee for Wilful Defaulters' Identification:**

| | |
|---|---|
| **Brief Terms of Reference / Roles and responsibilities:** | The Board has constituted a Review Committee for Wilful Defaulters' Identification to review the orders passed by the Committee of Executives for Identification of Wilful Defaulters and provide the final decision with regard to identified Wilful defaulters. |
| **Composition:** | Mrs. Shyamala Gopinath (Chairperson), Mr. Aditya Puri, Mr. Sandeep Parekh, Mr. Umesh Chandra Sarangi and Mr. Sanjiv Sachar.<br>(During the year Mr. Bobby Parikh and Mr. Partho Datta ceased to be members of the Committee pursuant to their cessation as Directors of the Bank. Further, Mr. Sandeep Parekh, Mr. Umesh Chandra Sarangi and Mr. Sanjiv Sachar were appointed as members of the Committee.) |
| **Meetings:** | No meetings of the Committee were held during the year. |

**Review Committee for Non-Cooperative Borrowers:**

| | |
|---|---|
| **Brief Terms of Reference / Roles and responsibilities:** | The Board has constituted a Review Committee to review matters related to Non-Co-operative Borrowers which are handled by the Internal Committee of Executives appointed for this purpose. |
| **Composition:** | Mrs. Shyamala Gopinath (Chairperson), Mr. Aditya Puri, Mr. Sandeep Parekh, Mr. Umesh Chandra Sarangi and Mr. Sanjiv Sachar.<br>(During the year Mr. Bobby Parikh and Mr. Partho Datta ceased to be members of the Committee pursuant to their cessation as Directors of the Bank. Further, Mr. Sandeep Parekh, Mr. Umesh Chandra Sarangi and Mr. Sanjiv Sachar were appointed as members of the Committee.) |
| **Meetings:** | No meetings of the Committee were held during the year. |

**Digital Transaction Monitoring Committee:**

| | |
|---|---|
| **Brief Terms of Reference / Roles and responsibilities:** | In order to promote digital transactions of the Bank and to provide directions in terms of strategy and action plans including monitoring the progress of achievement in the digital transactions space, the Bank has constituted the Digital Transaction Monitoring Committee during the year. The terms of reference to the Committee, inter-alia include the following:<br>a. Framing of the Bank-level strategy and action plans for achieving the target of digital transactions in an organized manner, as may be set by the Government, regulatory authorities, IBA, etc. from time to time.<br>b. Monitoring the progress of achievement in digital transactions in line with the Bank's strategy and action plans.<br>c. To review and explore new opportunities for increasing the digital transactions of the Bank from time to time and give the necessary directions in implementing and improving high level of digitalization in Bank.<br>d. Any other terms of reference as may be specified by the Government, regulatory authorities, IBA, etc. from time to time. |
| **Composition:** | Mr. Srikanth Nadhamuni (Chairman), Mr. Malay Patel, Mr. Aditya Puri and Mr. M. D. Ranganath.<br>(During the year, Mr. Paresh Sukthankar ceased to be a member of the committee pursuant to his resignation as Director of the Bank. Further, Mr. M. D. Ranganath was appointed as a member of the Committee.) |
| **Meetings:** | The Committee met 4 (Four) times during the year on April 19, 2018; July 20, 2018; October 19, 2018 and January 18, 2019. |

**IT Strategy Committee:**

| | |
|---|---|
| **Brief Terms of Reference / Roles and responsibilities:** | The Bank has in place, an IT Strategy Committee to look into various technology related aspects. |
| **Composition:** | This Committee is not a Board Level Committee. However, Mr. M. D. Ranganath (Chairman) Mr. Srikanth Nadhamuni, and Mrs. Shyamala Gopinath, are members of the Committee along with other executives of the Bank and an external expert.<br>(During the year, Mr. Bobby Parikh ceased to be a member of the committee pursuant to his cessation as Director of the Bank and Mr. Paresh Sukthankar ceased to be a member of the committee pursuant to his resignation as director of the Bank. Further, Mr. M. D. Ranganath was appointed as a member of the Committee.) |
| **Meetings:** | The Committee met 4 (four) times during the year on April 19, 2018; July 20, 2018; October 19, 2018 and January 18, 2019 |

**Meeting of the Independent Directors:**

The Independent Directors of the Bank held a meeting on January 16, 2019 and March 07, 2019 without the presence of the non-independent Directors and senior management team of the Bank. All the Independent Directors as on the date of the respective meeting had attended the meetings. The Independent Directors discussed matters as required under the relevant provisions of the Companies Act, 2013 and the SEBI Listing Regulations, 2015.

**ATTENDANCE AT THE COMMITTEE MEETINGS HELD DURING FINANCIAL YEAR 2018-19**

| Audit Committee | | Credit Approval Committee | |
|---|---|---|---|
| [Total seven meetings held] | | [Total thirteen meetings held] | |
| Name | No. of meetings attended | Name | No. of meetings attended |
| Mrs. Shyamala Gopinath | 7 | Mr. Bobby Parikh[1] | 2 |
| Mr. Bobby Parikh[1] | 6 | Mr. Keki Mistry | 13 |
| Mr. Sanjiv Sachar[2] | 3 | Mr. Aditya Puri | 12 |
| Mr. M. D. Ranganath[3] | - | Mr. Malay Patel[4] | 11 |
| Mr. Partho Datta[1] | 2 | Mr. Kaizad Bharucha | 13 |
| Mr. Umesh Chandra Sarangi | 7 | Mr. Srikanth Nadhamuni[5] | 1 |

| Stakeholders' Relationship Committee | | Customer Service Committee | |
|---|---|---|---|
| [Total four meetings held] | | [Total four meetings held] | |
| Name | No. of meetings attended | Name | No. of meetings attended |
| Mr. Umesh Chandra Sarangi | 4 | Mrs. Shyamala Gopinath | 4 |
| Mr. Malay Patel | 4 | Mr. Aditya Puri | 4 |
| Mr. Aditya Puri | 4 | Mr. Sandeep Parekh[6] | - |
| Mr. Sandeep Parekh[6] | - | Mr. Keki Mistry | 3 |
| Mr. Paresh Sukthankar[7] | 3 | Mr. Malay Patel | 4 |
| | | Mr. Srikanth Nadhamuni | 3 |

| Nomination and Remuneration Committee | | Premises Committee | |
|---|---|---|---|
| [Total eleven meetings held] | | [Total five meetings held] | |
| Name | No. of meetings attended | Name | No. of meetings attended |
| Mr. Sanjiv Sachar[2] | 5 | Mr. Malay Patel | 5 |
| Mr. Partho Datta[1] | 6 | Mr. Aditya Puri | 5 |
| Mrs. Shyamala Gopinath | 11 | Mr. Keki Mistry | 5 |
| Mr. Bobby Parikh[1] | 9 | | |
| Mr. Sandeep Parekh[6] | 2 | | |
| Mr. M. D. Ranganath[3] | - | | |

| Fraud Monitoring Committee | |
|---|---|
| [Total five meetings held] | |
| Name | No. of meetings attended |
| Mrs. Shyamala Gopinath | 5 |
| Mr. Aditya Puri | 5 |
| Mr. Partho Datta[1] | 2 |
| Mr. Sandeep Parekh[6] | - |
| Mr. Keki Mistry | 4 |
| Mr. Malay Patel | 5 |
| Mr. Umesh Chandra Sarangi | 5 |

