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 standalone financial statements of HDFC Bank Limited (“the Bank”), which comprise the Balance Sheet as at March 31, 2021, the Profit and Loss Account, Cash Flow Statement for the year then ended, and notes to the standalone 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, 2021 and its profit and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) 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 (“the ICAI”) 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 opinion.

Emphasis of Matter

We draw attention to Note 43 of Schedule 18 to the standalone financial statements, which describes the extent to which the COVID-19 pandemic will continue to impact the Bank’s standalone financial statements will depend on ongoing and future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the standalone financial statements of the current year. 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.

Identification of Non-performing advances (NPA) and provisioning on advances:
Total Loans and Advances (Net of Provision) as at March 31, 2021: ₹ 1,132,836 Crores
Provision for NPA as at March 31, 2021: ₹ 10,531 Crores
(Refer Schedule 9, Schedule 17(C)(2), Schedule 18(13))

Key Audit Matter	How our audit addressed the key audit matter
The Reserve Bank of India's ("RBI") guidelines on Income recognition and asset classification ("IRAC") prescribe the prudential norms for identification and classification of non-performing assets ("NPA") and the minimum provision required for such assets. The Bank is required to have Board approved policy as per IRAC guidelines for NPA identification and provision. 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 provision on NPA is estimated based on ageing and classification of NPAs, recovery estimates, nature of loan product, value of security and other qualitative factors and is subject to the minimum provisioning norms specified by RBI and approved policy of the Bank in this regard. 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 management of the Bank also made an assessment of the impact on borrowers' account due to COVID-19 pandemic and in line with the COVID-19 Regulatory Package announced by the RBI in respect of moratorium and restructuring of advances as relief measures to the borrowers. Additionally, the Bank has considered the impact of judgement, on identification of NPA and provision thereof, which was vacated as per Honourable Supreme Court Order on March 23, 2021 and the RBI circular dated April 7, 2021 in that connection. Since the identification of NPAs and provisioning for advances require significant level of estimation and given its significance to the overall audit including possible observation by RBI which could result into disclosure in the financial statements, we have ascertained identification and provisioning for NPAs as a key audit matter.	Tested the design and operating effectiveness of key controls (including application controls) over approval, recording, monitoring and recovery of loans, monitoring overdue / stressed accounts, identification of NPA, provision for NPA and valuation of security and collateral. Testing of Application controls include testing of automated controls, reports and system reconciliations. Evaluated the governance process and review controls over calculations of provision of non-performing advances, basis of provisioning in accordance with the Board approved policy. Selected the borrowers based on quantitative and qualitative risk factors for their assessment of appropriate classification as NPA including computation of overdue ageing to assess its correct classification and provision amount as per extant IRAC norms and the Bank policy. Performed other substantive procedures included and not limited to the following: • Selected samples of performing loans and assessed independently as to whether those should be classified as NPA; • For samples selected reviewed the collateral valuation, financial statements and other qualitative information; • Considered 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; • For selected samples assessed independently accounts that can potentially be classified as NPA and Red Flagged Accounts; • Performed 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 needed to be considered as NPA; • Examined the early warning reports generated by the Bank to identify stressed loan accounts; • Held 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; • Selected samples for standard accounts, default but standard accounts and overdue accounts and assessed compliance with RBI circular on COVID-19 Regulatory Package; • Selected and tested samples of accounts which were restructured under MSME restructuring circular and Resolution Framework for COVID-19 related stress circular for their compliance with the RBI directions; and • Selected samples of accounts which were not declared as NPA due to the interim order of Honourable Supreme Court and later on due to the vacation of the interim order and the RBI circular in that connection to ensure the asset classification of borrower accounts has been continued as per the extant RBI instructions / IRAC norms. Assessed the adequacy of disclosures against the relevant accounting standards and RBI requirements relating to NPAs.

Evaluation of litigations included in Contingent Liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
Taxes	₹ 1,268 Crores	₹ 1,292 Crores
Legal Cases	₹ 228 Crores	₹ 92 Crores

(Refer Schedule 12, Schedule 17(C)(18), Schedules 18(18)(d)(1) and (2))

Key Audit Matter	How our audit addressed the key audit matter
The Bank has material open tax litigations including matters under dispute which involve significant judgement to determine the possible outcome of these disputes. Significant management judgement is needed in determining whether an obligation exists and whether a provision should be recognised as at the reporting date, in accordance with the accounting criteria set under Accounting Standard 29 - Provisions, Contingent Liabilities and Contingent Assets ('AS 29'), or whether it needs to be disclosed as a contingent liability. Further significant judgements are also involved in measuring such obligations, the most significant of which are: • Assessment of liability: Judgement is involved in the determination of whether an outflow in respect of identified material matters are probable and can be estimated reliably; • Adequacy of provisions: The appropriateness of assumptions and judgements used in the estimation of significant provisions; and • Adequacy of disclosures of provision for liabilities and charges, and contingent liabilities. The Bank's assessment is supported by the facts of matter, their own judgement, experience, and advises from legal and independent tax consultants wherever considered necessary. Since the assessment of these open litigations requires significant level of judgement in interpretation of law, we have included this as a key audit matter.	Our Audit procedures with respect to this matter included: Testing the design and operating effectiveness of the Bank's key controls over the estimation, monitoring and disclosure of provisions and contingent liabilities. Our substantive audit procedures included and were not limited to the following: • Obtained an understanding of the Bank's process for determining tax liabilities, tax provisions and contingent liabilities pertaining to legal matters and taxation matters; • Obtained list of cases / matters in respect of which litigations were outstanding as at reporting date; ➢ For significant legal matters, we sought external confirmations and also corroborated with management's documented conclusions on the assessment of outstanding litigations against the Bank; ➢ For significant taxation matters, we involved our tax specialist to gain an understanding of the current status of the litigations, including understanding of various orders / notices received by the Bank and the management's grounds of appeals before the relevant appellate authorities. • Evaluated the merit of the subject matter under consideration with reference to the grounds presented therein and available independent legal / tax advice; and • Agreed underlying tax balances to supporting documentation, including correspondence with tax authorities. Assessed the disclosures within the standalone financial statements in this regard.

Information Technology ("IT") Systems and Controls	
Key Audit Matter	**How our audit addressed the key audit matter**
The Bank has a complex IT architecture to support its day-to-day business operations. High volume of transactions is processed and recorded on single or multiple applications. 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. Appropriate IT general controls and application controls are required to ensure that such IT systems are able to process the data, as required, completely, accurately and consistently for reliable financial reporting. We have identified 'IT systems and controls' as key audit matter because of the high level automation, significant number of systems being used by the management and the complexity of the IT architecture and its impact on the financial reporting system.	Our Audit procedures with respect to this matter included: 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. Obtained a comprehensive understanding of IT applications landscape implemented at the Bank. It was followed by process understanding, mapping of applications to the same and understanding financial risks posed by people-process and technology. Key IT audit procedures includes testing design and operating effectiveness of key controls operating over user access management (which includes user access provisioning, de-provisioning, access review, password configuration review, segregation of duties and privilege access), change management (which include change release in production environment are compliant to the defined procedures and segregation of environment is ensured), program development (which include review of data migration activity), computer operations (which includes testing of key controls pertaining to, backup, Batch processing (including interface testing), incident management and data centre security), System interface controls. This included testing that requests for access to systems were appropriately logged, reviewed and authorized. Also, entity level controls pertaining to policy and procedure and Business continuity plan assessment due impact of COVID-19 was also part of our audit procedure. In addition to the above, the design and operating effectiveness of certain automated controls, that were considered as key internal system controls over financial reporting were tested. Using various techniques such as inquiry, review of documentation / record / reports, observation and re-performance. We also tested few controls using negative testing technique. We had taken adequate samples of instances for our test. Tested compensating controls and performed alternate procedures, where necessary. In addition, understood where relevant, changes made to the IT landscape during the audit period.

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 comprises the information 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 and, in doing so, consider whether the 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, 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 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 and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act and the Banking Regulation Act, 1949 and circulars, guidelines and directions issued by the Reserve Bank of India from time to time (the "RBI Guidelines") as applicable to Bank. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act and the RBI Guidelines 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 judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, the Board of Directors 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 the Board of Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors 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 judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 internal financial controls with reference to financial statements 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 the Management of the Bank.

- 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 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 financial statements, including the disclosures, and whether the 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, 2021 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.

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 Act and relevant rules issued thereunder.

2. As required by sub-section 3 of Section 30 of the Banking Regulation Act, 1949, 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 purpose of our audit and have found them to be satisfactory;

   b) The transactions of the Bank, which have come to our notice during the course of our audit, have been within the powers of the Bank;

   c) Since the key operations of the Bank are automated with the key applications integrated to the core banking system, the audit is carried out centrally as all the necessary records and data required for the purposes of our audit are available therein. However, during the course of our audit we visited 98 branches.

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 purpose 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 and 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 and relevant rules made thereunder to the extent they are not inconsistent with the accounting policies prescribed by the Reserve Bank of India;

   e) On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 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 with reference to financial statements of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A";

   g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of Section 197(16) of the Act, as amended;

   The Bank is a Banking Company as defined under Banking Regulation Act, 1949. Accordingly, the requirements prescribed under Section 197 of the Companies Act, 2013 do not apply; 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, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:
      i. The Bank has disclosed the impact of pending litigations on its financial position in its standalone financial statements - Refer Schedule 12, Schedule 17(C)(18) and Schedules 18(18)(d)(1) and (2) to 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 Schedule 17(C)(8) and 17(C)(18), Schedule 18(12) and Schedule 18(18)(d) to 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 MSKA & Associates
Chartered Accountants
ICAI Firm Registration Number: 105047W

Swapnil Kale
Partner
Membership Number: 117812

UDIN: 21117812AAAADS7710

Mumbai
April 17, 2021

Annexure A to the Independent Auditor's Report of even date on the Standalone Financial Statements of HDFC Bank Limited

[Referred to in paragraph 3(f) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditor's Report of even date to the Members of HDFC Bank Limited on the Financial Statements for the year ended March 31, 2021]

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

We have audited the internal financial controls with reference to financial statements of HDFC Bank Limited ("the Bank") as of March 31, 2021 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 Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal control with reference to financial statements 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 (ICAI) (the "Guidance Note"). These responsibilities include the design, implementation and maintenance of internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI 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 internal financial controls with reference to financial statements 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 with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

Meaning of Internal Financial Controls With reference to Financial Statements

A Bank's internal financial control with reference to financial statements 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 Bank's internal financial control with reference to financial statements 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 Bank; (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 Bank are being made only in accordance with authorizations of management and directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Bank's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls With reference to Financial Statements

Because of the inherent limitations of internal financial controls with reference to financial statements, 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 with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements 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, adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2021, based on the internal control with reference to financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note.

For MSKA & Associates
Chartered Accountants
ICAI Firm Registration Number: 105047W

Swapnil Kale
Partner
Membership Number: 117812

UDIN: 21117812AAAADS7710

Mumbai
April 17, 2021

Balance Sheet

As at March 31, 2021

₹ in '000

	Schedule	As at 31-Mar-21	As at 31-Mar-20
CAPITAL AND LIABILITIES			
Capital	1	5,512,776	5,483,286
Reserves and surplus	2	2,031,695,513	1,704,377,008
Deposits	3	13,350,602,208	11,475,022,947
Borrowings	4	1,354,873,236	1,446,285,372
Other liabilities and provisions	5	726,021,504	673,943,976
Total		17,468,705,237	**15,305,112,589**
ASSETS			
Cash and balances with Reserve Bank of India	6	973,407,363	722,051,210
Balances with banks and money at call and short notice	7	221,296,594	144,135,970
Investments	8	4,437,282,921	3,918,266,581
Advances	9	11,328,366,309	9,937,028,781
Fixed assets	10	49,093,169	44,319,155
Other assets	11	459,258,881	539,310,892
Total		17,468,705,237	**15,305,112,589**
Contingent liabilities	12	9,710,975,961	11,289,534,044
Bills for collection		447,481,440	515,849,020
Significant accounting policies and notes to the financial statements The schedules referred to above form an integral part of the Balance Sheet.	17 & 18		

As per our report of even date

For MSKA & Associates
Chartered Accountants
ICAI Firm Registration Number: 105047W

Swapnil Kale
Partner
Membership Number: 117812

Mumbai, April 17, 2021

For and on behalf of the Board

Umesh Chandra Sarangi
Independent Director

Sashidhar Jagdishan
Managing Director & CEO

Kaizad Bharucha
Executive Director

Srinivasan Vaidyanathan
Chief Financial Officer

Santosh Haldankar
Company Secretary

Profit and Loss Account

For the year ended March 31, 2021

₹ in '000

	Schedule	Year ended 31-Mar-21	Year ended 31-Mar-20
I INCOME			
Interest earned	13	1,208,582,265	1,148,126,509
Other income	14	252,048,927	232,608,187
Total		1,460,631,192	**1,380,734,696**
II EXPENDITURE			
Interest expended	15	559,786,560	586,263,979
Operating expenses	16	327,226,301	306,975,289
Provisions and contingencies [Refer Schedule 18 (24)]		262,453,079	224,922,278
Total		1,149,465,940	**1,118,161,546**
III PROFIT			
Net profit for the year		311,165,252	262,573,150
Balance in the Profit and Loss account brought forward		574,924,020	492,233,022
Total		886,089,272	**754,806,172**
IV APPROPRIATIONS			
Transfer to Statutory Reserve		77,791,313	65,643,288
Dividend (including tax / cess thereon) pertaining to previous year paid during the year, net of dividend tax credits		-	48,933,585
Interim Dividend (including tax)		-	16,469,504
Transfer to General Reserve		31,116,525	26,257,315
Transfer to Capital Reserve		22,916,842	11,238,460
Transfer to / (from) Investment Reserve Account		616,645	-
Transfer to / (from) Investment Fluctuation Reserve		17,120,000	11,340,000
Balance carried over to Balance Sheet		736,527,947	574,924,020
Total		886,089,272	**754,806,172**
V EARNINGS PER EQUITY SHARE (Face value ₹ 1 per share)		₹	₹
Basic		56.58	48.01
Diluted		56.32	47.66
Significant accounting policies and notes to the financial statements The schedules referred to above form an integral part of the Profit and Loss Account.	17 & 18		

As per our report of even date

For MSKA & Associates
Chartered Accountants
ICAI Firm Registration Number: 105047W

Swapnil Kale
Partner
Membership Number: 117812

Mumbai, April 17, 2021

For and on behalf of the Board

Umesh Chandra Sarangi
Independent Director

Sashidhar Jagdishan
Managing Director & CEO

Kaizad Bharucha
Executive Director

Srinivasan Vaidyanathan
Chief Financial Officer

Santosh Haldankar
Company Secretary

Cash Flow Statement

For the year ended March 31, 2021

₹ in '000

	Year ended 31-Mar-21	Year ended 31-Mar-20
Cash flow from / (used in) operating activities		
Profit before income tax	416,589,837	366,071,513
Adjustments for :		
Depreciation on fixed assets	13,024,133	11,958,533
(Profit) / loss on revaluation of investments	14,853,243	7,021,095
Amortisation of premium on held to maturity investments	7,654,693	5,014,137
(Profit) / loss on sale of fixed assets	(15,407)	83,208
Provision / charge for non performing assets	116,499,658	93,523,605
Provision for standard assets and contingencies	42,694,827	30,515,777
Dividend from subsidiaries	(4,830,434)	(4,237,182)
	606,470,550	**509,950,686**
Adjustments for :		
(Increase) / decrease in investments	(525,406,084)	(999,216,055)
(Increase) / decrease in advances	(1,509,246,390)	(1,836,404,567)
Increase / (decrease) in deposits	1,875,579,261	2,243,613,663
(Increase) / decrease in other assets	100,182,759	(71,801,285)
Increase / (decrease) in other liabilities and provisions	(6,756,511)	91,939,987
	540,823,585	**(61,917,571)**
Direct taxes paid (net of refunds)	(125,875,723)	(104,980,179)
Net cash flow from / (used in) operating activities	**414,947,862**	**(166,897,750)**
Cash flows from / (used in) investing activities		
Purchase of fixed assets	(16,173,763)	(15,468,752)
Proceeds from sale of fixed assets	141,637	182,351
Dividend from subsidiaries	4,830,434	4,237,182
Net cash flow used in investing activities	**(11,201,692)**	**(11,049,219)**
Cash flow (used in) / from financing activities		
Proceeds from issue of share capital, net of issue expenses	17,600,995	18,486,821
Redemption of Tier II capital bonds	(11,050,000)	-
Increase / (decrease) in other borrowings	(80,362,136)	275,434,134
Dividend paid during the year (including tax on dividend)	-	(65,403,089)
Net cash flow (used in) / from financing activities	**(73,811,141)**	**228,517,866**
Effect of exchange fluctuation on translation reserve	**(1,418,252)**	**2,139,891**
Net increase / (decrease) in cash and cash equivalents	**328,516,777**	**52,710,788**
Cash and cash equivalents as at April 1st	**866,187,180**	**813,476,392**
Cash and cash equivalents as at March 31st	**1,194,703,957**	**866,187,180**