| Risk Policy & Monitoring Committee | |
|---|---|
| [Total five meetings held] | |
| Name | No. of meetings attended |
| Mr. Srikanth Nadhamuni | 4 |
| Mrs. Shyamala Gopinath | 5 |
| Mr. Paresh Sukthankar[7] | 4 |
| Mr. Partho Datta[1] | 2 |
| Mr. Aditya Puri | 5 |
| Mr. M. D. Ranganath[3] | - |

| Corporate Social Responsibility Committee | |
|---|---|
| [Total four meetings held] | |
| Name | No. of meetings attended |
| Mr. Umesh Chandra Sarangi | 4 |
| Mr. Partho Datta[1] | 1 |
| Mr. Bobby Parikh[1] | 4 |
| Mr. Aditya Puri | 4 |
| Mr. Paresh Sukthankar[7] | 3 |
| Mr. Sanjiv Sachar[2] | - |
| Mr. Malay Patel | 4 |

| Digital Transactions Monitoring Committee | |
|---|---|
| [Total four meetings held] | |
| Name | No. of meetings attended |
| Mr. Srikanth Nadhamuni | 3 |
| Mr. Malay Patel | 4 |
| Mr. Aditya Puri | 4 |
| Mr. Paresh Sukthankar[7] | 4 |
| Mr. M. D. Ranganath[3] | - |

[1] *Mr. Partho Datta and Mr. Bobby Parikh ceased to be directors of the Bank with effect from September 29, 2018 and January 26, 2019 respectively.*

[2] *Mr. Sanjiv Sachar was appointed as a member of Nomination & Remuneration Committee with effect from September 18, 2018, member of Audit Committee with effect from October 10, 2018 and member of Corporate Social Responsibility Committee with effect from March 7, 2019*

[3] *Mr. M. D. Ranganath was appointed as a member of Audit Committee, Nomination & Remuneration Committee, Risk Policy & Monitoring Committee and Digital Transactions Monitoring Committee with effect from March 07, 2019.*

[4] *Mr. Malay Patel was appointed as a member of Credit Approval Committee with effect from May 22, 2018.*

[5] *Mr. Srikanth Nadhamuni was appointed as a member of Credit Approval Committee with effect from March 07, 2019.*

[6] *Mr. Sandeep Parekh was appointed as a member of Nomination & Remuneration Committee with effect from January 23, 2019 and member of Stakeholders' Relationship Committee, Customer Service Committee and Fraud Monitoring Committee with effect from March 07, 2019.*

[7] *Mr. Paresh Sukthankar resigned as Deputy Managing Director of the Bank with effect from November 08, 2018.*

**OWNERSHIP RIGHTS**

Certain rights that a shareholder in a company enjoys:

- To transfer the equity shares of the Bank held in the name of the shareholder. Pursuant to the SEBI Listing Regulations, with effect from April 1, 2019, except in case of transmission or transposition of securities, requests for effecting transfer of securities shall not be processed unless the securities are held in dematerialized form with a depository.
- To receive notice of general meetings, annual report, the balance sheet and profit and loss account and the auditor's report. To attend and speak in person, at general meetings.
- To appoint proxy to attend and vote at the general meetings. In case the member is a body corporate, to appoint a representative to attend and vote at the general meetings of the company on its behalf.
- Proxy can vote on a poll. In case of vote on poll, the number of votes of a shareholder is proportionate to the number of equity shares held by him / her.
- In terms of Section 12 of the Banking Regulation Act, 1949 as amended with effect from January 18, 2013 vide the Banking Laws Amendment Act, 2012, no person holding shares in a banking company shall, in respect of any shares held by him, exercise voting rights on poll in excess of ten per cent of the total voting rights of all the shareholders of the banking company, provided that RBI may increase, in a phased manner, such ceiling on voting rights from ten percent to twenty-six per cent. The notification dated July 21, 2016 issued by RBI and notified in the Gazette of India dated September 17, 2016 states that the current level of ceiling on voting rights is at twenty six per cent.
- To requisition an extraordinary general meeting of the Bank by shareholders who collectively hold not less than 1/10th of the total paid-up capital of the company.
- To move amendments to resolutions proposed at general meetings.
- To receive dividend and other corporate benefits like rights, bonus shares, etc. as and when declared / announced.
- To inspect various registers of the company, minute books of general meetings and to receive copies thereof after complying with the procedure prescribed in the Companies Act, 2013 as amended from time to time.
- To make nomination in respect of shares held by the shareholder.
- To participate in and be sufficiently informed of the decisions concerning fundamental corporate changes.
- To be informed of the rules, including voting procedures that govern general shareholder meetings.
- To have adequate mechanism to address the grievances of the shareholders.
- To ensure protection of minority shareholders from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly, and effective means of redress.

The rights mentioned above are prescribed in the Companies Act, 2013, the SEBI Listing Regulations and Banking Regulation Act, 1949, wherever applicable, and should be followed only after careful reading of the relevant sections. These rights are not necessarily absolute.

## GENERAL BODY MEETINGS

(Following are the details of general body meetings for the previous three financial years held at Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400020 at 2.30 p. m.)

| Sr. No. | Particulars of meeting | Day & Date | Number of Special Resolutions passed, if any | Nature of Special Resolutions |
|---|---|---|---|---|
| 1 | 22nd Annual General Meeting | Thursday, July 21, 2016 | 3 (Three) | 1. Alteration of Memorandum of Association on account of increase in authorized share capital<br>2. Issue of perpetual debt instruments, Tier II capital bonds and senior long-term infrastructure bonds on private placement basis<br>3. Grant of equity stock options |
| 2 | 23rd Annual General Meeting | Monday, July 24, 2017 | 2 (Two) | 1. Re-appointment of Mrs. Shyamala Gopinath as Part-Time Non-Executive Chairperson of the Bank<br>2. Issue of perpetual debt instruments, Tier II capital bonds and senior long-term infrastructure bonds on private placement basis |
| 3 | Extra-Ordinary General Meeting | Friday, January 19, 2018 | Total 3 (Three) special businesses transacted, out of which 2 (Two) were special resolutions | 1. Raising of funds through issue of equity shares and / or equity shares through depository receipts and / or convertible securities<br>2. Preferential issue of equity shares to Housing Development Finance Corporation Limited |
| 4 | 24th Annual General Meeting | Friday, June 29, 2018 | 1 (One) | 1. Issue of Perpetual Debt Instruments (part of Additional Tier I capital), Tier II Capital Bonds and Long Term Bonds (financing of infrastructure and affordable housing) on a private placement basis |

## POSTAL BALLOT

During the financial year 2018-19, no resolutions were passed by means of postal ballot.

## DISCLOSURES

### Material Subsidiary

The Bank has 2 subsidiaries namely- HDB Financial Services Limited and HDFC Securities Limited, neither of which qualifies to be a material subsidiary within the meaning of the SEBI Listing Regulations. However, as a good corporate governance practice, the Bank has formulated a policy for determining material subsidiary. The policy is available on the Bank's website at **https://www.hdfcbank.com/htdocs/common/pdf/Policy-for-determining-material-subsidiary.pdf**

### Related Party Transactions

During the year, the Bank has entered into transactions with the related parties in the ordinary course of business. The Bank has not entered into any materially significant transactions with the related parties including promoters, directors, the management, subsidiaries or relatives of the Directors, which could lead to a potential conflict of interest between the Bank and these parties. Transactions with related parties were placed before the Audit Committee / Board for approval. There were no material transactions with related parties, which were not in the normal course of business, nor were there any material transactions, which were not at an arm's length basis. Details of related party transactions entered into during the year ended March 31, 2019 are given in, Note No. 27 in Schedule 18, forming part of 'Notes to Accounts'.

The Bank has put in place a policy to deal with related party transactions and the same has been uploaded on the Bank's web-site at https://**www.hdfcbank.com/htdocs/common/pdf/Policy_on_Related_Party_Transactions.pdf**

**Commodity Price Risks and Foreign Exchange Risks and hedging activities**

Being in the business of Banking, as per the extant regulations, the Bank does not deal in any commodity, though, can be exposed to the commodity price risks of its customers in its capacity as lender / banker.

Currently, the Bank has open exposure in Gold and such open exposures in Gold are primarily on account of positions created from short term deposits under the Gold Monetisation Scheme (GMS) raised from Customers and trading positions in Gold. These positions are managed similar to other foreign exchange exposures using spot, outright forwards and swap transactions in Gold and monitored as part of the trading portfolio within the stipulated trading risk limits viz. Net overnight open position limit, Intraday open position limit, Gap limits, Value-at-Risk limit, Stop Loss Trigger Level, etc. that are defined in the Treasury Limits Package. In-addition, Bank is authorized by Reserve Bank of India to import Gold and Silver and the exposure arising out of import of gold and silver on consignment basis is covered on back to back basis.

The spot, forward and swap contracts, outstanding as on the Balance Sheet date and held for trading, are revalued at the closing spot and forward rates respectively as notified by FEDAI (Foreign Exchange Dealers' Association of India) and at interpolated rates for contracts of interim maturities. The USD-INR rate for valuation of contracts having longer maturities i.e. greater than one year is implied from MIFOR and LIBOR curves. For other pairs, where the rates / tenors are not published by FEDAI, the spot and forward points are obtained from Reuters for valuation of the foreign exchange deals. The foreign exchange profit or loss is arrived on present value basis thereafter, as directed by FEDAI, whereby the forward profits or losses on the deals, as computed above, are discounted till the valuation date using the discounting yields. The resulting profit or loss on valuation is recognized in the Statement of Profit and Loss.

Given below are the exposure details of the Bank under the Gold Monetisation Scheme deposits as of March-2019 quarter-end:

Total exposure of the Bank to commodities i.e. Gold (in INR) as on March-end 2019: 60,94,36,235.10

| Commodity Name | Exposure in INR towards the particular commodity | Exposure in Quantity terms towards the particular commodity | % of such exposure hedged through commodity derivatives | | | | |
|---|---|---|---|---|---|---|---|
| | | | Domestic market | | International market | | Total |
| | | | OTC | Exchange | OTC | Exchange | |
| GMS (XAU) | 609,436,235.10 | 1,93,000 Grams | 100 | 0 | 0 | 0 | 100 |

Note: The underlying exposure to Gold under GMS is covered using over-the-counter XAU/USD and USD/INR forward transactions.

**Fees paid to Statutory Auditors**

The total fees for all services paid by the Bank and its subsidiaries, on a consolidated basis, to the Statutory Auditor and all entities in the network firm / network entity are mentioned in Directors' Report.

**Accounting Treatment**

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

There are no deviations from the statutory provisions.

**Whistle Blower Policy / Vigil Mechanism**

The details of establishment of whistle blower policy / vigil mechanism are furnished in the Directors' Report which may be referred to. None of the Bank's personnel have been denied access to the Audit Committee.

**Remuneration and Selection criteria for Directors**

Kindly refer to the relevant details as furnished in the Directors' Report.

**Appointment / Resignation of Director**

During the year, Mr. Paresh Sukthankar resigned as Deputy Managing Director of the Bank with effect from November 08, 2018, due to personal considerations. The Board places on record its sincere appreciation of the contribution made by Mr. Paresh Sukthankar during his tenure with the Bank and wishes him well in his future endeavors.

During the year, Mr. Partho Datta and Mr. Bobby Parikh ceased to be Directors of the Bank with effect from September 29, 2018 and January 26, 2019 respectively on completion of eight continuous years as Directors, the maximum term permitted under Banking Regulation Act, 1949.

Mr. Sanjiv Sachar, Mr. Sandeep Parekh and Mr. M.D Ranganath were appointed as Directors of the Bank with effect from July 21, 2018, January 19, 2019 and January 31, 2019 respectively.

**Familiarization of Independent Directors**

The details of familiarization programmes imparted to Independent Directors are available on the website of the Bank at **http://www.hdfcbank.com/aboutus/cg/Familiarization.htm**

**Strictures and Penalties for last three financial years:**

During the financial year 2018-19, Reserve Bank of India (RBI) has, vide its order dated February 4, 2019, imposed a monetary penalty of ₹ 2 million on the Bank for non-compliance with various directions issued by RBI on Know Your Customer (KYC) / Anti-Money Laundering (AML) standards, more specifically those contained in their circulars dated November 29, 2004 and May 22, 2008. The Bank has since implemented corrective action to strengthen its internal control mechanisms so as to ensure that such incidents do not recur.

During the financial year 2017-18, pursuant to the media reports, SEBI has issued directions to the Bank ("SEBI Directions") in relation to leakage of unpublished price sensitive information ("UPSI") pertaining to the financial results of the Bank for the quarter ended December 31, 2015 and the quarter ended June 30, 2017 in various private WhatsApp groups ahead of Bank's official announcement to the relevant stock exchanges. SEBI had directed the Bank to observe the following: (i) to strengthen its processes / systems / controls forthwith to ensure that such instances of leakage of unpublished price sensitive information do not recur in future, (ii) to submit a report on: (a) the present systems and controls and how the present systems and controls have been strengthened, (b) details of persons who are responsible for monitoring such systems, and (c) the periodicity of monitoring. Further, SEBI has directed HDFC Bank Limited to conduct an internal inquiry into the leakage of UPSI relating to its financial figures including Non-Performing Assets (NPAs) results and take appropriate action against those responsible for the same, in accordance with the applicable law. The scope of such inquiry will need to include determination of the possible role of following persons in relation to the aforesaid leakage of UPSI: (i) persons / members of committees involved in generation of the original data for the purpose of determination of key figures pertaining to financial figures including gross NPAs, (ii) persons involved in the consolidation of the figures for the financial results, (iii) persons involved in the preparation of board notes and presentations, (iv) persons involved in dissemination of information relating to financial results in the public domain, and (v) any other persons who had access to the information. SEBI had directed the Bank to complete the inquiry within a period of three months from the date of the SEBI Directions and thereafter, file a report with SEBI in this regard within a further period of seven days. The Bank has submitted the requisite information and reports to SEBI in compliance with the SEBI Directions and within the timelines prescribed therein.

During the financial year 2016-17, further to the media reports in October 2015 about irregularities in advance import remittances in various banks, the Reserve Bank of India (RBI) had conducted a scrutiny of the transactions carried out by the Bank under Section 35(1A) of the Banking Regulation Act, 1949. The RBI issued a Show Cause Notice to which the Bank had submitted it's detailed response. After considering the Bank's submission, the RBI imposed a penalty of ₹ 2.00 crores on the Bank vide its letter dated July 19, 2016 on account of pendency in receipt of bill of entry relating to advance import remittances made and lapses in adhering to KYC / AML guidelines in this respect. The penalty has since been paid. The Bank has implemented a comprehensive corrective action plan, to strengthen its internal control mechanisms so as to ensure that such incidents do not recur.