As per our report of even date

For MSKA & Associates
Chartered Accountants
ICAI Firm Registration Number: 105047W

Swapnil Kale
Partner
Membership Number: 117812

Mumbai, April 17, 2021

For and on behalf of the Board

Umesh Chandra Sarangi
Independent Director

Sashidhar Jagdishan
Managing Director & CEO

Kaizad Bharucha
Executive Director

Srinivasan Vaidyanathan
Chief Financial Officer

Santosh Haldankar
Company Secretary

Schedules to the Financial Statements

As at March 31, 2021

₹ in '000

	As at 31-Mar-21	As at 31-Mar-20
SCHEDULE 1 - CAPITAL		
Authorised capital		
6,50,00,00,000 (31 March, 2020 : 6,50,00,00,000) Equity Shares of ₹ 1/- each	6,500,000	6,500,000
Issued, subscribed and paid-up capital		
5,51,27,76,482 (31 March, 2020 : 5,48,32,86,460) Equity Shares of ₹ 1/- each	5,512,776	5,483,286
Total	**5,512,776**	**5,483,286**
SCHEDULE 2 - RESERVES AND SURPLUS		
I Statutory reserve		
Opening balance	345,814,380	280,171,092
Additions during the year	77,791,313	65,643,288
Total	**423,605,693**	**345,814,380**
II General reserve		
Opening balance	136,491,358	110,234,043
Additions during the year	31,116,525	26,257,315
Total	**167,607,883**	**136,491,358**
III Balance in profit and loss account	**736,527,947**	**574,924,020**
IV Share premium		
Opening balance	587,555,328	569,105,180
Additions during the year	17,571,505	18,450,148
Total	**605,126,833**	**587,555,328**
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	26,647,724	15,409,264
Additions during the year	22,916,842	11,238,460
Total	**49,564,566**	**26,647,724**
VII Investment reserve		
Opening balance	-	-
Additions during the year	616,645	-
Total	**616,645**	**-**
VIII Investment fluctuation reserve		
Opening balance	19,070,000	7,730,000
Additions during the year	17,120,000	11,340,000
Total	**36,190,000**	**19,070,000**
IX Foreign currency translation account		
Opening balance	3,238,634	1,098,743
Additions / (deductions) during the year	(1,418,252)	2,139,891
Total	**1,820,382**	**3,238,634**
Total	**2,031,695,513**	**1,704,377,008**

Schedules to the Financial Statements

As at March 31, 2021

₹ in '000

	As at 31-Mar-21	As at 31-Mar-20
SCHEDULE 3 - DEPOSITS		
A I Demand deposits		
(i) From banks	38,701,928	36,285,672
(ii) From others	2,083,119,132	1,706,193,073
Total	**2,121,821,060**	**1,742,478,745**
II Savings bank deposits	4,035,000,577	3,103,771,353
III Term deposits		
(i) From banks	106,458,399	136,163,876
(ii) From others	7,087,322,172	6,492,608,973
Total	**7,193,780,571**	**6,628,772,849**
Total	**13,350,602,208**	**11,475,022,947**
B I Deposits of branches in India	13,291,717,787	11,426,592,411
II Deposits of branches outside India	58,884,421	48,430,536
Total	**13,350,602,208**	**11,475,022,947**
SCHEDULE 4 - BORROWINGS		
I Borrowings in India		
(i) Reserve Bank of India	90,200,000	17,260,000
(ii) Other banks	8,860,455	11,339,756
(iii) Other institutions and agencies	659,354,025	696,576,700
(iv) Upper and lower tier II capital and innovative perpetual debts	171,270,000	182,320,000
(v) Bonds and Debentures (excluding subordinated debt)	186,750,000	186,750,000
Total	**1,116,434,480**	**1,094,246,456**
II Borrowings outside India	238,438,756	352,038,916
Total	**1,354,873,236**	**1,446,285,372**

Secured borrowings included in I and II above: Nil (previous year: Nil) except borrowings of ₹ 44,625.92 crore (previous year: ₹ 52,524.20 crore) under repurchase transactions (including tri-party repo) and transactions under Liquidity Adjustment Facility and Marginal Standing Facility.

	As at 31-Mar-21	As at 31-Mar-20
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I Bills payable	124,241,904	75,837,207
II Interest accrued	62,334,334	68,199,560
III Others *(including provisions)*	486,411,605	485,528,626
IV Contingent provisions against standard assets	53,033,661	44,378,583
Total	**726,021,504**	**673,943,976**
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I Cash in hand *(including foreign currency notes)*	106,925,639	92,076,984
II Balances with Reserve Bank of India:		
(a) In current accounts	594,421,724	377,974,226
(b) In other accounts	272,060,000	252,000,000
Total	**866,481,724**	**629,974,226**
Total	**973,407,363**	**722,051,210**

₹ in '000

	As at 31-Mar-21	As at 31-Mar-20
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I In India		
(i) Balances with banks:		
(a) In current accounts	8,333,753	1,717,287
(b) In other deposit accounts	9,869	1,759,869
Total	**8,343,622**	**3,477,156**
(ii) Money at call and short notice:		
(a) With banks	-	-
(b) With other institutions	-	-
Total	**-**	**-**
Total	**8,343,622**	**3,477,156**
II Outside India		
(i) In current accounts	110,344,840	47,628,696
(ii) In deposit accounts	3,909,632	10,176,943
(iii) Money at call and short notice	98,698,500	82,853,175
Total	212,952,972	140,658,814
Total	**221,296,594**	**144,135,970**
SCHEDULE 8 - INVESTMENTS		
A Investments in India in		
(i) Government securities	3,511,410,385	3,230,399,049
(ii) Other approved securities	-	-
(iii) Shares	4,332,926	4,044,055
(iv) Debentures and bonds	617,897,218	264,503,537
(v) Subsidiaries / joint ventures	38,264,875	38,264,875
(vi) Others (Units, CDs, CPs, PTCs and security receipts)	241,696,270	359,227,260
Total	**4,413,601,674**	**3,896,438,776**
B Investments outside India in		
(i) Government securities (including Local Authorities)	5,936,075	8,409,391
(ii) Other investments		
(a) Shares	35,024	35,024
(b) Debentures and bonds	17,710,148	13,383,390
Total	**23,681,247**	**21,827,805**
Total	**4,437,282,921**	**3,918,266,581**
SCHEDULE 9 - ADVANCES		
A (i) Bills purchased and discounted	345,427,765	387,832,198
(ii) Cash credits, overdrafts and loans repayable on demand	2,559,778,239	2,340,489,951
(iii) Term loans	8,423,160,305	7,208,706,632
Total	**11,328,366,309**	**9,937,028,781**
B (i) Secured by tangible assets*	7,618,839,623	6,812,916,518
(ii) Covered by bank / government guarantees	393,758,390	201,580,178
(iii) Unsecured	3,315,768,296	2,922,532,085
Total	**11,328,366,309**	**9,937,028,781**
* Including advances against book debts		
C I Advances in India		
(i) Priority sector	2,574,675,399	2,541,995,300
(ii) Public sector	1,199,082,740	623,353,731
(iii) Banks	85,383,854	68,550,435
(iv) Others	7,153,125,825	6,419,015,531
Total	**11,012,267,818**	**9,652,914,997**

Schedules to the Financial Statements

As at March 31, 2021

₹ in '000

	As at 31-Mar-21	As at 31-Mar-20
C II Advances outside India		
(i) Due from banks	55,276,539	33,250,983
(ii) Due from others		
(a) Bills purchased and discounted	63,490	51,070
(b) Syndicated loans	8,347,907	12,531,145
(c) Others	252,410,555	238,280,586
Total	**316,098,491**	**284,113,784**
Total	**11,328,366,309**	**9,937,028,781**
(Advances are net of provisions)		
SCHEDULE 10 - FIXED ASSETS		
A Premises (including land)		
Gross block		
At cost on 31 March of the preceding year	18,636,852	17,984,742
Additions during the year	1,745,137	737,974
Deductions during the year	(98,150)	(85,864)
Total	20,283,839	18,636,852
Depreciation		
As at 31 March of the preceding year	6,341,803	5,786,797
Charge for the year	660,308	630,315
On deductions during the year	(93,276)	(75,309)
Total	**6,908,835**	**6,341,803**
Net block	**13,375,004**	**12,295,049**
B Other fixed assets *(including furniture and fixtures)*		
Gross block		
At cost on 31 March of the preceding year	111,296,870	100,927,994
Additions during the year	16,176,309	15,512,364
Deductions during the year	(2,757,617)	(5,143,488)
Total	**124,715,562**	**111,296,870**
Depreciation		
As at 31 March of the preceding year	79,272,764	72,825,896
Charge for the year	12,360,893	11,335,351
On deductions during the year	(2,636,260)	(4,888,483)
Total	**88,997,397**	**79,272,764**
Net block	**35,718,165**	**32,024,106**
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**

₹ in '000

	As at 31-Mar-21	As at 31-Mar-20
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	**49,093,169**	**44,319,155**
SCHEDULE 11 - OTHER ASSETS		
I Interest accrued	118,762,922	103,041,783
II Advance tax / tax deducted at source (net of provisions)	36,071,347	25,983,290
III Stationery and stamps	434,856	430,930
IV Non banking assets acquired in satisfaction of claims	512,557	-
V Bond and share application money pending allotment	225,000	-
VI Security deposit for commercial and residential property	5,483,331	5,410,271
VII Others*	297,768,868	404,444,618
Total	**459,258,881**	**539,310,892**

*Includes deferred tax asset (net) of ₹ 4,937.76 crore (previous year: ₹ 3,835.45 crore) and deposits placed with NABARD / SIDBI / NHB on account of shortfall in lending to priority sector of ₹ 9,320.37 crore (previous year: ₹ 9,196.86 crore)

	As at 31-Mar-21	As at 31-Mar-20
SCHEDULE 12 - CONTINGENT LIABILITIES		
I Claims against the bank not acknowledged as debts - taxation	12,677,596	12,919,109
II Claims against the bank not acknowledged as debts - others	2,275,100	915,938
III Liability on account of outstanding forward exchange contracts	4,964,726,675	6,079,194,921
IV Liability on account of outstanding derivative contracts	3,577,046,284	4,130,061,603
V Guarantees given on behalf of constituents - in India	751,195,338	590,864,399
- outside India	1,800,917	859,639
VI Acceptances, endorsements and other obligations	376,536,252	440,232,727
VII Other items for which the Bank is contingently liable	24,717,799	34,485,708
Total	**9,710,975,961**	**11,289,534,044**

	Year ended 31-Mar-21	Year ended 31-Mar-20
SCHEDULE 13 - INTEREST EARNED		
I Interest / discount on advances / bills	948,345,362	917,878,779
II Income from investments	232,142,691	206,333,232
III Interest on balance with RBI and other inter-bank funds	23,412,507	18,289,329
IV Others	4,681,705	5,625,169
Total	**1,208,582,265**	**1,148,126,509**
SCHEDULE 14 - OTHER INCOME		
I Commission, exchange and brokerage	161,693,202	163,336,852
II Profit / (loss) on sale of investments (net)	53,523,204	26,364,839
III Profit / (loss) on revaluation of investments (net)	(14,853,243)	(7,021,095)
IV Profit / (loss) on sale of building and other assets (net)	484,014	257,807
V Profit / (loss) on exchange / derivative transactions (net)	24,384,132	21,547,462
VI Income earned by way of dividends from subsidiaries / associates and / or joint ventures abroad / in India	4,830,434	4,237,182
VII Miscellaneous income	21,987,184	23,885,140
Total	**252,048,927**	**232,608,187**

₹ in '000

	Year ended 31-Mar-21	Year ended 31-Mar-20
SCHEDULE 15 - INTEREST EXPENDED		
I Interest on deposits	501,433,080	508,037,575
II Interest on RBI / inter-bank borrowings	58,225,908	78,033,042
III Other interest	127,572	193,362
Total	**559,786,560**	**586,263,979**
SCHEDULE 16 - OPERATING EXPENSES		
I Payments to and provisions for employees	103,647,937	95,256,682
II Rent, taxes and lighting	16,981,899	16,584,727
III Printing and stationery	4,291,454	4,466,320
IV Advertisement and publicity	954,746	979,091
V Depreciation on bank's property	13,024,133	11,958,533
VI Directors' fees / remuneration, allowances and expenses	51,433	37,041
VII Auditors' fees and expenses	46,273	37,823
VIII Law charges	1,366,427	1,587,423
IX Postage, telegram, telephone etc.	4,807,651	4,275,952
X Repairs and maintenance	16,162,822	12,675,704
XI Insurance	17,228,235	12,292,295
XII Other expenditure*	148,663,291	146,823,698
Total	**327,226,301**	**306,975,289**

*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, 2021

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 Third Schedule of the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time (RBI guidelines), 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 or prices published by Financial Benchmarks India Pvt Ltd. (FBIL) with Fixed Income Money Market and Derivatives Association (FIMMDA) as the calculating agent. Investments denominated in foreign currencies are valued based on the prices provided by market information providers such as Bloomberg, Refinitiv etc.

The market value of unquoted government of India securities, state government securities and special bonds such as oil bonds, fertilizer bonds etc. which are directly issued by the government of India is computed as per the prices published by FBIL with FIMMDA as the calculating agent. These prices are calculated by FIMMDA in accordance with the extant RBI guidelines.

The valuation of other unquoted fixed income securities (viz. other approved securities and bonds and debentures), and preference shares, is done with appropriate mark-up over the Yield to Maturity (YTM) rates for government of India securities as published by FBIL with FIMMDA as the calculating agent.

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 net asset value declared by the respective schemes of the mutual fund.

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

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

Investments in unquoted Venture Capital Fund (VCF) are categorised, at the discretion of the Bank, under HTM category for an initial period of three years and valued at cost during this period, in accordance with the RBI guidelines. Such investments are transferred to the AFS category after the said period of three years and valued at NAV shown by the VCF in its financial statements. At least once a year, the units are valued based on the latest audited financials of the VCF if available or at ₹ 1 per VCF as per the RBI guidelines.

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 of India securities published by FBIL with FIMMDA as the calculating agent.

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 of India Ltd., 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. Restructuring of an account is done at a borrower level.

In accordance with the RBI guidelines on the prudential framework for resolution of stressed assets and the resolution framework for COVID-19 related stress, the Bank in accordance with its Board approved policy, carried out one-time restructuring of eligible borrowers. The asset classification and necessary provisions thereon are done in accordance with the said RBI guidelines.

3 Securitisation and transfer of assets

Assets transferred through securitisation and direct assignment of cash flows 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 borrowings. In accordance with RBI guidelines, the Bank amortises any profit received for a securitisation or direct assignment transaction based on the method prescribed and any loss arising therefrom is recognised in the Profit and Loss Account at the time of sale.

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

In accordance with RBI guidelines on sale of non-performing advances, if the sale is at a price below the net book value (i.e., book value less provisions held), the shortfall is charged to the 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.

In respect of stressed assets sold by the Bank under an asset securitisation, where the investment by the bank in security receipts (SRs) backed by the assets sold by it is more than 10 percent of such SRs, in accordance with RBI guidelines, provisions held are higher of the provisions required in terms of net asset value declared by the Securitisation Company ('SC') / Reconstruction Company ('RC') and provisions as per the extant norms applicable to the underlying loans, notionally treating the book value of these SRs as the corresponding stressed loans assuming the loans remained in the books of the Bank.

The Bank invests in Pass Through Certificates (PTCs) issued by other Special Purpose Vehicles (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 Priority Sector Lending Certificates (PSLCs)

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 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.

5 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 Part C of Schedule II 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 equipments and installations	6 to 10 years	10 years
Office equipments	3 to 6 years	5 years
Computers	3 years	3 years
Modems, routers, switches, servers, network and related IT equipments	3 to 6 years	6 years
Motor cars	4 years	8 years
Furniture and fittings	16 years	10 years

- Improvements to lease hold premises are charged off over the remaining primary period of lease.
- Software and system development expenditure is depreciated over a period of 5 years.
- Point of sales terminals are depreciated over a period of 4 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 (other than POS terminals) costing less than ₹ 5,000 individually, are fully depreciated in the year of purchase.