**A chart or a matrix setting out the skills / expertise / competencies of the Board of Directors**

The Board of Directors have identified the following core skills / expertise / competencies / special knowledge or practical experience, as required in the context of the Bank's business and sector(s) for it to function effectively. The same are in line with the relevant provisions of the Banking Regulation Act, 1949 and relevant circulars issued by the Reserve Bank of India from time to time:

(i) Accountancy,
(ii) Agriculture and Rural Economy,
(iii) Banking,
(iv) Co-operation,
(v) Economics,
(vi) Finance,
(vii) Law,
(viii) Small-Scale Industry,
(ix) Information Technology,
(x) Payment & Settlement Systems,
(xi) Human Resources,
(xii) Risk Management,
(xiii) Business Management,
(xiv) Any other matter the special knowledge of, and practical experience in, which would, in the opinion of the Reserve Bank, be useful to the Bank's business / sectors.

| Sr. No. | Name | Designation | Core skills / expertise / competencies available with the Board |
|---|---|---|---|
| 1 | Mrs. Shyamala Gopinath | Part time Non-executive Chairperson | Banking, Payment & Settlement Systems, Risk Management |
| 2 | Mr. Aditya Puri | Managing Director | Banking, Finance & Risk Management |
| 3 | Mr. Kaizad Bharucha | Executive Director | Banking, Credit & Risk Management |
| 4 | Mr. Keki Mistry | Non-executive Director | Accountancy & Finance |
| 5 | Mr. Srikanth Nadhamuni | Non-executive Director | Information Technology |
| 6 | Mr. Malay Patel | Independent Director | Small-scale industries |
| 7 | Mr. Umesh Chandra Sarangi | Independent Director | Agriculture & rural economy |
| 8 | Mr. Sanjiv Sachar | Additional Independent Director | Human resources & Finance |
| 9 | Mr. Sandeep Parekh | Additional Independent Director | Law (with focus on securities market and financial regulations) |
| 10 | Mr. M. D. Ranganath | Additional Independent Director | Finance, Information Technology & Risk Management |

**Details of utilization of funds raised through preferential allotment or qualified institutions placement as specified under Regulation 32 (7A)**

The Bank has utilized the funds raised through preferential allotment and qualified institutions placement made by the Bank during FY 2018-19 for the purposes as mentioned in the notice of the Extraordinary General meeting held on January 19, 2018, wherein the shareholders had approved the raising of funds.

**Disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013**

Details of the number of complaints received, disposed, and pending during the year 2018-19 pertaining to the Sexual Harassment of Women at Workplace are as under:

| | |
|---|---|
| Number of complaints received | 25 |
| Number of complaints disposed | 21 |
| Number of cases pending for more than 90 days | 04 |

**COMPLIANCE WITH MANDATORY REQUIREMENTS**

The Bank has complied with all the applicable mandatory requirements of the Code of Corporate Governance as prescribed under the SEBI Listing Regulations.

**PERFORMANCE EVALUATION**

The Bank has put in place a mechanism for performance evaluation of the Directors. The details of the same have been included in the Directors' Report.

**COMPLIANCE WITH NON-MANDATORY REQUIREMENTS**

**a) Board of Directors**

The Bank maintains the expenses relating to the office of non-executive Chairperson of the Bank and reimburses all the expenses incurred in performance of her duties.

**b) Shareholder's Rights**

The Bank publishes its results on its website at www.hdfcbank.com which is accessible to the public at large. The same are also available on the websites of the Stock Exchanges on which the Bank's shares are listed.

A half-yearly declaration of financial performance including summary of the significant events is presently not being sent separately to each shareholder. The Bank's results for each quarter are published in an English newspaper having a wide circulation and in a Marathi newspaper having a wide circulation in Maharashtra. Hence, half-yearly results are not sent to the shareholders individually.

**c) Audit Qualifications**

During the period under review, there is no audit qualification in the Bank's financial statements. The Bank continues to adopt best practices to ensure regime of unqualified financial statements.

**d) Separate posts of Chairperson and Managing Director / CEO**

Mrs. Shyamala Gopinath is the Chairperson of the Bank and Mr. Aditya Puri is the Managing Director of the Bank.

**e) Reporting of Internal Auditor**

The Internal Auditor of the Bank reports directly to the Audit Committee of the Bank.

## GENERAL SHAREHOLDER INFORMATION:

| SHAREHOLDERS HOLDING MORE THAN 1% OF THE SHARE CAPITAL OF THE BANK AS AT MARCH 31, 2019 | | | |
|---|---|---|---|
| **Sr No.** | **Name of the Shareholder** | **No. of Shares held** | **% to share capital** |
| 1 | JP Morgan Chase Bank, NA | 52,54,88,147* | 19.30 |
| 2 | Housing Development Finance Corporation Limited | 43,23,07,917 | 15.87 |
| 3 | HDFC Investments Limited | 15,00,00,000 | 5.51 |
| 4 | Euro Pacific Growth Fund | 11,21,73,464 | 4.12 |
| 5 | Life Insurance Corporation of India | 5,58,16,664 | 2.05 |
| 6 | SBI- ETF Nifty 50 | 6,03,79,544 | 2.22 |
| 7 | HDFC Trustee Company Limited A/c HDFC Balanced Fund | 2,97,83,566 | 1.09 |
| 8 | ICICI Prudential Life Insurance Company Ltd | 3,05,01,652 | 1.12 |
| 9 | Government of Singapore | 2,75,38,825 | 1.01 |

** One (1) American Depository Share (ADS) represents three (3) underlying equity shares of the Bank. Two (2) GDRs represent one (1) underlying equity share of the Bank.*

| DISTRIBUTION OF SHAREHOLDING AS AT MARCH 31, 2019 | | | | | |
|---|---|---|---|---|---|
| **Share Range From** | **Share Range To** | **No. of Shares** | **% To Capital** | **No. of Holders** | **% To No. Of Holders** |
| 1 | 2500 | 10,31,06,710 | 3.79 | 605,848 | 97.94 |
| 2501 | 5000 | 2,01,20,502 | 0.74 | 5,629 | 0.91 |
| 5001 | 10000 | 1,87,23,760 | 0.69 | 2,635 | 0.43 |
| 10001 | 15000 | 1,13,25,628 | 0.42 | 915 | 0.15 |
| 15001 | 20000 | 86,83,295 | 0.32 | 496 | 0.08 |
| 20001 | 25000 | 91,39,841 | 0.34 | 404 | 0.07 |
| 25001 | 50000 | 3,01,95,957 | 1.11 | 862 | 0.14 |
| 50001 | 100000 | 4,09,04,147 | 1.50 | 578 | 0.09 |
| 100001 | and above | 2,48,11,06,770 | 91.11 | 1228 | 0.20 |
| **TOTAL :-** | | **2,72,33,06,610** | **100** | **6,18,595** | **100** |

579,483 Folios comprising of 2,71,33,20,837 equity shares forming 99.63 % of the share capital are in demat form.

39,112 Folios comprising of 99,85,773 equity shares forming 0.37 % of the share capital are in physical form.

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 and 17,13,52,588 outstanding ADRs (representing 51,40,57,764 underlying equity shares of the Bank) and 2,28,60,766 outstanding GDRs (representing 1,14,30,383 underlying equity shares of the Bank) as on 31.03.2019, the Bank has no outstanding warrants or other convertible instruments as on March 31, 2019 which could have an impact on the equity capital of the Bank.