6 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.

7 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 revaluation 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 and the extant RBI guidelines.

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.

8 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 derived using the MIFOR and LIBOR curves. For other currency pairs, the forward points (for rates / tenors not published by FEDAI) are obtained from Refinitiv or Bloomberg for valuation of the forex deals. Valuation is considered on present value basis, as directed by FEDAI. For this purpose, 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 premium 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.

9 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.

10 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 and whole time directors. 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 has an obligation towards gratuity, a defined benefit retirement plan covering all eligible employees. The plan benefit vests upon completion of five years of service and is in the form of lump sum amount, without an upper limit, equivalent to 15 days' basic salary payable for each completed year of service to all eligible employees on resignation, retirement, death while in employment or on termination of employment. The Bank makes contributions to a recognized Gratuity Trust administered by trustees and whose funds are managed by 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. The actuarial calculations entails assumptions about demographics, early retirement, salary increases and interest rates. Actuarial gain or loss is recognised in the Profit and Loss Account.

Superannuation:

The Bank has a Superannuation Plan under which employees of the Bank, above a prescribed grade, are entitled to receive retirement benefits either through salary or under a defined contribution plan. For those opting for a defined contribution plan, 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 employees of the erstwhile Centurion Bank of Punjab (eCBoP) staff) to a Trust administered by trustees and whose funds are managed by insurance companies. The Bank has no liability towards future superannuation fund benefits other than its contribution, and recognises such contribution as an expense in the year incurred.

Provident fund:

The Bank is covered under the Employees Provident Fund and Miscellaneous Provisions Act, 1952 and accordingly 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 Office. The balance amount of the 12% employer's share is contributed to an exempted Trust set up by the Bank 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 exempted 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 applicable government social security 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:

The Bank has a policy of encashing unavailed leave for eLKB employees under Indian Banks' Association (IBA) structure. The Bank provides for leave encashment 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 trust set up by the Bank and administered by the Board of Trustees and an additional amount towards the liability shortfall 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) based 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.

11 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.

12 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 accounted at the time of sale to the customers and reported as "Other Income".

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

13 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.

14 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.

15 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.

16 Share issue expenses

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

17 Segment information

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

18 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.

19 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.

20 Corporate social responsibility

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

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2021

Amounts in notes forming part of the financial statements for the year ended March 31, 2021 are denominated in rupee crore to conform to extant RBI guidelines, except where stated otherwise.

1. Proposed dividend

The Reserve Bank of India (RBI), vide notification dated December 04, 2020, stated that in view of the ongoing stress and heightened uncertainty on account of COVID-19, banks should continue to conserve capital to support the economy and absorb losses. The notification also stated that in order to further strengthen the banks' balance sheets, while at the same time support lending to the real economy, banks shall not make any dividend payment on equity shares from the profits pertaining to the financial year ended March 31, 2020. The Bank did not declare final dividend for the financial year ended March 31, 2020.

Given that the current "second wave" has significantly increased the number of COVID-19 cases in India and uncertainty remains, the Board of Directors of the Bank, at its meeting held on April 17, 2021, has considered it prudent to currently not propose dividend for the financial year ended March 31, 2021. The Board shall reassess the position based on any further guidelines from the RBI in this regard.

2. Special Dividend

During the previous year ended March 31, 2020 the Bank had paid Special Interim Dividend of ₹ 5 per equity share of face value of ₹ 2 each (pre-split) for the financial year 2019-20, to commemorate 25 years of the Bank's operation, aggregating to ₹ 1,646.95 crore inclusive of tax on dividend.

3. Sub-division of Equity Shares

During the previous year ended March 31, 2020, the shareholders of the Bank at the 25th Annual General Meeting held on July 12, 2019 approved sub-division (split) of one equity share of the Bank from face value of ₹ 2/- each into two equity shares of face value of ₹ 1/- each. All shares and per share information in the financial statements reflect the effect of sub-division (split) retrospectively.

4. Capital adequacy

The Bank's capital to risk-weighted assets ratio ('Capital Adequacy Ratio') as at March 31, 2021 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 31-Mar		
	2019	2020	2021
Common equity tier 1 (CET 1)	7.525	7.575	7.575
Tier I capital	9.025	9.075	9.075
Total capital	**11.025**	**11.075**	**11.075**

The above minimum CET 1, tier I and total capital ratio requirements include capital conservation buffer (CCB) and additional capital applicable to our Bank being Domestic-Systemically Important Bank (D-SIB).

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

(₹ crore)

Particulars	As at 31-Mar	
	2021	2020
Tier I capital	198,587.36	171,414.44
Of which CET 1 capital	190,602.36	163,414.44
Tier II capital	13,958.94	12,843.41
Total capital	**212,546.30**	**184,257.85**
Total risk weighted assets	**1,131,143.88**	**994,715.74**
Capital adequacy ratios under Basel III		
Tier I	17.56%	17.23%
Of which CET 1	16.85%	16.43%
Tier II	1.23%	1.29%
Total	**18.79%**	**18.52%**

During the year ended March 31, 2021 and March 31, 2020, the Bank has not raised Additional Tier I and Tier II capital.

As on March 31, 2021, the Bank's subordinated and perpetual debt capital instruments amounted to ₹ 9,127.00 crore (previous year : ₹ 10,232.00 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

During the year ended March 31, 2021, the Bank allotted 2,94,90,022 equity shares (previous year: 3,66,73,240 equity shares) aggregating to face value ₹ 2.95 crore (previous year: ₹ 3.67 crore) in respect of stock options exercised. Accordingly, the share capital increased by ₹ 2.95 crore (previous year: ₹ 3.67 crore) and the share premium increased by ₹ 1,757.15 crore (previous year: ₹ 1,845.01 crore).

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

Particulars	March 31, 2021	March 31, 2020
Opening balance	548.33	544.66
Addition pursuant to stock options exercised	2.95	3.67
Closing balance	551.28	548.33

5. 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 ₹ 31,116.53 crore (previous year: ₹ 26,257.32 crore) and the weighted average number of equity shares outstanding during the year of 5,49,96,68,151 (previous year: 5,46,88,02,148).

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

Particulars	For the years ended	
	March 31, 2021	March 31, 2020
Nominal value per share (₹)	1.00	1.00
Basic earnings per share (₹)	56.58	48.01
Effect of potential equity shares (per share) (₹)	(0.26)	(0.35)
Diluted earnings per share (₹)	56.32	47.66

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, 2021	March 31, 2020
Weighted average number of equity shares used in computing basic earnings per equity share	5,49,96,68,151	5,46,88,02,148
Effect of potential equity shares outstanding	2,57,50,092	4,10,17,673
Weighted average number of equity shares used in computing diluted earnings per equity share	5,52,54,18,243	5,50,98,19,821

6. Reserves and Surplus

Statutory Reserve

The Bank has made an appropriation of ₹ 7,779.13 crore (previous year: ₹ 6,564.33 crore) out of profits for the year ended March 31, 2021 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, 2021, the Bank appropriated ₹ 2,291.68 crore (previous year: ₹ 1,123.85 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 ₹ 3,111.65 crore (previous year: ₹ 2,625.73 crore) out of profits for the year ended March 31, 2021 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, 2021, the Bank has made an appropriation of ₹ 1,712.00 crore (previous year: ₹ 1,134.00 crore), to the Investment Fluctuation Reserve from the Profit and Loss Account. The balance in the IFR as at March 31, 2021 was equivalent to 2% of the Bank's HFT and AFS investment portfolios.

Investment Reserve Account

During the year ended March 31, 2021, the Bank appropriated ₹ 61.66 crore (net) from Profit and Loss Account to Investment Reserve Account as per the RBI guidelines. During the previous year ended March 31, 2020, the net transfer between Investment Reserve Account and Profit and Loss Account was Nil, as per the RBI guidelines.

Draw down from reserves

The Bank has not undertaken any drawdown from reserves during the years ended March 31, 2021 and March 31, 2020.

7. Dividend on shares allotted pursuant to exercise of stock options

Shares allotted after the Balance Sheet date pursuant to any exercise of employee stock options but before book closure date are eligible for dividend, if any, declared by the Bank and approved at a General Body Meeting of the shareholders of the Bank.

8. 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 the 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, 2021 and March 31, 2020, no modifications were made to the terms and conditions of ESOPs.

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, 2021:

Particulars	Number of options	Weighted average exercise price (₹)
Options outstanding, beginning of year	14,28,65,602	899.03
Granted during the year	5,74,66,600	1,235.80
Exercised during the year	2,94,90,022	596.85
Forfeited / Lapsed during the year	26,73,420	1,107.22
Options outstanding, end of year	16,81,68,760	1,063.79
Options exercisable	6,44,53,260	834.48

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2020:

Particulars	Number of options	Weighted average exercise price (₹)
Options outstanding, beginning of year	13,66,12,822	682.99
Granted during the year	4,77,73,600	1,220.13
Exercised during the year	3,66,73,240	504.10
Forfeited / Lapsed during the year	48,47,580	962.85
Options outstanding, end of year	14,28,65,602	899.03
Options exercisable	6,44,64,392	638.18

- The following table summarises the information about stock options outstanding as at March 31, 2021:

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	417.75	9,700	0.32	417.75
Plan F	417.75 to 731.08	3,49,74,270	1.48	610.67
Plan G	882.85 to 1,235.80	13,31,84,790	3.18	1,182.83

- The following table summarises the information about stock options outstanding as at March 31, 2020:

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	340.00 to 417.75	4,85,100	0.34	344.05
Plan D	340.00	3,45,900	0.30	340.00
Plan E	340.00	17,05,500	0.30	340.00
Plan F	417.75 to 731.08	5,85,68,822	2.02	587.08
Plan G	882.85 to 1,229.00	8,17,60,280	3.45	1,139.82

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 5,74,66,600 options during the year ended March 31, 2021 (previous year: 4,77,73,600). The various assumptions considered in the pricing model for the ESOPs granted during the year ended March 31, 2021 are:

Particulars	March 31, 2021	March 31, 2020
Dividend yield	0.61%	0.61% to 0.85%
Expected volatility	20.13% to 28.93%	15.30% to 20.13%
Risk-free interest rate	4.63% to 5.75%	5.81% to 6.70%
Expected life of the options	1 to 6 years	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, 2021	March 31, 2020
Net profit (as reported)	31,116.53	26,257.32
Add: Stock-based employee compensation expense included in net income	-	-
Less: Stock-based compensation expense determined under fair value based method *(proforma)*	1,117.02	719.80
Net profit *(proforma)*	29,999.51	25,537.52
	(₹)	(₹)
Basic earnings per share (as reported)	56.58	48.01
Basic earnings per share *(proforma)*	54.55	46.70
Diluted earnings per share (as reported)	56.32	47.66
Diluted earnings per share *(proforma)*	54.29	46.35

9. Other liabilities

- The Bank held provisions towards standard assets amounting to ₹ 5,303.37 crore as at March 31, 2021 (previous year: ₹ 4,437.86 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.

  ✓ 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 ₹ 5,861.17 crore as at March 31, 2021 (previous year: ₹ 2,995.80 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, 2021 include unrealised loss on foreign exchange and derivative contracts of ₹ 8,127.65 crore (previous year: ₹ 18,470.93 crore).

10. 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, 2021 the Bank holds standard asset provisions of ₹ 230.31 crore (previous year: ₹ 129.95 crore) and maintains capital (including CCB & D-SIB) of ₹ 918.77 crore (previous year: ₹ 574.13 crore) in respect of the unhedged foreign currency exposure of its customers.

11. Investments

- **Value of investments**

(₹ crore)

Particulars	March 31, 2021	March 31, 2020
Gross value of investments		
- In India	442,204.87	390,573.74
- Outside India	2,375.20	2,231.39
Provisions for depreciation on investments		
- In India	844.70	929.86
- Outside India	7.08	48.61
Net value of investments		
- In India	441,360.17	389,643.88
- Outside India	2,368.12	2,182.78

- **Movement in provisions held towards depreciation on investments:**

(₹ crore)

Particulars	March 31, 2021	March 31, 2020
Opening balance	978.47	274.68
Add: Provision made during the year (including provision on non-performing investments)	790.99	709.60
Less: Write-off, write back of excess provision during the year	917.68	5.81
Closing balance	851.78	978.47

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

- **Repo transactions**

✓ Details of repo / reverse repo deals excluding tri-party repo / reverse repo (in face value terms) done during the year ended March 31, 2021:

(₹ crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as at March 31, 2021
Securities sold under repo				
1. Government securities	1,747.44	35,747.72	11,871.55	13,939.92
2. Corporate debt securities	-	-	-	-
3. Any other securities	-	-	-	-
Securities purchased under reverse repo				
1. Government securities	3,840.10	135,217.76	61,602.21	24,948.85
2. Corporate debt securities	-	-	-	-
3. Any other securities	-	-	-	-

✓ Details of repo / reverse repo deals excluding tri-party repo / reverse repo (in face value terms) done during the year ended March 31, 2020:

(₹ crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as at March 31, 2020
Securities sold under repo				
1. Government securities	-	26,368.04	1,357.92	1,747.44
2. Corporate debt securities	-	-	-	-
3. Any other securities	-	-	-	-
Securities purchased under reverse repo				
1. Government securities	-	89,162.10	27,524.91	22,389.54
2. Corporate debt securities	-	-	-	-
3. Any other securities	-	-	-	-

✓ Details of Tri-party repo / reverse repo deals (in amount of funds borrowed or lent terms) done during the year ended March 31, 2021:

(₹ crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as at March 31, 2021
Securities sold under tri-party repo				
1. Government securities	-	62,412.35	28,907.14	30,706.00
2. Corporate debt securities	-	-	-	-
3. Any other securities	-	-	-	-
Securities purchased under tri-party repo				
1. Government securities	-	1,000.00	2.74	-
2. Corporate debt securities	-	-	-	-
3. Any other securities	-	-	-	-

✓ Details of Tri-party repo / reverse repo deals (in amount of funds borrowed or lent terms) done during the year ended March 31, 2020:

(₹ crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as at March 31, 2020
Securities sold under tri-party repo				
1. Government securities	-	56,036.05	11,478.42	50,798.20
2. Corporate debt securities	-	-	-	-
3. Any other securities	-	-	-	-
Securities purchased under tri-party repo				
1. Government securities	-	7,700.00	319.25	-
2. Corporate debt securities	-	-	-	-
3. Any other securities	-	-	-	-

- **Non-SLR investment portfolio**

✓ Issuer-wise composition of non-SLR investments as at March 31, 2021:

(₹ 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	7,058.68	6,505.03	-	-	-
2	Financial institutions	3,490.82	1,200.00	-	-	-
3	Banks	3,642.71	255.40	-	-	-
4	Private corporate	50,843.98	36,117.38	1,013.00	15.86	2,655.51
5	Subsidiaries / Joint ventures[(4)]	3,826.49	3,826.49	-	-	-
6	Others	23,532.63	19,032.85	-	775.26	-
7	Provision held towards depreciation	(401.66)				
	Total	**91,993.65**	**66,937.15**	**1,013.00**	**791.12**	**2,655.51**

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

(1) Excludes investments in securities issued by foreign sovereign aggregating to ₹ 593.61 crore (net of provision held towards depreciation of ₹ 7.08 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, 2020:

(₹ 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	3,122.15	1,554.09	-	-	-
2	Financial institutions	6,263.47	3,282.00	-	-	-
3	Banks	4,482.97	944.33	-	-	-
4	Private corporate	27,708.92	23,189.75	1,960.83	15.42	1,695.91
5	Subsidiaries / Joint ventures[(4)]	3,826.49	3,826.49	-	-	-
6	Others	23,520.28	14,993.21	-	434.32	-
7	Provision held towards depreciation	(978.47)				
	Total	**67,945.81**	**47,789.87**	**1,960.83**	**449.74**	**1,695.91**

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

(1) Excludes investments in securities issued by foreign sovereign aggregating to ₹ 840.94 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.

✓ Non-performing non-SLR investments:

(₹ crore)

Particulars	March 31, 2021	March 31, 2020
Opening balance	82.44	88.25
Additions during the year	-	-
Reductions during the year	-	5.81
Closing balance	82.44	82.44
Total provisions held	60.79	77.61

- **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, 2021				As at March 31, 2020			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Governmentsecurities	953.72	99,001.28	251,779.64	351,734.64	38,335.31	91,847.40	193,698.14	323,880.85
Other approved securities	-	-	-	-	-	-	-	-
Shares	-	436.80	-	436.80	-	407.91	-	407.91
Debentures and bonds	3,465.68	52,060.26	8,034.79	63,560.73	447.04	25,920.99	1,420.66	27,788.69
Subsidiary / Joint ventures	-	-	3,826.49	3,826.49	-	-	3,826.49	3,826.49
Others	4,158.91	19,998.53	12.19	24,169.63	8,517.08	27,395.44	10.20	35,922.72
Total	**8,578.31**	**171,496.87**	**263,653.11**	**443,728.29**	**47,299.43**	**145,571.74**	**198,955.49**	**391,826.66**

- **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, 2021	2020
I.	Securities kept as margin with Clearing Corporation of India towards:		
	a) Collateral and funds management - Securities segment	2,120.00	1,820.00
	b) Collateral and funds management - Tri-party Repo	62,361.84	57,899.98
	c) Default fund - Forex Forward segment	150.00	150.00
	d) Default fund - Forex Settlement segment	51.05	51.05
	e) Default fund - Rupee Derivatives (Guaranteed Settlement) segment	48.00	48.00
	f) Default fund - Securities segment	65.00	65.00
	g) Default fund - Tri-party repo segment	50.00	50.00
II.	Securities kept as margin with the RBI towards:		
	a) Real Time Gross Settlement (RTGS)	51,725.77	54,944.95
	b) Repo transactions	49,959.91	54,622.56
	c) Reverse repo transactions	24,948.85	22,389.54
III.	Securities kept as margin with National Securities Clearing Corporation of India (NSCCIL) towards NSE Currency Derivatives segment.	107.72	107.72
IV.	Securities kept as margin with Indian Clearing Corporation Limited towards BSE Currency Derivatives segment.	161.00	161.00
V.	Securities kept as margin with Metropolitan Clearing Corporation of India towards MCX Currency Derivatives segment.	13.00	13.00

- Other investments as at March 31, 2021 include investments in commercial paper aggregating to ₹ 977.86 crore (previous year: ₹ 10,929.00 crore) and nil certificate of deposits (previous year: ₹ 1,473.44 crore).

- During the year ended March 31, 2021, the aggregate book value of investments sold from, and transferred to / from HTM category was in excess of 5% of the book value of investments held in HTM category at the beginning of the year. The market value of investments (excluding book value of investments in subsidiaries aggregating to ₹ 3,826.49 crore and unquoted units of venture capital funds aggregating to ₹ 12.19 crore) under HTM category as on March 31, 2021 was ₹ 262,299.32 crore and was higher than the book value thereof as of that date. In accordance with the RBI guidelines, sale from, and transfer to / from, HTM category excludes:
  a. 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;
  b. sale to the RBI under pre-announced open market operation auctions;
  c. repurchase of Government securities by Government of India from banks;
  d. additional shifting of securities explicitly permitted by the RBI from time to time;
  e. direct sales from HTM for bringing down SLR holdings in the HTM category; and
  f. repurchase of State Development Loans (SDLs) by the concerned state government.

12. Derivatives

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

Sr. No.	Particulars	March 31, 2021	March 31, 2020
i)	The total notional principal of swap agreements	317,188.20	364,130.26
ii)	Total losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	3,251.25	4,993.40
iii)	Collateral required by the Bank upon entering into swaps***	17.10	35.41
iv)	Concentration of credit risk arising from swaps (%)**	62.04%	60.90%
v)	Concentration of credit risk arising from swaps (Amount)**	2,017.07	3,041.17
vi)	The fair value of the swap book	(141.37)	(203.05)

* 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, 2021 and March 31, 2020.
*** Represents outstanding amount of net margin received from customers as at March 31, 2021 and March 31, 2020.

The nature and terms of Rupee IRS outstanding as at March 31, 2021 are set out below: (₹ crore, except numbers)

Nature	Nos.	Notional principal	Benchmark	Terms
Trading	2	600.00	INCMT	Floating receivable v/s fixed payable
Trading	2,414	115,869.21	OIS	Fixed receivable v/s floating payable
Trading	2,288	117,077.25	OIS	Floating receivable v/s fixed payable
Trading	566	32,993.50	MIFOR	Fixed receivable v/s floating payable
Trading	281	13,465.00	MIFOR	Floating receivable v/s fixed payable
Total		**280,004.96**		

The nature and terms of foreign currency IRS as on March 31, 2021 are set out below: (₹ crore, except numbers)

Nature	Nos.	Notional principal	Benchmark	Terms
Trading	1	91.25	GBP LIBOR	Fixed receivable v/s floating payable
Trading	1	91.25	GBP LIBOR	Floating receivable v/s fixed payable
Trading	2	37.77	EURIBOR	Fixed receivable v/s floating payable
Trading	6	316.46	EURIBOR	Floating receivable v/s fixed payable
Trading	84	9,350.78	USD LIBOR	Fixed receivable v/s floating payable
Trading	227	25,206.95	USD LIBOR	Floating receivable v/s fixed payable
Total		**35,094.46**		

The nature and terms of Forward Rate Agreement as on March 31, 2021 are set out below: (₹ crore, except numbers)

Nature	Nos.	Notional principal	Benchmark	Terms
Trading	66	2,088.78	Bond Yield	Sell FRA
Total		**2,088.78**		

The nature and terms of Rupee IRS outstanding as at March 31, 2020 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	3	1,100.00	INCMT	Floating receivable v/s fixed payable
Trading	2,985	134,283.88	OIS	Fixed receivable v/s floating payable
Trading	2,933	140,906.49	OIS	Floating receivable v/s fixed payable
Trading	518	28,568.50	MIFOR	Fixed receivable v/s floating payable
Trading	329	16,410.00	MIFOR	Floating receivable v/s fixed payable
Total		**321,293.87**		

The nature and terms of foreign currency IRS as on March 31, 2020 are set out below:
(₹ crore, except numbers)

Nature	Nos.	Notional principal	Benchmark	Terms
Trading	84	12,786.71	USD LIBOR	Fixed receivable v/s floating payable
Trading	226	30,049.68	USD LIBOR	Floating receivable v/s fixed payable
Total		**42,836.39**		

There were no forward rate agreements outstanding as on March 31, 2020.

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

Sr. No.	Particulars	March 31, 2021	March 31, 2020
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). The underlying rate of interest could be an interest rate curve, interest rate index or bond yield. 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 discounted for the interest period of the agreement.

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 currency at a certain date in the future, at a specified price. The contract specifies the rate of exchange between one unit of currency with another.

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 regulatory framework 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 credit risk and market risk departments that assesses various counterparty credit risk and market risk limits, within the risk architecture and processes of the Bank.

Derivative policy

The Bank has in place a Derivative Policy which covers various aspects that apply to the functioning of the derivative business. The derivative business is administered through various market risk limits such as position limits, tenor limits, sensitivity limits, scenario based profit and loss limit for option portfolio, stop loss trigger levels 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 risk 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, which forms part of the Derivative Policy, 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 recommended by the RPMC and approved by 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, 2021	March 31, 2020	March 31, 2021	March 31, 2020
1	Derivatives (notional principal amount)				
	a) Hedging	-	-	-	-
	b) Trading	40,074.83	48,556.58	317,629.80	364,449.58
2	Marked to market positions				
	a) Asset (+)	922.74	1,469.15	3,253.93	4,994.01
	b) Liability (-)	(594.51)	(1,090.17)	(3,395.30)	(5,197.06)
3	Credit exposure	3,077.28	3,562.03	5,423.27	6,734.23
4	Likely impact of one percentage change in interest rate (100*PV01)**				
	a) On hedging derivatives	-	-	-	-
	b) On trading derivatives	32.08	45.10	187.97	70.94
5	Maximum of 100*PV01 observed during the year**				
	a) On hedging	-	-	-	-
	b) On trading	43.07	45.10	187.97	181.04
6	Minimum of 100*PV01 observed during the year**				
	a) On hedging	-	-	-	-
	b) On trading	18.83	32.39	0.34	44.41

**Amounts given are absolute values on a net basis, excluding currency options.

- ✓ As at March 31, 2021, the notional principal amount of outstanding foreign exchange contracts classified as trading amounted to ₹ 496,472.67 crore (previous year: ₹ 607,919.49 crore). There were no foreign exchange contracts classified as hedging outstanding as at March 31, 2021 (previous year: Nil).
- ✓ 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.
- ✓ For the purpose of this disclosure, 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 there from, 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.

13. Asset quality

- **Movements in NPAs (funded)**

(₹ crore)

	March 31, 2021	March 31, 2020
(i) Net NPAs to net advances	0.40%	0.36%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	12,649.97	11,224.16
(b) Additions (fresh NPAs) during the year	16,040.01	17,563.13
(c) Reductions during the year:	13,603.98	16,137.32
- Upgradation*	1,601.63	3,604.60
- Recoveries (excluding recoveries made from upgraded accounts)	2,713.27	4,278.23
- Write-offs	9,289.08	8,254.49
(d) Closing balance	15,086.00	12,649.97
(iii) Movement of net NPAs		
(a) Opening balance	3,542.36	3,214.52
(b) Additions during the year	3,012.06	4,885.53
(c) Reductions during the year	1,999.60	4,557.69
(d) Closing balance	4,554.82	3,542.36
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	9,107.61	8,009.64
(b) Additions during the year	13,027.95	12,677.60
(c) Write-offs	9,289.08	8,254.49
(d) Write-back of excess provisions	2,315.30	3,325.14
(e) Closing balance	10,531.18	9,107.61

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.

- The Honourable Supreme Court of India (Hon'ble SC), in a public interest litigation (Gajendra Sharma vs. Union of India & Anr), vide an interim order dated September 03, 2020 ("Interim Order"), had directed banks that accounts which were not declared NPA till August 31, 2020 shall not be declared as NPA till further orders. Accordingly, the Bank did not classify any account which was not NPA as of August 31, 2020 as per the RBI IRAC norms, as NPA after August 31, 2020.

  The Interim Order granted to not declare accounts as NPA stood vacated on March 23, 2021 vide the judgement of the Hon'ble SC in the matter of Small Scale Industrial Manufacturers Association vs. UOI & Ors. and other connected matters. In accordance with the instructions in paragraph 5 of the RBI circular dated April 07, 2021 issued in this connection, the Bank has continued with the asset classification of borrower accounts as per the extant RBI instructions / IRAC norms.

- **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, 2021	March 31, 2020
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) has been included under "Other Liabilities". Movement in floating provision is given below:

(₹ crore)

Particulars	March 31, 2021	March 31, 2020
Opening balance	1,451.28	1,451.28
Provisions made / reinstated during the year	-	-
Draw down made during the year	-	-
Closing balance	1,451.28	1,451.28

Floating provisions shall be 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**
  In terms of the RBI guidelines, banks are required to disclose the divergence in asset classification and provisioning consequent to RBI's annual supervisory process in their notes to accounts to the financial statements, wherever the additional provisioning assessed / additional gross NPAs identified by RBI exceeds the threshold specified by RBI. The threshold for provisioning is 10 per cent of the reported profit before provisions and contingencies for the reference period and that for additional gross NPAs is 15 per cent of the published incremental Gross NPAs for the reference period.

  There was no divergence in asset classification and provisioning for NPAs for the year ended March 31, 2020.

• Disclosure on accounts subjected to restructuring for the year ended March 31, 2021:

(₹ 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, 2020*	No. of borrowers	-	-	4	-	4	-	-	-	-	-	3	6	2	1	12	3	6	6	1	16
		Amount outstanding	-	-	45.04	-	45.04	-	-	-	-	-	55.34	51.07	4.74	1.39	112.54	55.34	51.07	49.78	1.39	157.58
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	2.22	-	0.02	2.24	-	2.22	-	0.02	2.24
2	Fresh restructuring during the year #	No. of borrowers	-	-	-	-	-	-	-	-	-	-	3	729	1	-	733	3	729	1	-	733
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	92.42	27.34	0.22	-	119.98	92.42	27.34	0.22	-	119.98
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	0.06	-	-	0.06	-	0.06	-	-	0.06
3	Upgradation to restructured standard category during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Advances not shown as restructured standard advances at the beginning of the next year^	No. of borrowers	-				-	-				-	-				-	-				-
		Amount outstanding	-				-	-				-	-				-	-				-
		Provision thereon	-				-	-				-	-				-	-				-
5	Down gradation of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(1)	+1 -1	1	-	-	(1)	-	1	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	(0.60)	(5.58)	6.18	-	-	(0.60)	(5.58)	6.18	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	(0.70)	0.70	-	-	-	(0.70)	0.70	-	-
6	Write-offs of restructured accounts during the year ##	No. of borrowers	-	-	3	-	3	-	-	-	-	-	1	5	1	1	8	1	5	4	1	11
		Amount outstanding	-	-	42.65	-	42.65	-	-	-	-	-	0.48	44.89	0.32	1.39	47.08	0.48	44.89	42.97	1.39	89.73
7	Restructured accounts as at March 31, 2021*	No. of borrowers	-	-	1	-	1	-	-	-	-	-	4	730	3	-	737	4	730	4	-	738
		Amount outstanding	-	-	2.39	-	2.39	-	-	-	-	-	146.68	27.94	10.82	-	185.44	146.68	27.94	13.21	-	187.83
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	0.84	-	-	0.84	-	0.84	-	-	0.84

* 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 ₹ 0.20 crore of additional sanction (2 account and Nil provision) to existing restructured account.

\## includes ₹ 31.92 crore (5 accounts and Nil provision) of reduction in existing restructured accounts by way of recovery / sale; and ₹ 15.15 crore (3 accounts and Nil provision) which are no longer required to be reported as restructured under others category.

• Disclosure on accounts subjected to restructuring for the year ended March 31, 2020:

(₹ 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, 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
2	Fresh restructuring during the year #	No. of borrowers	-	-	-	-	-	-	-	-	-	-	1	6	-	-	7	1	6	-	-	7
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	2.35	51.07	-	-	53.42	2.35	51.07	-	-	53.42
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	2.22	-	-	2.22	-	2.22	-	-	2.22
3	Upgradation to restructured standard category during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	1	-	-	-1	-	1	-	-	-1	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	0.94	-	-	-0.94	-	0.94	-	-	-0.94	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4	Advances not shown as restructured standard advances at the beginning of the next year^	No. of borrowers	-				-	-				-	-				-	-				-
		Amount outstanding	-				-	-				-	-				-	-				-
		Provision thereon	-				-	-				-	-				-	-				-
5	Down gradation of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the year ##	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	1	1	2	4	-	1	1	2	4
		Amount outstanding	-	-	11.63	-	11.63	-	-	-	-	-	0.32	1.79	177.95	13.63	193.69	0.32	1.79	189.58	13.63	205.32
7	Restructured accounts as at March 31, 2020*	No. of borrowers	-	-	4	-	4	-	-	-	-	-	3	6	2	1	12	3	6	6	1	16
		Amount outstanding	-	-	45.04	-	45.04	-	-	-	-	-	55.34	51.07	4.74	1.39	112.54	55.34	51.07	49.78	1.39	157.58
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	2.22	-	0.02	2.24	-	2.22	-	0.02	2.24

* 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 ₹ 1.89 crore of additional sanction (1 account and Nil provision) to existing restructured account.

\## includes ₹ 27.77 crore (9 accounts and provision ₹ 2.52 crore) of reduction in existing restructured accounts by way of recovery / sale.

Schedules to the Financial Statements

For the year ended March 31, 2021

- Details of accounts restructured under Micro, Small and Medium Enterprises (MSME) sector under RBI guidelines issued in January 2019:

(₹ in crore except number of accounts)

March 31, 2021		March 31, 2020	
No. of accounts restructured	Amount outstanding	No. of accounts restructured	Amount outstanding
2,82,589	3,391.35	27	48.11

- Details of resolution plan implemented under the Resolution Framework for COVID-19 related stress as per RBI circular dated August 06, 2020 are given below:

(₹ in crore except number of accounts)

Type of Borrower	(A) Number of accounts where resolution plan has been implemented under this window	(B) exposure to accounts mentioned at (A) before implementation of the plan	(C) of (B), aggregate amount of debt that was converted into other securities	(D) Additional funding sanctioned, if any, including between invocation of the plan and implementation	(E) Increase in provisions on account of the imple-mentation of the resolution
Personal Loans	2,87,487	5,456.00	-	-	545.60
Corporate persons	1,453	444.74	-	-	44.47
Of which, MSMEs	*64*	*27.08*	-	-	*2.71*
Others	47,080	607.63	-	-	60.76
Total	**3,36,020**	**6,508.37**	**-**	**-**	**650.83**

- Detail of Resolution Plan (RP) implemented under Prudential Framework for Resolution of Stressed Assets dated June 07, 2019:

(₹ crore)

Particulars	No. of borrowers	Amount Outstanding
March 31, 2021	-	-
March 31, 2020	1	53.31

- There is no account where the resolution period was extended under the COVID-19 Regulatory Package - Review of Resolution Timelines under the Prudential Framework on Resolution of Stressed Assets dated April 17, 2020 and May 23, 2020.