## SHARE PRICE / CHART

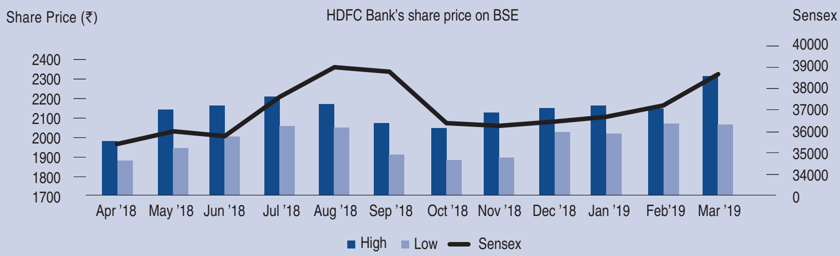
The monthly high and low quotation of Bank's equity shares traded on BSE Ltd (BSE) and The National Stock Exchange of India Ltd (NSE) during FY 2018-19 and its performance vis-à-vis BSE :SENSEX and S&P CNX NIFTY respectively is as under

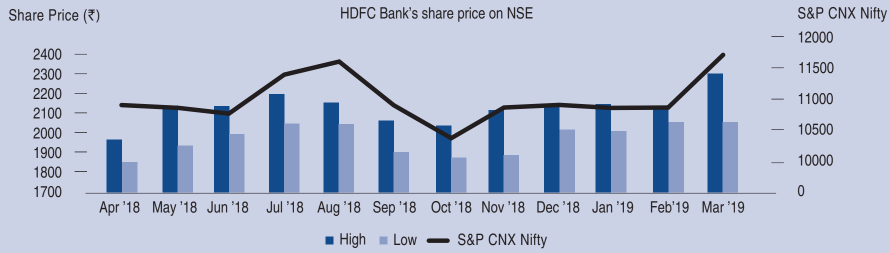
The monthly high and low quotation and the volume of Bank's American Depository Shares (ADS) traded on New York Stock Exchange (NYSE) during FY 2018-19

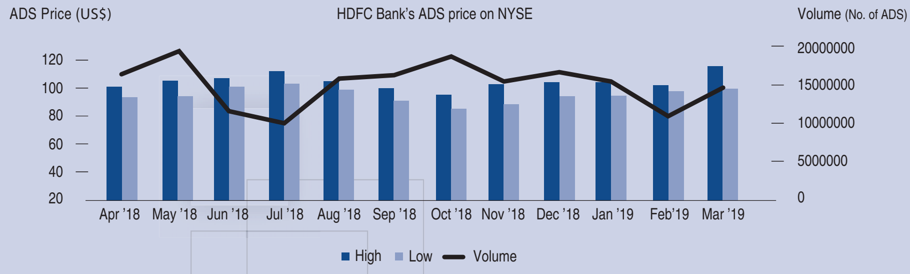
| BSE Ltd | | | |
|---|---|---|---|
| MONTH | HIGH | LOW | SENSEX Closing |
| Apr-18 | 1984.00 | 1880.25 | 35213.30 |
| May-18 | 2150.00 | 1947.30 | 35993.53 |
| Jun-18 | 2170.05 | 2009.75 | 35877.41 |
| Jul-18 | 2219.05 | 2065.00 | 37644.59 |
| Aug-18 | 2179.00 | 2055.00 | 38989.65 |
| Sep-18 | 2080.00 | 1913.80 | 38934.35 |
| Oct-18 | 2052.00 | 1884.40 | 36616.64 |
| Nov-18 | 2137.50 | 1896.80 | 36389.22 |
| Dec-18 | 2158.15 | 2032.15 | 36554.99 |
| Jan-19 | 2173.00 | 2023.00 | 36701.03 |
| Feb-19 | 2154.35 | 2076.05 | 37172.18 |
| Mar-19 | 2327.00 | 2070.25 | 38748.54 |

| The National Stock Exchange of India Ltd | | | |
|---|---|---|---|
| MONTH | HIGH | LOW | NIFTY closing |
| Apr-18 | 1979.00 | 1860.30 | 10739.35 |
| May-18 | 2160.00 | 1946.00 | 10736.15 |
| Jun-18 | 2157.00 | 2009.10 | 10714.30 |
| Jul-18 | 2220.00 | 2063.25 | 11356.50 |
| Aug-18 | 2175.00 | 2058.25 | 11680.50 |
| Sep-18 | 2078.95 | 1910.20 | 10930.45 |
| Oct-18 | 2052.20 | 1885.00 | 10386.60 |
| Nov-18 | 2137.55 | 1896.00 | 10876.75 |
| Dec-18 | 2159.40 | 2032.00 | 10862.55 |
| Jan-19 | 2166.50 | 2022.00 | 10830.95 |
| Feb-19 | 2155.00 | 2073.20 | 10792.50 |
| Mar-19 | 2328.05 | 2070.00 | 11623.90 |

| New York Stock Exchange | | | |
|---|---|---|---|
| MONTH | HIGHEST (US$) | LOWEST (US$) | MONTHLY VOLUME |
| Apr-18 | 101.13 | 93.47 | 1,73,49,100 |
| May-18 | 105.44 | 94.11 | 1,98,44,500 |
| Jun-18 | 107.09 | 101.00 | 1,18,71,200 |
| Jul-18 | 112.10 | 103.31 | 1,03,98,100 |
| Aug-18 | 104.81 | 98.68 | 1,51,05,000 |
| Sep-18 | 99.87 | 90.63 | 1,55,18,300 |
| Oct-18 | 95.32 | 85.43 | 1,95,58,500 |
| Nov-18 | 102.50 | 88.67 | 1,58,43,600 |
| Dec-18 | 104.57 | 94.06 | 1,74,58,100 |
| Jan-19 | 104.10 | 94.50 | 1,53,71,700 |
| Feb-19 | 102.42 | 97.94 | 1,19,97,000 |
| Mar-19 | 115.91 | 99.55 | 1,48,50,000 |

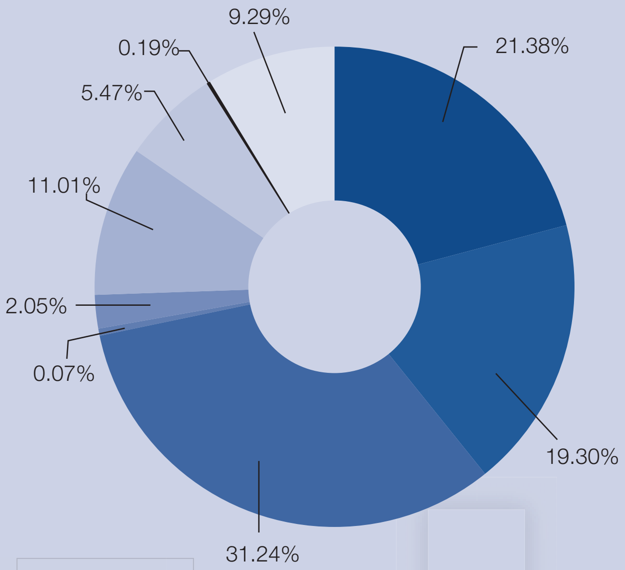


| CATEGORIES OF SHAREHOLDERS AS AT MARCH 31, 2019 | No of shares | % to Capital |
|---|---|---|
| Promoters (*) | 58,23,12,917 | 21.38 |
| ADS and GDRs (#) | 52,54,88,147 | 19.30 |
| Foreign Institutional Investors | 85,07,71,414 | 31.24 |
| Overseas Corporate Bodies, Foreign Bodies, Foreign National and Non Resident Indians | 19,82,328 | 0.07 |
| Financial Institutions, Banks, Mutual Funds and Central Government | 29,99,42,816 | 11.01 |
| Life Insurance Corporation and its subsidiaries | 5,58,16,664 | 2.05 |
| Other Insurance Corporations | 50,70,134 | 0.19 |
| Indian Companies | 14,88,94,568 | 5.47 |
| Others | 25,30,27,622 | 9.29 |
| **TOTAL** | **2,72,33,06,610** | **100.00** |