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

Particulars	March 31, 2021	March 31, 2020
Number of accounts	1,67,197	24,906
Aggregate value (net of provisions) of accounts sold to SC / RC*	3,164.66	472.99
Aggregate considerations	2,051.06	610.76
Additional consideration realised in respect of accounts transferred in earlier years	-	218.25
Aggregate gain / (loss) over net book value*	(1,113.60)	137.77
Provision made to meet shortfall in sale of NPA	-	-
Amount of unamortised provision debited to 'other reserve'	-	-

* If accounts had been classified as NPA during the period of operation of the Interim Order dated September 03, 2020 of the Hon'ble SC, specific provision would have been made for the accounts sold. Accordingly, the net book value and aggregate gain / (loss) over net book value would have been ₹ 2,419.41 crore and ₹ (368.35) crore respectively.

- Details of book value of investment in security receipts (SRs) backed by NPAs / stressed assets:

(₹ 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, 2021
(i) Backed by NPAs sold by the Bank as underlying*	1,983.46	0.22	-	1,983.68
Provision held against (i)	-	-	-	-
(ii) Backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	-	2.78	1.99	4.77
Provision held against (ii)	-	-	-	-
Total	1,983.46	3.00	1.99	1,988.45

* The Bank held contingent provision of ₹ 675.82 crore towards investment in security receipts backed by NPAs sold by the Bank as at March 31, 2021.

(₹ 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, 2020
(i) Backed by NPAs sold by the Bank as underlying*	432.36	0.19	-	432.55
Provision held against (i)	-	-	-	-
(ii) Backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	0.43	3.15	1.99	5.57
Provision held against (ii)	-	-	-	-
Total	**432.79**	**3.34**	**1.99**	**438.12**

* The Bank held contingent provision of ₹ 185.64 crore towards investment in security receipts backed by NPAs sold by the Bank as at March 31, 2020.

- 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, 2021	March 31, 2020
(i) No of accounts sold	-	35,018
(ii) Aggregate outstanding	-	127.20
(iii) Aggregate consideration received	-	28.45

- During the years ended March 31, 2021 and March 31, 2020, 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, 2021 and as at March 31, 2020.

14. 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, 2021	March 31, 2020
a) Direct exposure	**114,575.93**	**109,166.57**
(i) Residential mortgages*	71,673.56	66,415.79
(of which housing loans eligible for inclusion in priority sector advances)	(27,886.84)	(26,822.41)
(ii) Commercial real estate	42,587.09	42,293.93
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures:		
(a) Residential	227.73	298.59
(b) Commercial real estate	63.72	118.45
(c) Others	23.83	39.81
b) Indirect exposure	**32,877.30**	**24,158.97**
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	32,877.30	24,158.97
Total exposure to real estate sector	**147,453.23**	**133,325.54**

* includes loans purchased under the direct loan assignment route.
Of the above, exposure to real estate developers as at March 31, 2021 is 0.2% (previous year: 0.5%) of total advances.

- **Details of capital market exposure**

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

Sr. No.	Particulars	March 31, 2021	March 31, 2020
(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	6,247.22	1,625.14
(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	143.97	172.30
(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	5,156.29	5,145.02
(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	423.41	787.94
(v)	Secured and unsecured advances to stock brokers and guarantees issued on behalf of stock brokers and market makers	9,875.78	10,045.51
(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	4,154.34	1,220.47
(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)	12.49	10.55
	Total exposure to capital market	**26,013.50**	**19,006.93**

- **Details of risk category wise country exposure**

(₹ crore)

Risk Category	March 31, 2021		March 31, 2020	
	Exposure (net)	Provision held	Exposure (net)	Provision held
Insignificant	33,231.41	-	19,459.44	-
Low	12,744.74	-	10,448.08	-
Moderately low	2,031.36	-	190.19	-
Moderate	625.57	-	359.70	-
Moderately high	2.71	-	32.59	-
High	0.15	-	0.32	-
Very high	26.79	-	-	-
Total	**48,662.73**	**-**	**30,490.32**	**-**

- **Details of factoring exposure**

The factoring exposure of the Bank as at March 31, 2021 is ₹ 4,358.45 crore (previous year: ₹ 3,687.86 crore).

- **Details of Single Counterparty Limit / Limit for Group of Connected Counterparties exceeded by the Bank**

The RBI has prescribed limits linked to a bank's eligible capital base in respect of exposures to single counterparty and group of connected counterparties. During the year ended March 31, 2021 and March 31, 2020 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, 2021 (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, 2021 was Nil (previous year: ₹ 4,543.53 crore).

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

a) Concentration of deposits

(₹ crore, except percentages)

Particulars	March 31, 2021	March 31, 2020
Total deposits of twenty largest depositors	54,551.06	45,454.28
Percentage of deposits of twenty largest depositors to total deposits of the Bank	4.1%	4.0%

b) Concentration of advances

(₹ crore, except percentages)

Particulars	March 31, 2021	March 31, 2020
Total advances to twenty largest borrowers	225,412.82	178,942.74
Percentage of advances of twenty largest borrowers to total advances of the Bank	12.9%	11.6%

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, 2021	March 31, 2020
Total exposure to twenty largest borrowers / customers	252,112.93	194,311.35
Percentage of exposure of twenty largest borrowers / customers to total exposure of the Bank on borrowers / customers	13.7%	12.0%

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, 2021	March 31, 2020
Total gross exposure to top four NPA accounts	1,404.00	1,271.99

e) Sector-wise advances

(₹ crore)

Sr. No.	Sector	March 31, 2021			March 31, 2020		
		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	92,904.27	3,409.52	3.67%	82,326.72	3,527.34	4.28%
2	Advances to industries eligible as priority sector lending	66,235.29	384.89	0.58%	43,310.54	399.22	0.92%
3	Services	69,688.06	1,347.39	1.93%	100,504.02	1,720.75	1.71%
4	Personal loans	32,616.87	337.72	1.04%	32,181.93	84.97	0.26%
	Sub-total (A)	**261,444.49**	**5,479.52**	**2.10%**	**258,323.21**	**5,732.28**	**2.22%**
B	Non Priority sector						
1	Agriculture and allied activities	20,471.66	621.82	3.04%	23,112.31	75.21	0.33%
2	Industry	301,734.39	2,306.12	0.76%	274,581.39	2,777.47	1.01%
3	Services	268,541.79	3,693.29	1.38%	190,097.21	2,307.48	1.21%
4	Personal loans	291,116.32	2,898.59	1.00%	256,612.68	1,666.94	0.65%
	Sub-total (B)	**881,864.16**	**9,519.82**	**1.08%**	**744,403.59**	**6,827.10**	**0.92%**
	Total (A) + (B)	**1,143,308.65**	**14,999.34**	**1.31%**	**1,002,726.80**	**12,559.38**	**1.25%**

- **Details of Priority Sector Lending Certificates (PSLCs)**

(₹ crore)

Type of PSLCs	For the year ended March 31, 2021		For the year ended March 31, 2020	
	PSLC bought during the year	PSLC sold during the year	PSLC bought during the year	PSLC sold during the year
Agriculture	3,030.00	-	10,341.50	-
Small and Marginal farmers	625.00	-	42,077.25	-
Micro Enterprises	18,830.00	-	5,666.50	3,000.00
General	61,842.50	2,000.00	6,433.00	13,750.00
Total	**84,327.50**	**2,000.00**	**64,518.25**	**16,750.00**

15. Other fixed assets

Other fixed assets include amount capitalised relating to software having useful life of five years. Details regarding the same are tabulated below:

(₹ crore)

Particulars	March 31, 2021	March 31, 2020
Cost		
As at March 31 of the previous year	3,236.57	2,902.29
Additions during the year	330.13	334.29
Deductions during the year	-	(0.01)
Total (a)	**3,566.70**	**3,236.57**
Depreciation		
As at March 31 of the previous year	2,473.76	2,098.76
Charge for the year	349.11	375.01
On deductions during the year	-	(0.01)
Total (b)	**2,822.87**	**2,473.76**
Net value (a-b)	**743.83**	**762.81**

16. Other assets

- Other assets include deferred tax asset (net) of ₹ 4,937.76 crore (previous year: ₹ 3,835.45 crore). The break-up of the same is as follows:

(₹ crore)

Particulars	March 31, 2021	March 31, 2020
Deferred tax asset arising out of:		
Loan loss and contingencies	4,441.48	3,339.07
Employee benefits	67.14	145.41
Depreciation	53.02	41.25
Others	376.12	309.72
Total (a)	**4,937.76**	**3,835.45**
Deferred tax liability (b)	-	-
Deferred tax asset (net) (a-b)	4,937.76	3,835.45

- Key items under "Others" in Other assets are as under:

(₹ crore)

Particulars	March 31, 2021	March 31, 2020
Deposit with NABARD / SIDBI / NHB - PSL shortfall	9,320.37	9,196.86
Unrealised gain on foreign exchange and derivative contracts*	8,472.31	19,006.28
Deferred tax assets	4,937.76	3,835.45
Accounts receivable	3,139.47	5,087.55
Deposits & amounts paid in advance	3,134.56	2,578.18
Advances for capital assets	766.70	736.63
Residual items	5.72	3.51
Total	**29,776.89**	**40,444.46**

*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.

17. 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, 2021	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	9,900.05	20,452.08	10,506.09	44,857.71	49,736.96	48,183.51	96,978.08	109,238.00	483,407.07	123,428.17	136,148.91	**1,132,836.63**
Investments	112,341.38	43,161.08	4,382.04	5,714.46	9,820.26	9,528.83	16,545.14	23,695.50	144,222.12	9,065.84	65,251.65	**443,728.30**
Deposits	13,684.11	70,664.28	40,914.97	30,083.61	50,474.48	36,695.33	78,391.96	91,952.08	532,038.94	14,701.27	375,459.19	**1,335,060.22**
Borrowings	258.26	36,992.20	1,207.28	4,011.50	7,153.92	2,751.16	11,238.59	10,202.85	38,696.56	8,275.00	14,700.00	**135,487.32**
Foreign currency assets	13,495.91	12,932.26	2,992.89	13,794.28	4,609.15	5,091.85	11,792.57	4,328.34	6,159.55	1,009.88	262.38	**76,469.06**
Foreign currency liabilities	1,708.83	2,839.29	1,998.94	4,627.61	4,122.61	3,216.50	7,835.14	6,589.03	7,514.11	872.68	7,042.73	**48,367.47**

As at March 31, 2020	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	12,722.61	18,099.10	9,557.66	39,190.53	43,819.13	43,795.02	92,951.14	105,649.35	413,729.18	101,036.33	113,152.83	993,702.88
Investments	77,686.21	72,070.41	7,769.36	17,119.26	27,089.49	16,297.62	18,004.39	23,003.06	76,309.73	9,106.89	47,370.24	391,826.66
Deposits	12,155.87	81,253.28	25,576.42	32,137.36	42,663.01	41,246.82	72,352.76	98,470.17	429,557.14	14,631.23	297,458.23	1,147,502.29
Borrowings	52.73	54,615.20	1,633.38	12,036.07	6,240.38	5,286.05	4,351.60	7,134.38	18,571.75	8,800.00	25,907.00	144,628.54
Foreign currency assets	9,357.92	8,717.05	3,364.26	9,485.24	5,983.83	4,854.08	6,637.88	7,413.61	3,795.55	1,007.66	76.72	60,693.80
Foreign currency liabilities	1,442.61	4,349.35	2,406.31	7,370.43	7,876.25	7,081.26	6,636.89	8,142.49	8,124.43	1,120.03	10,607.72	65,157.77

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.

18. 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, 2021	March 31, 2020
Opening provision for reward points	734.15	603.09
Provision for reward points made during the year	375.21	517.94
Utilisation / write-back of provision for reward points	(470.57)	(386.88)
Closing provision for reward points	638.79	734.15

b) Provision for legal and other contingencies

(₹ crore)

Particulars	March 31, 2021	March 31, 2020
Opening provision	445.35	398.43
Movement during the year (net)	58.20	46.92
Closing provision	503.55	445.35

c) Provision pertaining to fraud accounts reported during the year

(₹ crore)

Particulars	March 31, 2021	March 31, 2020
No. of frauds reported	5,232	7,580
Amount involved in fraud (₹ crore)	1,640.80	222.60
Amount involved in fraud net of recoveries / write-offs as at the end of the year (₹ crore)	1,321.08	168.88
Provisions held as at the end of the year (₹ crore)	1,321.08	168.88
Amount of unamortised provision debited from "other reserves" as at the end of the year (₹ crore)	-	-

The information on frauds for the financial year ended March 31, 2021 includes certain large value credits which were already reckoned as NPAs in the prior years and these are fully provided for.

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

19. Business ratios / information

Particulars	March 31, 2021	March 31, 2020
Interest income as a percentage to working funds[1]	7.64%	8.78%
Net interest income as a percentage to working funds	4.10%	4.29%
Non-interest income as a percentage to working funds	1.59%	1.78%
Operating profit[2] as a percentage to working funds	3.62%	3.73%
Return on assets (average)	1.97%	2.01%
Business[3] per employee (₹ in crore)	19.30	17.49
Profit per employee[4] (₹ in crore)	0.26	0.24
Gross non-performing assets to gross advances[5]	1.32%	1.26%
Gross non-performing advances to gross advances	1.31%	1.25%
Percentage of net non-performing assets[6] to net advances[7]	0.40%	0.36%
Provision coverage ratio[8]	69.81%	72.00%

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 fixed 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 NPAs and provisions in lieu of diminution in the fair value of restructured assets.
8. Provision coverage ratio does not include assets written-off.

20. 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, 2021 amounting to ₹ 453.82 crore (previous year: ₹ 300.17 crore).

21. Earnings from standard assets securitised-out

During the years ended March 31, 2021 and March 31, 2020, 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, 2021 was ₹ 221.72 crore (previous year: ₹ 221.26 crore) and outstanding servicing liability was ₹ 0.02 crore (previous year: ₹ 0.03 crore).

22. 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, 2021 includes fees of ₹ 2,748.34 crore (previous year: ₹ 2,182.76 crore) in respect of life insurance business and ₹ 398.89 crore (previous year: ₹ 272.25 crore) is in respect of general insurance and health insurance business, of which ₹ 1,386.82 crore (previous year: ₹ 1,012.64 crore) is for displaying publicity materials at the Bank's branches / ATMs.
- **Miscellaneous income**

  Miscellaneous income includes recoveries from written-off accounts amounting to ₹ 2,148.42 crore (previous year: ₹ 2,253.45 crore).

23. Other expenditure

Other expenditure includes commission paid to sales agents amounting to ₹ 2,611.72 crore (previous year: ₹ 3,154.21 crore), exceeding 1% of the total income of the Bank.

24. Provisions and contingencies

The break-up of provisions and contingencies included in the Profit and Loss Account is given below:

(₹ crore)

Particulars	March 31, 2021	March 31, 2020
Provision for income tax		
- Current	11,644.77	9,833.15
- Deferred	(1,102.31)	516.69
Provision for NPAs[1]	11,450.19	9,083.32
Provision for diminution in value of non-performing investments	(16.82)	7.50
Provision for standard assets	866.63	795.97
Other provisions and contingencies[2]	3,402.85	2,255.60
Total	**26,245.31**	**22,492.23**

1. Includes loss on sale of NPAs / stressed assets
2. Includes provisions for tax, legal and other contingencies ₹ 3,401.29 crore (previous year: ₹ 2,252.38 crore), provisions / (write-back) for securitised-out assets ₹ (2.21) crore (previous year: ₹ 1.14 crore) and standard restructured assets ₹ 3.77 crore (previous year: ₹ 2.08 crore).

25. Employee benefits

Gratuity

(₹ crore)

Particulars	March 31, 2021	March 31, 2020
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	725.87	617.95
Interest cost	45.94	39.22
Current service cost	100.50	88.12
Benefits paid	(38.21)	(47.46)
Actuarial (gain) / loss on obligation:		
Experience adjustment	26.48	(8.46)
Assumption change	(3.00)	36.50
Present value of obligation as at March 31	**857.58**	**725.87**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	514.93	501.71
Expected return on plan assets	40.89	35.58
Contributions	104.45	89.51
Benefits paid	(38.21)	(47.46)

Schedules to the Financial Statements
For the year ended March 31, 2021

Particulars	March 31, 2021	March 31, 2020
Actuarial gain / (loss) on plan assets:		
Experience adjustment	105.74	(64.41)
Assumption change	15.44	-
Fair value of plan assets as at March 31	**743.24**	**514.93**
Amount recognised in Balance Sheet		
Fair value of plan assets as at March 31	743.24	514.93
Present value of obligation as at March 31	(857.58)	(725.87)
Asset / (Liability) as at March 31	**(114.34)**	**(210.94)**
Expenses recognised in Profit and Loss Account		
Interest cost	45.94	39.22
Current service cost	100.50	88.12
Expected return on plan assets	(40.89)	(35.58)
Net actuarial (gain) / loss recognised in the year	(97.70)	92.44
Net cost	**7.85**	**184.20**
Actual return on plan assets	162.07	(28.83)
Estimated contribution for the next year	131.14	104.45
Assumptions		
Discount rate	6.50% per annum	6.60% per annum
Expected return on plan assets	6.50% per annum	7.00% per annum
Salary escalation rate	7.00% per annum	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 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 are given below:

Category of plan assets	% of fair value to total plan assets	
	as at March 31, 2021	as at March 31, 2020
Government securities	27.90%	25.55%
Debenture and bonds	26.04%	30.31%
Equity shares	41.23%	41.03%
Others	4.83%	3.11%
Total	**100.00%**	**100.00%**

Experience adjustment

(₹ crore)

Particulars	Years ended March 31,				
	2021	2020	2019	2018	2017
Plan assets	743.24	514.93	501.71	416.40	355.57
Defined benefit obligation	857.58	725.87	617.96	542.97	488.00
Surplus / (deficit)	(114.34)	(210.94)	(116.25)	(126.57)	(132.43)
Experience adjustment gain / (loss) on plan assets	105.74	(64.41)	11.70	0.13	32.44
Experience adjustment (gain) / loss on plan liabilities	26.48	(8.46)	7.12	10.44	35.48

Pension

(₹ crore)

Particulars	March 31, 2021	March 31, 2020
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	64.15	69.54
Interest cost	3.79	4.11
Current service cost	1.37	0.67
Benefits paid	(11.63)	(14.65)
Actuarial (gain) / loss on obligation:		
Experience adjustment	31.41	9.06
Assumption change	0.90	(4.58)
Present value of obligation as at March 31	**89.99**	**64.15**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	9.51	21.95
Expected return on plan assets	0.32	1.10
Contributions	2.30	0.83
Benefits paid	(11.63)	(14.65)
Actuarial gain / (loss) on plan assets:		
Experience adjustment	(0.20)	0.28
Assumption change	0.03	-
Fair value of plan assets as at March 31	**0.33**	**9.51**
Amount recognised in Balance Sheet		
Fair value of plan assets as at March 31	0.33	9.51
Present value of obligation as at March 31	(89.99)	(64.15)
Asset / (Liability) as at March 31	**(89.66)**	**(54.64)**
Expenses recognised in Profit and Loss Account		
Interest cost	3.79	4.11
Current service cost	1.37	0.67
Expected return on plan assets	(0.32)	(1.10)
Net actuarial (gain) / loss recognised in the year	32.48	4.19
Net cost	**37.32**	**7.87**
Actual return on plan assets	0.15	1.39
Estimated contribution for the next year	13.09	7.72
Assumptions		
Discount rate	6.50% per annum	6.60% per annum
Expected return on plan assets	6.50% per annum	7.00% per annum
Salary escalation rate	7.00% per annum	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 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 are given below:

Category of plan assets	% of fair value to total plan assets	
	as at March 31, 2021	as at March 31, 2020
Government securities	42.87%	20.81%
Debenture and bonds	35.11%	17.14%
Others	22.02%	62.05%
Total	**100.00%**	**100.00%**

Experience adjustment

(₹ crore)

Particulars	Years ended March 31,				
	2021	2020	2019	2018	2017
Plan assets	0.33	9.51	21.95	31.30	36.16
Defined benefit obligation	89.99	64.15	69.54	73.06	73.55
Surplus / (deficit)	(89.66)	(54.64)	(47.59)	(41.76)	(37.39)
Experience adjustment gain / (loss) on plan assets	(0.20)	0.28	0.48	0.59	0.39
Experience adjustment (gain) / loss on plan liabilities	31.41	9.06	3.32	3.95	4.65

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, 2021 (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, 2021	March 31, 2020
Discount rate (GOI security yield)	6.50% per annum	6.60% per annum
Expected guaranteed interest rate	8.50% per annum	8.50% per annum

The Bank does not have any unfunded defined benefit plan. The Bank contributed ₹ 370.13 crore (previous year: ₹ 326.22 crore) to the provident fund, ₹ 4.63 crore (previous year: ₹ 3.79 crore) to the National Pension Scheme and ₹ 75.64 crore (previous year: ₹ 75.41 crore) to the superannuation plan.

Leave encashment

The Bank has made provision for leave encashment for eLKB employees under Indian Banks' Association (IBA) structure of ₹ 13.60 crore (previous year: ₹ 11.24 crore). The Bank has discontinued the carryover of unutilised leave and accordingly, no provision for compensated absences is required to be held.

26. 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, 2021. Further, two members of the NRC are also members of the Risk Policy and Monitoring Committee (hereinafter, the 'RPMC') of the Board.

As of March 31, 2021 the NRC is comprised of Mr. Umesh Chandra Sarangi, Mr. Sanjiv Sachar, Mr. Sandeep Parekh and Mr. M.D. Ranganath. Further, Mr. Sanjiv Sachar and Mr. M.D. Ranganath are also the members of the RPMC. Mr. Sanjiv Sachar is the chairperson of the NRC. Mrs Shyamala Gopinath, the erstwhile chairperson of the Bank was a member of the NRC until cessation of her tenure on the Board of Directors of the Bank on January 1, 2021. Mr. Umesh Chandra Sarangi was subsequently included as a member of the NRC in the financial year ended March 31, 2021.

Mandate of the NRC

The primary mandate of the NRC is to oversee and review the implementation of compensation policies of the Bank. The NRC periodically reviews the overall Remuneration 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 the Group Heads, Key Management Personnel and Whole Time Directors of the Bank is approved by the NRC and subsequently approved by the Board of Directors. The compensation of the Whole time Directors requires the additional approval of the Reserve Bank of India. The NRC co-ordinates with the RPMC to ensure that compensation is aligned with prudent risk taking. Further the NRC also reviews the appointments of individuals at the levels of Group Heads, Key Management Personnel and Whole Time Directors of the Bank.

External Consultants

The Bank engaged with the following consultants during the year ended March 31, 2021:

1. AON Consulting Private Limited - in respect of the Bank's annual salary market benchmarking exercise.
2. Deloitte Touche Tohmatsu India LLP - in respect of the Bank's benchmarking exercise pertaining to executive compensation.
3. Mercer Consulting (India) Private Limited - in the area of job evaluation.

Scope of the Bank's Remuneration Policy

The Remuneration Policy of the Bank includes within its scope all business lines and functions, and all permanent staff in the Bank's domestic as well as international offices. The principles articulated in the compensation policy are applicable uniformly across the Bank. However, any statutory / regulatory provisions applicable in overseas locations 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 Remuneration Policy. The number of employees covered under the compensation policy was 1,19,858 as at March 31, 2021 (previous year: 1,16,726).

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 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, performance, skill, experience, grade and availability of talent owing to competitive market forces. Further, the Bank also considers compliance to processes, regulatory compliance and risk management as an integral part of its performance appraisal process. These factors are given due weightage for the purposes of the final performance rating of employees for a given performance year.

The NRC considers the aforementioned principles enunciated in the Bank's compensation 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.

Review of Remuneration Policy of the Bank

The Remuneration Policy of the Bank was reviewed by the NRC during the year ended March 31, 2021 and changes were made to the policy in accordance with the revised guidelines on compensation of Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function staff issued on dated November 4, 2019. These guidelines are applicable for the performance year commencing on April 1, 2020 and shall govern all remuneration payouts subsequent to March 31, 2021. The key changes have been articulated at para G - *Key changes to the Remuneration Policy pursuant to the revised guidelines on remuneration issued by the RBI on November 4, 2019, below.*

II. Design and Structure of Remuneration

The design and structure of remuneration in accordance with the erstwhile RBI guidelines on remuneration, dated January 13, 2012, pertaining to the performance year 2019-2020 and the related payouts made in the financial year ended March 31, 2021 are as follows:

a) Fixed Pay

The Remuneration Policy 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 and retirement 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 employees above 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 their employment, 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) contribution to post retirement benefits; and

(d) compliance with all statutory obligations.

The quantum of fixed pay for the Group Heads and Key Management Personnel are approved by the NRC and the Board. The quantum of fixed pay for Whole Time Directors is approved by the NRC and 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 Remuneration Policy of 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 is deferred as per the schedule mentioned in the table below:

Tranche	Portion of Variable Pay	Timelines
Tranche 1	60%	Payable in the financial year immediately following the performance year.
Tranche 2	13.33%	Payable effective April 1 of the second financial year following the reference performance year.
Tranche 3	13.33%	Payable effective April 1 of the third financial year following the reference performance year.
Tranche 4	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 has devised appropriate malus and claw back clauses as risk mitigants 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 exceeds 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.

Tranche	Portion of Variable Pay	Timelines
Tranche 1	60%	Payable in the financial year immediately following the performance year.
Tranche 2	13.33%	Payable effective April 1 of the second financial year following the reference performance year.
Tranche 3	13.33%	Payable effective April 1 of the third financial year following the reference performance year.
Tranche 4	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 financial year to provide for any unforeseen performance risks. Employees who are on the PLPs are excluded from the Annual Bonus Plan.

c) Guaranteed Bonus

Guaranteed bonuses are not 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 the 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 only 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 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 also subject to the approval of the NRC, the Board of Directors of the Bank and the RBI.

The Bank grants ESOPs to eligible employees. Such ESOPs vest over four tranches spread over a period of 48 months. The ESOPs granted subsequent to April 1, 2019 vest no faster than on a pro rata basis.

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 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 at 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.

Pay Increment / Pay Revision

The Bank strives to ensure external competitiveness as well as internal equity without diluting the overall focus on optimising cost. In order to enhance the Bank's external competitiveness, it 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 every financial year. However, promotions, confirmations and change in job dimensions could also lead to a change in the fixed pay during other times of the financial year.

The Bank also makes salary corrections and adjustments during the financial year for competitive pay positioning of those employees 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 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, including 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. 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 financial year to provide for any unforeseen performance risks. Employees who are part of the PLP plans are excluded from the Annual Bonus Plan.

(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 and job band and role of the individual for non-business functions. 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 and employees in certain grades. 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:

Tranche	Portion of Variable Pay	Timelines
Tranche 1	60%	Payable in the financial year immediately following the performance year.
Tranche 2	13.33%	Payable in the second financial year following the reference performance year.
Tranche 3	13.33%	Payable in the third financial year following the reference performance year.
Tranche 4	13.33%	Payable in 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 robust performance management system for evaluating the performance of its Whole Time Directors. The performance appraisal system is based on a Balanced Scorecard Framework and considers qualitative as well as quantitative factors of performance which includes the following parameters:

1. Business Performance - This includes business growth, profitability, asset quality and shareholder value
2. Stakeholder Relationship - This includes net promoter score and corporate social responsibility
3. Audit and Compliance - This includes internal audit reports and compliance with the regulations and inspection reports
4. Digital Transformation - This includes performance on initiatives required to run the bank and grow the bank
5. Organizational Excellence - This includes succession planning and employee engagement

While the above parameters form the core evaluation parameters for the Bank and the remuneration of its Whole Time Directors, 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 objectives.

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. 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 financial year to provide for any unforeseen performance risks. All PLPs are based on a 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 criteria for adjusting deferred remuneration before vesting and after vesting is given below:

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:

Tranche	Portion of Variable Pay	Timelines
Tranche 1	60%	Payable in the financial year immediately following the performance year.
Tranche 2	13.33%	Payable in the second financial year following the reference performance year.
Tranche 3	13.33%	Payable in the third financial year following the reference performance year.
Tranche 4	13.33%	Payable in 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 has devised appropriate malus and claw back clauses as risk mitigants 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 the reference 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 exceeds 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.

Tranche	Portion of Variable Pay	Timelines
Tranche 1	60%	Payable in the financial year immediately following the performance year.
Tranche 2	13.33%	Payable in the second financial year following the reference performance year.
Tranche 3	13.33%	Payable in the third financial year following the reference performance year.
Tranche 4	13.33%	Payable in 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 financial 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 (excluding employees under PLPs). 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 financial 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.

G. Key changes to the Remuneration Policy pursuant to the revised guidelines on remuneration issued by the RBI on November 4, 2019

The design and structure of the remuneration at the Bank is in line with RBI guidelines as amended from time to time. The pay-out of variable pay for the reference performance financial year ended March 31, 2020 were in accordance with the RBI guidelines dated January 13, 2012. The payout of variable pay for the reference performance financial year ended March 31, 2021 will be undertaken in the financial year commencing on April 1, 2021 and will be in accordance with the RBI guidelines dated November 4, 2019.

Given below are the key changes to the Remuneration Policy undertaken pursuant to the said revised guidelines on remuneration:

(a) Material Risk Takers

The revised guidelines on remuneration provide direction with respect to the definition of material risk takers and specify the composition, limits, deferral and vesting of variable pay for the material risk takers.

In accordance with the revised guidelines on remuneration, the Bank has identified material risk takers (MRTs) based on the standard qualitative and quantitative criteria as prescribed in the said guidelines.

Standard qualitative criteria: Under the standard qualitative criteria, MRTs are to be identified based on the role and decision making power of staff members having jointly or individually, the authority to commit significantly to risk exposures etc. Accordingly, the Bank's MRTs comprise its whole time directors, employees in the grades of Executive Vice President and above and select employees in the role of Business Heads and Treasury Desk Heads in grades Senior Vice President - II that fulfil the aforementioned qualitative criteria.

Under the standard quantitative criteria, the revised guidelines on remuneration permit banks to identify MRTs, inter alia, based on their total remuneration exceeding a threshold, the determination of which is to be done prudently by the respective banks. The Bank has fixed this threshold to be annual fixed pay of ₹ 0.80 crore.

Accordingly, all employees of the Bank who meet the aforementioned standard qualitative criteria and whose annual fixed pay equals or exceeds ₹ 0.80 crore are classified as MRTs with effect from April 1, 2020.

(b) Variable Pay

In accordance with the requirements of the revised guidelines on remuneration, the following is the Bank's policy on variable pay for its MRTs:

(i) Composition of variable pay

The variable pay will be in the form of share linked instruments (such as ESOPs) or a mix of cash and share linked instruments. As per the said revised guidelines on remuneration, effective April 1, 2020 the share-linked instruments will be considered as part of variable pay. The Bank will ensure that there is a proper balance between cash and share linked instruments in the variable pay. In cases where compensation by way of share-linked instruments is not permitted by law / regulations, the entire variable pay will be in cash within the prescribed limits.

(ii) Limits on variable pay

A substantial portion of the compensation i.e. at least 50% will be in variable pay and paid on the basis of the performance of the individual, the business unit and the organization. This is in line with the principle that at higher levels of responsibility, the proportion of variable pay is higher. The total variable pay is limited to a maximum of 300% of the fixed pay (for the relative performance period). As aforementioned, the variable pay will be inclusive of cash as well as share linked instruments.

In case the variable pay is up to 200% of the fixed pay, a minimum of 50% of the variable pay, and in the case of variable pay being above 200%, a minimum of 67% thereof, shall be via non-cash instruments.

In the event that the employee is barred by statute or regulation from grant of share-linked instruments, his / her variable pay will be capped at 150% of fixed pay but shall not be less than 50% of the fixed pay.

(iii) Deferral of variable pay

For its MRTs, the Bank has in place deferral arrangements for the variable pay. A minimum of 60% of total variable pay will be under deferral arrangements. If the cash component is a part of the variable pay, at least 50% of the cash bonus will be deferred. In cases where cash component of the bonus is under ₹ 0.25 crore, the deferral arrangements would not be necessary.

The deferral period is a minimum of three years and applicable to both cash and non-cash components of variable pay. The deferral period for share linked instruments / ESOPs is governed by the ESOP Scheme Rules approved by the NRC and the Board.