Categories of shareholders as on March 31, 2019




Details of Shareholding

- Promoters*
- ADS & GDRs#
- Foreign Institutional Investors
- Overseas Corporate Bodies, NRIs, Foreign Bodies
- LIC of India and its Subsiidaries
- Banks, Mutual Funds, Financial Institutions and Central Government
- Indian Companies
- Other Insurance Corporations
- Others

(*) None of the equity shares held by the Promoter Group are under pledge.

(#) JP Morgan Chase Bank is the Depository for both the ADS (51,40,57,764 underlying equity shares) & GDRs (1,14,30,383 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-18 | May-18 | Jun-18 | Jul-18 | Aug-18 | Sep-18 | Oct-18 | Nov-18 | Dec-18 | Jan-19 | Feb-19 | Mar-19 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| High | 14.90 | 15.80 | 15.70 | 16.00 | 15.80 | 14.60 | 14.00 | 15.20 | 15.30 | 15.20 | 15.10 | 16.70 |
| Low | 14.30 | 14.40 | 14.80 | 15.10 | 14.50 | 13.20 | 12.90 | 13.00 | 14.20 | 14.30 | 14.60 | 14.70 |

* 2 GDRs represent one underlying equity share of the Bank

## MONTHLY VOLUMES OF THE BANK'S SHARES TRADED ON NSE AND BSE

| Month | Apr-18 | May-18 | Jun-18 | Jul-18 | Aug-18 | Sep-18 | Oct-18 | Nov-18 | Dec-18 | Jan-19 | Feb-19 | Mar-19 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| NSE | 2,63,18,977 | 3,95,18,909 | 8,56,91,101 | 5,10,00,163 | 5,14,16,350 | 5,54,30,133 | 8,27,31,593 | 6,87,77,510 | 47,497,880 | 5,50,45,470 | 4,31,48,609 | 7,28,35,637 |
| BSE | 14,55,912 | 23,72,911 | 24,92,621 | 15,14,165 | 17,51,687 | 21,47,912 | 62,15,324 | 49,69,802 | 21,26,648 | 55,83,172 | 18,72,998 | 31,37,964 |

## FINANCIAL CALENDAR

**[April 1, 2019 to March 31, 2020]**

| | |
|---|---|
| Board Meeting for consideration of accounts | April 20, 2019 |
| Dispatch of Annual Reports | June 10, 2019 to June 15, 2019 |
| Record date for purpose of determining eligibility of dividend | Electronic and Physical: June 21, 2019 |
| Last date for receipt of proxy forms | July 10, 2019 (up to 2.30 p.m.) |
| Date, Time and Venue of the 25th AGM | July 12, 2019 at 2.30 p.m.<br>Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400020 |
| Dividend declaration date | July 12, 2019 |
| Probable date of payment of dividend | Electronic: July 15, 2019 onwards<br>Physical: July 16, 2019 onwards |
| Board Meeting for considering unaudited results for first three quarters of FY 2019-20 | Within 25 days from the end of each quarter |

## CODE OF CONDUCT

The Bank has framed and adopted a Code of Conduct, which is approved by the Board. The Code is applicable to all directors and senior management personnel of the Bank. This Code has been posted on the Bank's website www.hdfcbank.com. All the Directors and senior management personnel have affirmed compliance with the Code of Conduct / Ethics as approved and adopted by the Board.

### LISTING

Listing on Indian Stock Exchanges:

The equity shares of the Bank are listed at the following Stock Exchanges and the annual fees for 2019-20 have been paid:

| Sr. No. | NAME AND ADDRESS OF THE STOCK EXCHANGE | STOCK CODE |
|---|---|---|
| 1. | BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai 400 023. | 500180 |
| 2. | The National Stock Exchange of India Limited, Exchange Plaza, 5th Floor, Bandra Kurla Complex, Bandra (East), Mumbai 400 051. | HDFCBANK |

*Names of Depositories in India for dematerialization of equity shares (ISIN No. INE040A01026)*

- National Securities Depository Limited (NSDL)
- Central Depository Services (India) Limited (CDSL)

**International Listing :**

| Sr. No. | Security description | Name & Address of the International Stock Exchange | Name & Address of Depository |
|---|---|---|---|
| 1 | The American Depository Shares (ADS) (CUSIP No. 40415F101) | The New York Stock Exchange (Ticker - HDB) 11, Wall Street, New York, NY 10005 | J.P. Morgan Chase Bank, N.A. J.P. Morgan Depositary Receipts, 383 Madison Ave, Floor 11, New York, NY, 10179 |
| 2 | Global Depository Receipts (GDRs) (ISIN / Trading Code : US40415F2002) | Luxembourg Stock Exchange **Postal Address :** Societe De La Bourse De Luxembourg Societe Anonyme, 35A Boulevard Joseph II L-1840 Luxembourg. **Mailing Address :** B.P. 165, L - 2011, Luxembourg | J.P. Morgan Chase Bank, N.A. J.P. Morgan Depositary Receipts, 383 Madison Ave, Floor 11, New York, NY, 10179 |

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 AND SYSTEM

Datamatics Business Solutions Limited (formerly known as Datamatics Financial Services Limited) acts as the Registrar and Share Transfer Agent (RTA) for the Bank’s equity and debt issues. The Bank’s equity shares which are in compulsory dematerialized (demat) list are transferable through the depository system. Shares in physical form are processed by the RTA and approved by the Stakeholders’ Relationship Committee of the Bank or authorized officials of the Bank. The share transfers are generally processed within a period of 15 (fifteen) days from the date of receipt of the transfer documents by the RTA. Pursuant to the SEBI Listing Regulations, with effect from April 1, 2019, except in case of transmission or transposition of securities, requests for effecting transfer of securities shall not be processed unless the securities are held in dematerialized form with a depository.

### MEANS OF COMMUNICATION

The quarterly and half-yearly unaudited / audited financial results are normally published in the newspapers, viz., the Business Standard in English and Mumbai Sakal / Navshakti in Marathi (regional language). The results are also displayed on the Bank’s web-site at **www.hdfcbank.com**.

The shareholders can visit the Bank's web-site for financial information, shareholding information, dividend policy, key shareholders' agreements, if any, Memorandum and Articles of Association of the Bank, etc. The web-site also gives a link to **www.sec.gov** where the investors can view statutory filings of the Bank with the Securities and Exchange Commission, USA.

The information relating to the Bank's financial results and shareholding pattern are displayed on the websites of the Stock Exchanges on which the Bank's shares are listed.

Other information such as press releases, stock exchange disclosures and presentations made to investors and analysts, etc. are regularly displayed on the Bank's web-site.