(iv) Vesting of variable pay

The deferred portion of the remuneration vests at the end of deferral period and is spread over the course of the deferral period. The first vesting occurs at the end of one year from the commencement of the deferral period. The vesting is no faster than on a pro rata basis and the frequency of the vesting is not less than a year in order to ensure appropriate assessment of risk.

(c) Malus / Clawback Arrangement

Further, the malus and clawback conditions were reviewed by the NRC and the Board in light of the revised guidelines on remuneration. The following are the revised malus and clawback conditions governing all variable pay payouts for MRTs defined under the revised guidelines on remuneration applicable for variable pay and long term incentives (LTIs) pertaining to the performance year ended on March 31, 2021.

The Bank believes in sustained business performance in tandem with prudent risk taking. The Bank, therefore, has devised appropriate deterrents in order to institutionalize the aforementioned commitment.

Malus Arrangement: The provision of a Malus arrangement would entail cancellation of payout for the deferred portion of reward (variable pay / LTI)

Clawback Arrangement: The provision of Clawback arrangement would entail return of payout of reward (variable pay / LTI) made in the previous years attributable to a given reference year wherein the incident has occurred.

The occurrence of any / some / all of the following conditions (illustrative) shall trigger a review by the NRC for the application of the malus or the clawback arrangement:

i. Substantial financial deterioration in profitability or risk parameters
ii. Reckless, negligent or willful actions or exhibited inappropriate values and behavior
iii. Fraud that requires a financial restatement
iv. Reputational harm
v. Exposing the bank to substantial risk
vi. Additional NRC defined conditions

As per the RBI guidelines on compensation, wherever the assessed divergence in a bank's provisioning for Non-Performing Assets (NPAs) or asset classification exceeds the prescribed threshold for public disclosure, the bank shall not pay the unvested portion of the variable compensation for the assessment year under 'malus' arrangement. Further, in such situations, no proposal for increase in variable pay (for the assessment year) shall be entertained. In case the Bank's post assessment Gross NPAs are less than 2.0%, these restrictions will apply only if criteria for public disclosure are triggered either on account of divergence in provisioning or both provisioning and asset classification.

The NRC may decide to apply malus on part, or all of the unvested deferred bonus amounts and LTIs. The time horizon for the application of malus / clawback clause is four years from the date of reward.

The NRC shall review the act of misconduct / incident to ascertain the degree of accountability attributable to a Whole Time Director / Material Risk Taker prior to applying the malus or clawback arrangement.

The criteria for malus / clawback arrangement shall be reviewed by the NRC annually.

(d) Employee stock options

The ESOPs that would be granted to MRTs in the financial year commencing on April 1, 2021, in respect of the reference performance financial year ended on March 31, 2021, shall be reckoned as part of their variable pay in accordance with the revised guidelines on remuneration.

Quantitative disclosures

The quantitative disclosures for the financial year ended March 31, 2021 cover the Bank's Whole Time Directors and Material Risk Takers. The material risk takers are identified in accordance with the revised guidelines on remuneration issued by the RBI on November 4, 2019. Hitherto, the quantitative disclosures would cover the Bank's Whole Time Directors and Key Risk Takers as per the erstwhile guidelines on remuneration dated January 13, 2012.

Sr. No.	Subject	March 31, 2021	March 31, 2020
(a)	Number of meetings held by the NRC during the financial year and remuneration paid to its members	Number of meetings: 28 Remuneration paid: ₹ 0.57 crore	Number of meetings: 9 Remuneration paid: ₹ 0.17 crore
(b) (i)	Number of employees having received a variable remuneration award during the financial year	76 employees	32 employees
(b) (ii)	Number and total amount of sign-on awards made during the financial year	No stock options granted as sign-on awards during the year ended March 31, 2021.	1,90,000 stock options granted as sign-on awards during the year ended March 31, 2020.
(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 ₹ 3.91 crore.	Total amount of outstanding deferred remuneration (cash bonus) was ₹ 5.92 crore.
(c) (ii)	Total amount of deferred remuneration paid out in the financial year	₹ 2.68 crore	₹ 2.64 crore
(d)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred	₹117.73 crore (Fixed*) ₹ 29.85 crore (variable pay pertaining to financial year ended March 31, 2020, in relation to employees where there was no deferment of pay) ₹ 1.67 crore (variable pay pertaining to financial year ended March 31, 2020, in relation to employees where there was a deferment of pay), of which ₹ 1.00 crore was non-deferred variable pay and ₹ 0.67 crore was deferred variable pay. The Bank's erstwhile managing director, Mr. Aditya Puri, was paid a one-time lump sum payment of ₹ 3.50 crore on retirement in accordance with the approval received from the RBI. The approval of the RBI on the fixed pay revision effective April 1, 2020 and the variable pay of the Bank's Whole Time Directors for the financial year ended March 31, 2020 is awaited. Number of stock options granted during the financial year: 85,42,800 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, 2020 is awaited.	₹ 67.48 crore (Fixed*) ₹ 18.89 crore (variable pay pertaining to financial year ended March 31, 2019, in relation to employees where there was no deferment of pay). The approval of the RBI on the variable pay of the Bank's Whole Time Directors for the years ended March 31, 2018 and 2019 has since been received. ₹ 9.00 crore (variable pay pertaining to financial year ended March 31, 2018, in relation to employees where there was a deferment of pay), of which ₹ 5.40 crore was non-deferred variable pay and ₹ 3.60 crore was deferred variable pay. ₹ 9.42 crore (variable pay pertaining to financial year ended March 31, 2019 in relation to employees where there was a deferment of pay), of which ₹ 6.36 crore was non-deferred variable pay and ₹ 3.06 crore was deferred variable pay. Number of stock options granted during the financial year: 59,58,200 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, 2020 is awaited. 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 has since been received.
(e) (i)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and / or implicit adjustments	Total amount of outstanding deferred remuneration (cash bonus) was ₹ 3.91 crore.	Total amount of outstanding deferred remuneration (cash bonus) was ₹ 5.92 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
(f)	Number of MRTs (Material Risk Takers) identified	78	35
(g) (i)	Number of cases where malus has been exercised	None	None
(g) (ii)	Number of cases where clawback has been exercised	None	None
(g) (iii)	Number of cases where both malus and clawback have been exercised	None	None
General Quantitative Disclosure	The mean pay for the bank as a whole (excluding sub-staff) and the deviation of the pay of each of its WTDs from the mean pay	The mean pay for the Bank as a whole is ₹ 0.07 crore as of March 31, 2021. The ratio of the fixed pay of the managing director to the mean pay of the Bank as a whole is 90:1 as of March 31, 2021. The ratio of the fixed pay of the other whole time director to the mean pay of the Bank as a whole is 77:1 as of March 31, 2021.	The mean pay for the Bank as a whole is ₹ 0.07 crore as of March 31, 2020. The ratio of the fixed pay of the managing director to the mean pay of the Bank as a whole is 182:1 as of March 31, 2020. The ratio of the fixed pay of the other whole time director to the mean pay of the Bank as a whole is 82:1 as of March 31, 2020.

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

27. 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, 2021 is given below:

Business segments:

(₹ crore)

Sr. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
1	Segment revenue	32,337.67	110,210.21	57,154.30	19,937.53	219,639.71
2	Unallocated revenue					30.82
3	Less: Inter-segment revenue					73,607.41
4	Income from operations (1) + (2) - (3)					146,063.12
5	Segment results	9,030.50	10,574.80	17,437.54	6,207.14	43,249.98
6	Unallocated expenses					1,590.99
7	Income tax expense (including deferred tax)					10,542.46
8	Net profit (5) - (6) - (7)					31,116.53
9	Segment assets	519,641.74	521,997.22	628,731.57	67,116.08	1,737,486.61
10	Unallocated assets					9,383.91
11	Total assets (9) + (10)					1,746,870.52
12	Segment liabilities	76,276.60	1,096,217.82	338,115.31	5,857.65	1,516,467.38
13	Unallocated liabilities					26,682.31
14	Total liabilities (12) + (13)					1,543,149.69
15	Capital employed (9) - (12) (Segment assets - Segment liabilities)	443,365.14	(574,220.60)	290,616.26	61,258.43	221,019.23
16	Unallocated (10) - (13)					(17,298.40)
17	Total (15) + (16)					203,720.83
18	Capital expenditure	24.93	1,527.55	139.94	99.72	1,792.14
19	Depreciation	36.74	1,047.40	118.18	100.09	1,302.41
20	Provisions for non - performing assets / others*	(16.82)	10,157.54	2,279.02	3,251.95	15,671.69
21	Unallocated other provisions*					31.16

*Represents material non-cash charge other than depreciation and taxation.

Geographic segments:

(₹ crore)

Particulars	Domestic	International
Revenue	145,131.15	931.97
Assets	1,703,283.63	43,586.89
Capital expenditure	1,791.73	0.41

Segment reporting for the year ended March 31, 2020 is given below:

Business segments:

(₹ crore)

Sr. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
1	Segment revenue	26,558.44	107,999.94	61,134.45	19,033.41	214,726.24
2	Unallocated revenue					2.19
3	Less: Inter-segment revenue					76,654.96
4	Income from operations (1) + (2) - (3)					138,073.47
5	Segment results	3,462.77	12,942.46	14,121.09	7,784.63	38,310.95
6	Unallocated expenses					1,703.79
7	Income tax expense (including deferred tax)					10,349.84
8	Net profit (5) - (6) - (7)					26,257.32
9	Segment assets	457,240.91	484,270.74	520,567.01	60,500.57	1,522,579.23
10	Unallocated assets					7,932.03
11	Total assets (9) + (10)					1,530,511.26
12	Segment liabilities	102,012.09	907,258.10	317,628.87	5,032.43	1,331,931.49
13	Unallocated liabilities					27,593.74
14	Total liabilities (12) + (13)					1,359,525.23
15	Capital employed (9) - (12) (Segment assets - Segment liabilities)	355,228.82	(422,987.36)	202,938.14	55,468.14	190,647.74
16	Unallocated (10) - (13)					(19,661.71)
17	Total (15) + (16)					170,986.03
18	Capital expenditure	43.29	1,381.75	119.49	80.50	1,625.03
19	Depreciation	32.79	938.71	126.71	97.64	1,195.85
20	Provisions for non - performing assets / others*	7.50	6,632.33	3,756.44	1,725.92	12,122.19
21	Unallocated other provisions*					20.20

*Represents material non-cash charge other than depreciation and taxation.

Geographic segments:

(₹ crore)

Particulars	Domestic	International
Revenue	136,903.00	1,170.47
Assets	1,481,234.90	49,276.36
Capital expenditure	1,623.31	1.72

28. Liquidity coverage ratio

Quantitative information on Liquidity Coverage Ratio (LCR) for year ended March 31, 2021 is given below:

(₹ crore)

Particulars	Quarter ended March 31, 2021		Quarter ended December 31, 2020		Quarter ended September 30, 2020		Quarter ended June 30, 2020	
	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)		387,444.92		383,674.38		388,794.58		340,377.99
2 Retail deposits and deposits from small business customers, of which:	832,171.74	69,590.69	796,241.80	66,593.38	773,039.10	64,459.71	732,384.63	60,916.81
(i) *Stable deposits*	272,529.72	13,626.49	260,616.12	13,030.81	256,883.89	12,844.19	246,433.05	12,321.65
(ii) *Less stable deposits*	559,642.02	55,964.20	535,625.68	53,562.57	516,155.21	51,615.52	485,951.58	48,595.16
3 Unsecured wholesale funding, of which:	392,556.47	220,016.76	374,118.11	209,243.16	363,230.65	204,604.77	356,330.51	202,266.13
(i) *Operational deposits (all counterparties)*	46,724.00	11,468.76	42,642.99	10,451.53	39,434.73	9,616.05	43,335.91	10,570.42
(ii) *Non-operational deposits (all counterparties)*	337,592.54	200,308.07	322,278.94	189,595.45	314,152.61	185,345.41	300,405.14	179,106.25
(iii) *Unsecured debt*	8,239.93	8,239.93	9,196.18	9,196.18	9,643.31	9,643.31	12,589.46	12,589.46
4 Secured wholesale funding		1,468.48		136.02		572.08		2,536.01
5 Additional requirements, of which	129,797.30	74,882.62	100,431.39	60,570.72	109,923.16	69,254.65	94,309.70	55,993.92
(i) *Outflows related to derivative exposures and other collateral requirement*	65,257.51	65,257.51	53,502.98	53,502.98	62,084.76	62,084.76	48,942.70	48,942.70
(ii) *Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
(iii) *Credit and liquidity facilities*	64,539.79	9,625.11	46,928.41	7,067.74	47,838.40	7,169.89	45,367.00	7,051.22
6 Other contractual funding obligation	25,016.62	25,016.62	22,110.23	22,110.23	19,704.76	19,704.76	17,620.62	17,620.62
7 Other contingent funding obligations	86,122.40	2,583.67	80,291.75	2,408.75	75,154.22	2,757.85	78,620.58	2,358.62
8 Total Cash Outflows		**393,558.84**		**361,062.26**		**361,353.82**		**341,692.11**
9 Secured lending (e.g. reverse repo)	-	-	-	-	-	-	-	-
10 Inflows from fully performing exposures	57,894.78	30,583.31	54,243.72	28,833.52	54,736.54	29,395.55	58,619.17	31,164.09
11 Other cash inflows	86,460.73	80,668.22	71,902.59	66,534.28	83,850.84	76,900.67	73,670.94	66,790.62
12 Total Cash Inflows	**144,355.51**	**111,251.53**	**126,146.31**	**95,367.80**	**138,587.38**	**106,296.22**	**132,290.11**	**97,954.71**
		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
13 TOTAL HQLA		387,444.92		383,674.38		388,794.58		340,377.99
14 Total Net Cash Outflows		282,307.31		265,694.46		255,057.60		243,737.40
15 Liquidity Coverage Ratio(%)		137.24%		144.40%		152.43%		139.65%

* 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, 2020 is given below:

(₹ crore)

Particulars	Quarter ended March 31, 2020		Quarter ended December 31, 2019		Quarter ended September 30, 2019		Quarter ended June 30, 2019	
	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)		281,400.84		276,928.43		253,440.66		225,515.60
2 Retail deposits and deposits from small business customers, of which:	679,608.08	60,624.61	663,427.11	61,722.61	613,920.13	56,976.14	580,808.20	53,857.85
(i) *Stable deposits*	146,723.83	7,336.19	92,402.01	4,620.11	88,317.44	4,415.87	84,459.31	4,222.96
(ii) *Less stable deposits*	532,884.25	53,288.42	571,025.10	57,102.50	525,602.69	52,560.27	496,348.89	49,634.89
3 Unsecured wholesale funding, of which:	304,344.42	172,804.61	281,082.43	161,380.77	266,629.81	154,200.50	251,528.82	144,006.73
(i) *Operational deposits (all counterparties)*	42,366.96	10,444.47	34,686.67	8,597.58	31,496.13	7,800.30	34,903.88	8,651.04
(ii) *Non-operational deposits (all counterparties)*	251,513.79	151,896.47	238,057.41	144,444.84	226,600.14	137,866.76	207,750.30	126,481.05
(iii) *Unsecured debt*	10,463.67	10,463.67	8,338.35	8,338.35	8,533.54	8,533.44	8,874.64	8,874.64
4 Secured wholesale funding		3,792.62		874.87		7,397.92		7,397.92
5 Additional requirements, of which	113,635.81	65,326.40	110,281.91	62,648.74	96,419.47	65,085.57	95,759.03	64,300.46
(i) *Outflows related to derivative exposures and other collateral requirement*	57,080.24	57,080.24	54,957.64	54,957.63	56,818.08	56,818.07	55,710.21	55,710.21
(ii) *Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
(iii) *Credit and liquidity facilities*	56,555.57	8,246.16	55,324.27	7,691.11	39,601.39	8,267.50	40,048.82	8,590.25
6 Other contractual funding obligation	19,175.58	19,175.58	13,698.21	13,698.21	17,492.56	17,492.57	17,106.30	17,106.30
7 Other contingent funding obligations	78,141.66	2,344.25	73,360.81	2,200.83	72,616.20	2,178.49	71,632.78	2,148.98
8 Total Cash Outflows		**324,068.07**		**302,526.03**		**303,331.19**		**288,818.24**
9 Secured lending (e.g. reverse repo)	-	-	-	-	-	-	-	-
10 Inflows from fully performing exposures	66,199.09	35,402.81	64,887.50	34,429.38	68,415.09	37,644.26	64,170.94	34,634.66
11 Other cash inflows	83,565.18	75,800.89	76,947.14	69,971.85	80,699.85	73,867.50	80,255.71	74,079.86
12 Total Cash Inflows	**149,764.27**	**111,203.70**	**141,834.64**	**104,401.23**	**149,114.94**	**111,511.76**	**144,426.65**	**108,714.52**
		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
13 TOTAL HQLA		281,400.84		276,928.43		253,440.66		225,515.60
14 Total Net Cash Outflows		212,864.38		198,124.80		191,819.43		180,103.72
15 Liquidity Coverage Ratio(%)		132.20%		139.77%		132.12%		125.21%

* 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 the minimum requirement at 60% which would rise 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, 2021 is 90% (As a measure to address the current pandemic situation, RBI had reduced the minimum LCR requirement from 100% to 80% which is to be gradually restored back in two phases, i.e., 90% by October 1, 2020 and 100% by April 1, 2021)

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, 2021	137.24%	90.00%
December 31, 2020	144.40%	90.00%
September 30, 2020	152.43%	80.00%
June 30, 2020	139.65%	80.00%
March 31, 2020	132.20%	100.00%
December 31, 2019	139.77%	100.00%
September 30, 2019	132.12%	100.00%
June 30, 2019	125.07%	100.00%

The average LCR for the quarter ended March 31, 2021 was at 137.24% as against 132.20% for the quarter ended March 31, 2020, and well above the present prescribed minimum requirement of 90%. The average HQLA for the quarter ended March 31, 2021 was ₹ 387,444.92 crore, as against was ₹ 281,400.84 crore for the quarter ended March 31, 2020. During the same period the composition of government securities and treasury bills in the HQLA was at 89.49% as compared to 91% in the previous year.