## CODE FOR PREVENTION OF INSIDER TRADING

The Bank has adopted a share dealing code for the prevention of insider trading in the securities of the Bank as well as in other listed or proposed to be listed companies. The share dealing code, inter-alia, prohibits purchase / sale of securities of the Bank or of other listed or proposed to be listed companies by insiders while in possession of unpublished price sensitive information in relation to the Bank or such listed or proposed to be listed companies.

## DEBENTURE TRUSTEES

The SEBI Listing Regulations require companies, which have listed their debt securities, to disclose the names of their debenture trustees with contact details in their Annual Report. The following are the debenture trustees for the privately placed bonds of the Bank:

1. **IDBI Trusteeship Services Ltd**, Asian Building, Ground Floor, 17 R Kamani Marg, Ballard Estate, Mumbai 400001. Tel : 022-40807000
2. **Axis Trustee Services Limited**, The Ruby, 2nd Floor, SW, 29, Senapati Bapat Marg, Dadar West, Mumbai 400028. Tel : 022-62260054 / 50
3. **Vistra ITCL (India) Limited** (Formerly known as IL&FS Trust Company Limited), The IL&FS Financial Centre, Plot C-22 / G Block, 7th Floor, Bandra Kurla Complex, Bandra (East) Mumbai 400051. Tel: 022-26593535.

## SHAREHOLDERS' HELPDESK

Share transfers, dividend payments and all other investor related activities are attended to and processed at the office of Registrar and Transfer Agents.

For lodgment of transfer deeds and any other documents or for any grievances / complaints, shareholders / investors may contact at the following address:

**Mr. Sunny Abraham / Ms. Manisha Parkar / Mr. Tukaram Thore**
Datamatics Business Solutions Ltd, (Formerly known as Datamatics Financial Services Ltd)
Plot No. B 5, Part B Crosslane,
MIDC, Marol, Andheri (East),
Mumbai 400 093,

**Tel : +91-022 - 66712213-14**
**Fax : +91-022 - 66712011**
**E-mail : hdinvestors@datamaticsbpm.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, Zenith House, Keshavrao Khadye Marg, opposite Race Course Gate no. 5 & 6, Mahalaxmi (West), Mumbai 400 034.

Shareholders' Helpdesk Timings : 10:30 a.m. to 3:30 p.m.
Between Monday to Friday (except on Bank holidays)
Telephone : +91-022-3976 0000 Extn : 0012, 0003 & 0016
Email : shareholder.grievances@hdfcbank.com

**For IEPF Related matters** - Mr. Dhanjit Thaivalappil (Nodal Officer):

Tel: +91-022-3976 0012 / 0003 / 0016

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. Santosh Haldankar, Vice President-Legal & Company Secretary

Telephone: +91-022-6652 1000

**BANKING CUSTOMER HELPDESK**

In the event of any queries / complaints, banking customers can directly approach the Branch Manager or can call / write to the Bank using the following contact details:

Call at: Our customer care (Phone Banking) numbers.

Location wise list of customer care numbers are available at:
**http://www.hdfcbank.com/personal/find-your-nearest/find-phone-banking**

**Write to:**

HDFC Bank Ltd., New Building,
"A" Wing, 2nd Floor, 26-A Narayan Property,
Chandivali Farm Road, Off Saki Vihar Road, Chandivali,
Andheri (East), Mumbai - 400 072.
Email : support@hdfcbank.com

**Contact us online:**

Fill up the "Complaint Form" available at the following website link:

**https://leads.hdfcbank.com/applications/webforms/apply/complaint_form_new.asp**

**For grievances other than Shareholder grievances please send your communication to the following email addresses:**

1) **Depository Services: dphelp@hdfcbank.com**

2) **Retail Banking / ATM / Debit Cards / Mutual Fund: support@hdfcbank.com**

3) **Loans, Advances / Advance against shares: loansupport@hdfcbank.com**

4) **Credit Cards : customerservices.cards@hdfcbank.com**

**PLANT LOCATIONS**

Being in the banking business, the Bank does not have plants. However, the Bank has 5,103 banking outlets in 2,748 cities / towns as on March 31, 2019. The locations of the branches are also displayed on the Bank's website.

### COMPLIANCE CERTIFICATE OF THE AUDITORS

The Secretarial Auditors have certified that the Bank has complied with the conditions of Corporate Governance as stipulated in the listing requirements of the Indian Stock Exchanges where the Bank's securities are listed. The same is annexed to the Annual Report.

The Certificate from the Secretarial Auditors will be sent to the Stock Exchanges along with the Annual Report of the Bank.

On behalf of the Board of Directors

Shyamala Gopinath
Chairperson

Mumbai, May 22, 2019

### DECLARATION

I confirm that for the year under review, all directors and senior management have affirmed their adherence to the provisions of the Code of Conduct of Directors and senior management personnel.

Aditya Puri
Managing Director

Mumbai, May 22, 2019

## A) DIVIDENDS:

**Receipt of Dividends through Electronic mode:**

The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 have directed that listed companies shall mandatorily make all payments to investors including dividend to shareholders, by using any RBI approved electronic mode of payment viz. ECS, LECS (Local ECS), RECS (Regional ECS), NECS (National ECS), Direct Credit, RTGS, NEFT, etc.

In order to receive the dividend without loss of time, all the eligible shareholders holding shares in demat mode are requested to update with their respective Depository Participants before June 21, 2019, their correct core banking account Account Number, including 9 Digit MICR Code and 11 digit IFSC Code, E-Mail ID and Mobile No(s). This will facilitate the remittance of the dividend amount as directed by SEBI in the Bank Account electronically. Updation of E-Mail IDs and Mobile No(s) will enable sending communication relating to credit of dividend, unencashed dividend etc.

Shareholders holding shares in physical form may communicate details relating to their core banking account, Viz. 9 Digit MICR Code, 11 digit IFSC Code, E- Mail ID and Mobile No(s) to the Registrar and Share Transfer Agents viz. Datamatics Business Solutions Limited (formerly Datamatics Financial Services Limited,) having address at Plot No. B 5, Part B Crosslane, MIDC, Marol, Andheri (E), Mumbai-400 093, before June 21, 2019 by quoting the reference folio number and attaching a photocopy of the Cheque leaf of their active core banking account and also a self-attested copy of their PAN card and a utility payment (not more then six month old) / Bank Pass Book / Passport to validate the present address of the shareholder.

**Various modes for making payment of Dividends under Electronic mode:**

In case the shareholder has updated the complete and correct core banking account details (including 9 digit MICR Code and 11 digit IFSC code) before the record date, i.e. June 21, 2019, which is fixed for the purpose of payment of dividend, then the Bank shall make the payment of dividend to such shareholder under any one of the following modes:

1. National Automated Clearing House (NACH)
2. National Electronic Fund Transfer (NEFT)
3. Direct credit in case the bank account is with HDFC Bank Limited.

In case dividend paid by electronic mode is returned or rejected by the corresponding bank due to any 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 dividend warrant will be dispatch by the Registrars at the registered address of the shareholder.

**Transfer of Shares to Investors Education and Protection Fund (IEPF) Authority**

Pursuant to the applicable provisions of Section 124 (6) of the Companies Act, 2013 all shares in respect of which dividend has / have remained unpaid or unclaimed for consecutive seven years the corresponding shares have been transferred in the name of IEPF Authority which is being notified by the Ministry of Corporate Affairs, Government of India (MCA). The MCA has also notified the applicability of Section 124 (6) along with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund ) Rules, 2016 with effect from September 7, 2016 and Notification dated 28.02.2017 issued in this regard (Collectively the “IEPF Rules”). As per said IEPF Rules, Companies are required to transfer the shares in IEPF Authority where seven years as provided under Section 124 (5) have been completed and upon completion of 3 months from the date of the notification as stated hereinabove.

In compliance with the aforesaid provision your Bank has transferred 414423 shares to the INVESTOR EDUCATION AND PROTECTION FUND AUTHORITY MINISTRY OF CORPORATE AFFAIRS account (IEPF) bearing demat account no 12047200 13676780 which is opened with Central Depository Services Limited (CDSL) with Depository Participant at SBI CAP Securities Ltd. As required under the said provisions all subsequent corporate benefits that will be accrue in relation to the above shares will also be credited to the said IEPF Authority. During the year ended March 31, 2019 the IEPF Authority transferred 4685 shares against the claim received by them from the shareholders.

As per the terms of Section 124(6) of the Companies Act, 2013 the Rule 7 of the IEPF Rules the share holders can claim the shares from IEPF Authority by making an online application in Form IEPF 5 which is available at http://www.iepf.gov.in.

**Guidelines to file your claim** :-

Download the IEPF -5 form from the website of IEPF (http://www.iepf.gov.in) for filing the claim for refund of shares Read the instructions provided on the website/ instructions kit along with the e-form carefully before filling the form. After filling the form save it on your computer and submit the duly filled form by following the instructions given in the upload link on the website. On successful uploading the acknowledgment will be generated indicating the SRN. This SRN is to be used for future tracking of the form.

Printout of the duly filled IEPF -5 and the acknowledgment issued after uploading the form will have to be submitted together with an Indemnity Bond in original, Copy of acknowledgment and self attested copy of e-Form along with the other documents as mentioned in the Form IEPF-5 to Nodal Officer (IEPF) of the Bank in a envelope marked “Claim for refund from IEPF Authority”. In the process general information about the Bank which will have to be submitted are as under.

(a) Corporate Identification Number (CIN) of company :- L65920MH1994PLC080618

(b) Name of the company :- HDFC Bank Limited

(c) Address of registered office of the company :-

HDFC Bank House, Senapati Bapat Marg, Lower Parel (West), Mumbai 400013

(d) email ID of the company :- shareholder.grievances@hdfcbank.com

**Unclaimed Dividends**

As per the applicable provisions of the Companies Act, the Bank is statutorily required to transfer to the Investor Education & Protection Fund (IEPF) all dividends remaining unclaimed for a period of 7 (seven) years from the date they became due for payment. Dividends for and up to the financial year ended March 31, 2011 have already been transferred to the IEPF and the dividend for the financial year ended March 31, 2012 will be transferred to IEPF after July 12, 2019. The details of unclaimed dividends for the financial year 2011-2012 onwards and the last date for claiming such dividends are given below:

| Dividend for the year ended | Date of Declaration of dividend | Last date for claiming dividend |
|---|---|---|
| March 31, 2012 | July 13, 2012 | July 12, 2019 |
| March 31, 2013 | June 27, 2013 | June 26, 2020 |
| March 31, 2014 | June 25, 2014 | June 24, 2021 |
| March 31, 2015 | July 21, 2015 | July 20, 2022 |
| March 31, 2016 | July 21, 2016 | July 20, 2023 |
| March 31, 2017 | July 24, 2017 | July 23, 2024 |
| March 31, 2018 | June 29, 2018 | June 28, 2025 |

## B) SHARES LYING IN UNCLAIMED SUSPENSE ACCOUNT

| Particulars | Records / No of shareholders | Shares |
|---|---|---|
| Opening Balance as on April 1, 2018 | 1,923 | 4,01,780 |
| Add: Transfer during the year 2018-19 | 0 | 0 |
| Less: Claims received and shares transferred * | 144 | 49,470 |
| Less: Shares transferred to IEPF account | 0 | 0 |
| Closing Balance as on March 31, 2019 ** | **1,779** | **3,52,310** |

* Number of shareholders who approached the Bank for the transfer of shares from the suspense account.

** Voting rights on these shares shall remain frozen till the rightful owners of such shares claim these shares.

## 25th ANNUAL GENERAL MEETING

| | |
|---|---|
| Date | Friday, July 12, 2019 |
| Time | 2.30 p.m. |
| Place | Birla Matushri Sabhagar,<br>19, New Marine Lines,<br>Mumbai 400 020 |
| Record date for determining eligibility of Dividend | June 21, 2019 |
| Cut-off date for determining eligibility for e-voting | July 5, 2019 |

# AWARDS & ACCOLADES

**Euromoney Trade Finance Survey 2019**
Best Service (Asian Banks only) - India
Market Leader (Asian Banks only) - India

**The Financial Express India's Best Banks Awards 2017-18**
Best Bank - New Private Sector Category

**Mint - EY Emerging Technology Award 2019**
Winner - Robotic Process Automation (software) Category

**Asiamoney Best Bank Awards 2019**
Best Digital Bank (India)

**Finance Asia poll on Asia's Best Companies**
Best Managed Company - Rank #1
Best Growth Strategy - Rank #1
Best ECG - Rank #2
Best CEO - Rank #1 Aditya Puri

**AIMA-JRD Tata Corporate Leadership Award 2018**
Aditya Puri

**Outlook Money Awards 2019**
Best Private Sector Bank Award - Gold

**Euromoney Private Banking and Wealth Management Survey 2019**
No. 1 in Asset Management category

**Business Today - KPMG India's Best Bank Awards 2019**
Bank of the Year - HDFC Bank and SBI
Best Large Bank - HDFC Bank

**The Economic Times Corporate Excellence Awards 2018**
Company of the Year

**NASSCOM AI Game Changer Awards 2018**
Innovative Application in AI - Virtual Agent Engine

**Institutional Investor 2018 All-Asia Executive Team - Survey**
Best CEO: 2nd Rank
Best CFO: 1st Rank

**BrandZ India's Most Valuable Brands 2018**
HDFC Bank ranked No. 1 - for the 5th consecutive year

**BrandZ's Top 100 Global Brands List**
HDFC Bank featured in the coveted list for 4th consecutive year

**National Payments Excellence Awards 2018**
HDFC Bank wins NPCI National Payments Excellence Awards

**Barron's World's Top 30 CEOs**
Aditya Puri in prestigiouss Barron's list for 4th year

## STATUTORY AUDITORS

S.R. Batliboi & Co. LLP
**Chartered Accountants**

## REGISTERED OFFICE

HDFC Bank House, Senapati Bapat Marg,
Lower Parel, Mumbai 400 013
**Tel: + 91 22 6652 1000**
**Fax: + 91 22 2496 0737**

## CORPORATE IDENTIFICATION NUMBER

L65920MH1994PLC080618

## REGISTRARS & TRANSFER AGENTS

Datamatics Business Solutions Limited
(Formerly Datamatics Financial Services Limited)
Plot No. B 5, Part B,Crosslane, MIDC, Marol,
Andheri (East), Mumbai- 400 093
**Tel: + 91 22 6671 2213/14**
**Fax: + 91 22 6671 2011**
**e-mail: hdinvestors@datamaticsbpm.com**


Skill Development & Livelihood Enhancement

850 trees were saved by using recycled paper for printing the HDFC Bank Annual Report 2018-19