For the quarter ended March 31, 2021, derivative exposures (net of cash inflows) / collateral requirements and undrawn commitments constituted just about 0.25% and 2.45% respectively of average cash outflow. The Bank has consistently maintained a robust funding profile with a significant portion of funding through deposits. As of March 31, 2021 the top 20 depositors comprised of 4% of total deposits indicating a healthy and stable deposit profile.

29. 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

Sashidhar Jagdishan, Managing Director & Chief Executive Officer (appointed with effect from October 27, 2020)

Kaizad Bharucha, Executive Director

Aditya Puri, Managing Director (retired from services of the Bank effective October 26, 2020)

Relatives of key management personnel

Nagsri Sashidhar, Jagdishan Chandrasekharan, Dhruv Sashidhar, Mythra Mahesh, Havovi Bharucha, Huzaan Bharucha, Danesh Bharucha, Daraius Bharucha.

Entity in which relative of key management personnel is interested

Nagsri - Creating Special Memories

The following ceased to be related party effective October 26, 2020:

Anita Puri, Amit Puri, Amrita Puri, Adishwar Puri, Aarti Sood, Salisbury Investments Private Limited, Akuri by Puri.

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, 2021 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 ₹ 12.78 crore (previous year: ₹ 11.06 crore); Housing Development Finance Corporation Limited ₹ 10.80 crore (previous year: ₹ 8.53 crore); Key management personnel ₹ 8.22 crore (previous year: ₹ 1.82 crore).
- Interest received: HDB Financial Services Limited ₹ 439.87 crore (previous year: ₹ 430.63 crore).
- Rendering of services: Housing Development Finance Corporation Limited ₹ 324.65 crore (previous year: ₹ 308.94 crore); HDFC Securities Limited ₹ 41.29 crore (previous year: ₹ 31.94 crore).
- Receiving of services: HDB Financial Services Limited ₹ 2,346.93 crore (previous year: ₹ 2,459.50 crore); Housing Development Finance Corporation Limited ₹ 589.87 crore (previous year: ₹ 586.66 crore).

- Dividend paid: Housing Development Finance Corporation Limited Nil (previous year: ₹ 864.62 crore).
- Dividend received: HDB Financial Services Limited Nil (previous year: ₹ 135.11 crore); HDFC Securities Limited ₹ 483.04 crore (previous year: ₹ 288.61 crore).

The Bank's related party balances and transactions for the year ended March 31, 2021 are summarised as follows:

(₹ crore)

Items / Related party	Promoter	Subsidiaries	Key management personnel	Total
Deposits taken	3,560.67 (3,560.67)	1,300.08 (2,231.42)	60.07 (717.55)	4,920.82 (6,509.64)
Deposits placed	0.32 (0.47)	10.62 (10.62)	- (0.76)	10.94 (11.85)
Advances given	- -	5,572.73 (6,032.37)	0.99 (2.32)	5,573.72 (6,034.69)
Fixed assets purchased from	-	-	-	-
Fixed assets sold to	-	-	-	-
Interest paid to	10.80	14.16	8.22	33.18
Interest received from	-	440.03	0.05	440.08
Income from services rendered to	324.65	66.62	#	391.27
Expenses for receiving services from	589.87	2,395.60	0.14	2,985.61
Equity investments	- -	3,826.49 (3,826.49)	- -	3,826.49 (3,826.49)
Other Investments	- -	3,138.89 (3,138.89)	- -	3,138.89 (3,138.89)
Dividend paid to	-	-	-	-
Dividend received from	-	483.04	-	483.04
Receivable from	138.77 (138.77)	6.27 (10.96)	- -	145.04 (149.73)
Payable to	111.05 (199.27)	86.08 (171.13)	- -	197.13 (370.40)
Guarantees given	0.40 (0.41)	- -	- -	0.40 (0.41)
Remuneration paid	-	-	22.48	22.48
Loans purchased from	18,979.78	-	-	18,979.78

\# 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, 2021, approved unpaid deferred bonus in respect of earlier years was ₹ 3.24 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, 2021 is ₹ 7,757.49 crore (previous year: ₹ 12,009.95 crore). The contingent credit exposure pertaining to these contracts computed in line with the extant RBI guidelines on exposure norms was ₹ 166.45 crore (previous year: ₹ 136.86 crore).

During the year ended March 31, 2021, the Bank purchased debt securities from HDB Financial Services Limited ₹ 3,146.57 crore (previous year: ₹ 2,004.60 crore) issued by it.

During the year ended March 31, 2021, the Bank made investment of ₹ 473.06 crore (previous year: ₹ 1,982.47 crore) in pass through certificates in respect of assets securitised out by HDB Financial Services Limited.

During the year ended March 31, 2021, the Bank paid rent of ₹ 0.38 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, 2021, the security deposit outstanding was Nil (previous year: ₹ 3.50 crore).

The deposit outstanding from HDB Employees Welfare Trust as at March 31, 2021 was ₹ 51.02 crore (previous year: ₹ 39.37 crore). The Bank also paid interest on deposit from HDB Employees Welfare Trust aggregating to ₹ 3.13 crore (previous year: ₹ 3.14 crore).

The Bank's related party balances and transactions for the year ended March 31, 2020 are summarised as follows:

(₹ crore)

Items / Related party	Promoter	Subsidiaries	Key management personnel	Total
Deposits taken	3,679.07 (7,717.90)	1,423.41 (1,423.41)	18.54 (22.51)	5,121.02 (9,163.82)
Deposits placed	0.47 (0.47)	10.62 (10.62)	0.76 (0.76)	11.85 (11.85)
Advances given	- -	5,181.82 (5,477.27)	2.55 (2.87)	5,184.37 (5,480.14)
Fixed assets purchased from	-	-	-	-
Fixed assets sold to	-	-	-	-
Interest paid to	8.53	11.88	1.82	22.23
Interest received from	-	431.26	0.09	431.35
Income from services rendered to	308.94	62.91	#	371.85
Expenses for receiving services from	586.66	2,470.47	0.31	3,057.44
Equity investments	- -	3,826.49 (3,826.49)	- -	3,826.49 (3,826.49)
Other Investments	- -	650.00 (1,101.22)	- -	650.00 (1,101.22)
Dividend paid to	864.62	-	10.40	875.02
Dividend received from	-	423.72	-	423.72
Receivable from	44.48 (55.33)	14.34 (14.34)	- -	58.82 (69.67)
Payable to	100.28 (100.28)	147.26 (206.74)	- -	247.54 (307.02)
Guarantees given	0.39 (0.40)	- -	- -	0.39 (0.40)
Remuneration paid	-	-	27.56	27.56
Loans purchased from	24,127.25	-	-	24,127.25

\# 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, 2020, approved unpaid deferred bonus in respect of earlier years was ₹ 5.92 crore.

30. Intra-Group exposure

Intra-Group exposures in accordance with RBI guidelines are as follows:

(₹ crore)

Particulars	March 31, 2021	March 31, 2020
Total amount of intra-group exposures	11,659.17	8,542.59
Total amount of top 20 intra-group exposures	11,659.17	8,542.59
Percentage of intra-group exposures to total exposure of the Bank on borrowers / customers	0.63%	0.53%
Details of breach of limits on intra-group exposures and regulatory action thereon, if any	Nil	Nil

Schedules to the Financial Statements
For the year ended March 31, 2021

31. 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, 2021	March 31, 2020
Not later than one year	1,163.33	1,115.49
Later than one year and not later than five years	3,943.95	3,646.15
Later than five years	5,207.95	4,756.70
Total	**10,315.23**	**9,518.34**
The total of minimum lease payments recognised in the Profit and Loss Account for the year	1,390.04	1,345.43
Total of future minimum sub-lease payments expected to be received under non-cancellable sub-leases	56.94	64.23
Sub-lease amounts recognised in the Profit and Loss Account for the year	9.92	9.60
Contingent (usage based) lease payments recognised in the Profit and Loss Account for the year	324.07	270.14

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.

32. 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, 2021	March 31, 2020
Opening balance of amounts transferred to DEAF	617.69	496.60
Add: Amounts transferred to DEAF during the year	169.93	131.64
Less: Amounts reimbursed by DEAF towards claims	(3.63)	(10.55)
Closing balance of amounts transferred to DEAF	783.99	617.69

33. Penalties levied by the RBI
During the year ended March 31, 2021, RBI has imposed a penalty of ₹ 0.10 crore for bouncing of Subsidiary General Ledger which led to shortage of balance in certain securities in the Bank's Constituent Subsidiary General Ledger account.

During the previous year ended March 31, 2020, RBI had imposed a penalty of ₹ 1 crore for non-compliance with various directions issued by RBI on Know Your Customer (KYC) / Anti-Money Laundering (AML) standards. Additionally, RBI had imposed a penalty of ₹ 1 crore on the Bank for failure to undertake on-going due diligence in case of 39 current accounts opened for bidding in Initial Public Offer (IPO).

34. Disclosure for complaints and grievance redress
Summary information on complaints received by the Bank from the customers and from the OBOs (Office of Banking Ombudsman)

Sr. No	Particulars	March 31, 2021	March 31, 2020
	Complaints received by the bank from its customers		
1	Number of complaints pending at beginning of the year	2,496	7,642
2	Number of complaints received during the year	3,25,786*	3,82,235
3	Number of complaints disposed during the year	3,23,269	3,87,381
3.1	Of which, number of complaints rejected by the bank	87,073	82,170
4	Number of complaints pending at the end of the year	5,013	2,496
	Maintainable complaints received by the bank from OBOs		
5	Number of maintainable complaints received by the bank from OBOs	25,777	9,154
5.1	Of 5, number of complaints resolved in favour of the bank by BOs	7,593	2,297
5.2	Of 5, number of complaints resolved through conciliation / mediation / advisories issued by BOs	18,184	6,857
5.3	Of 5, number of complaints resolved after passing of Awards by BOs against the bank	Nil	Nil
6	Number of Awards unimplemented within the stipulated time (other than those appealed)	Nil	Nil

Note: Maintainable complaints refer to complaints on the grounds specifically mentioned in BO Scheme 2006 and covered within the ambit of the Scheme.

* Total complaints include:

i) 1,05,221 complaints pertaining to failed remote onus ATM transactions (on other banks' ATMs).

ii) 10,503 complaints which were closed within next working day (As per the section 16.5 of the RBI's Master Circular on Customer Service in banks dated July 01, 2015, all complaints redressed within next working day need not be included in the statement of complaints).

iii) 1,34,675 complaints in the nature of queries and requests.

Top five grounds of complaints received by the Bank from the customers for the year ended March 31, 2021:

Grounds of complaints (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase / (decrease) in the number of complaints received over the previous year	Number of complaints pending at the end of the year*	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
ATM / Debit Cards	1,709	1,70,370	(24%)	2,478	-
Credit Cards	382	1,07,895	3%	707	-
Loans and advances	112	17,277	1%	239	-
Internet / Mobile / Electronic Banking	194	13,308	(15%)	1,403	-
Account opening / difficulty in operation of accounts	11	5,412	(20%)	46	-
Others	88	11,524	(20%)	140	-
Total	**2,496**	**3,25,786**	**(15%)**	**5,013**	**-**

Top five grounds of complaints received by the Bank from the customers for the year ended March 31, 2020:

Grounds of complaints (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase / (decrease) in the number of complaints received over the previous year	Number of complaints pending at the end of the year*	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
ATM / Debit Cards	5,457	2,23,707	(19%)	1,709	29
Credit Cards	740	1,04,506	80%	382	-
Loans and advances	269	17,063	(6%)	112	1
Internet / Mobile / Electronic Banking	637	15,740	(13%)	194	-
Account opening / difficulty in operation of accounts	71	6,780	(1%)	11	-
Others	468	14,439	(26%)	88	3
Total	**7,642**	**3,82,235**	**(4%)**	**2,496**	**33**

*All these cases were pending within the stipulated turnaround time (TAT) of the Bank.

Schedules to the Financial Statements

For the year ended March 31, 2021

35. 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, 2021 and March 31, 2020.

36. 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, 2021 and March 31, 2020. The above is based on the information available with the Bank which has been relied upon by the auditors.

37. Overseas assets, NPAs and revenue

(₹ crore)

Particulars	March 31, 2021	March 31, 2020
Total Assets	43,586.89	43,257.00
Total NPAs	188.35	194.93
Total Revenue	931.97	1,170.47

38. Off-Balance Sheet SPVs

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

39. Credit default swaps

The Bank has not transacted in credit default swaps during the year ended March 31, 2021 (previous year: Nil).

40. Corporate social responsibility

Operating expenses include ₹ 634.90 crore (previous year: ₹ 535.31 crore) for the year ended March 31, 2021 towards Corporate Social Responsibility (CSR), in accordance with Companies Act, 2013.

The Bank has spent 2.02% (previous year: 2.01%) of its average net profit for the last three financial years as part of its CSR for the year ended March 31, 2021. 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, 2021			March 31, 2020		
		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	634.90	-	634.90	532.18	3.13	535.31

41. 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, 2021 and March 31, 2020.

42. 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, 2021 amounted to ₹ 3.73 crore (previous year: ₹ 1.98 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, 2021 amounted to ₹ 0.70 crore (previous year: ₹ 0.90 crore).

43. COVID-19

Consequent to the outbreak of the COVID-19 pandemic, the Indian government announced a lockdown in March 2020. Subsequently, the national lockdown was lifted by the government, but regional lockdowns continue to be implemented in areas with a significant number of COVID-19 cases.

The impact of COVID-19, including changes in customer behaviour and pandemic fears, as well as restrictions on business and individual activities, has led to significant volatility in global and Indian financial markets and a significant decrease in global and local economic activities. The slowdown during the year led to a decrease in loan originations, the sale of third party products, the use of credit and debit cards by customers and the efficiency in collection efforts. This may lead to a rise in the number of customer defaults and consequently an increase in provisions thereagainst. The extent to which the COVID-19 pandemic, including the current “second wave” that has significantly increased the number of cases in India, will continue to impact the Bank’s results will depend on ongoing as well as future developments, which are highly uncertain, including, among other things, any new information concerning the severity of the COVID-19 pandemic and any action to contain its spread or mitigate its impact whether government-mandated or elected by us.

In accordance with the COVID-19 Regulatory Packages announced by the RBI on March 27, 2020, April 17, 2020 and May 23, 2020, the Bank, in accordance with its board approved policy, offered a moratorium on the repayment of all instalments and / or interest, as applicable, due between March 1, 2020 and August 31, 2020 to all eligible borrowers classified as standard, even if overdue, as on February 29, 2020. In respect of such accounts that were granted moratorium, the asset classification remained standstill during the moratorium period.

The disclosures as required by the RBI circular dated April 17, 2020 are given below:

(₹ crore)

Particulars	Amount
Respective amounts in SMA / overdue categories, where the moratorium / deferment was extended, in terms of paragraph 2 and 3 of the circular (as of February 29,2020) Term Loan Instalments: ₹ 11,805.09 crore Cash Credit / Overdraft: ₹ 4,063.48 crore	15,868.57
Respective amount where asset classification benefit is extended* Term Loan Instalments: ₹ 3,918.08 crore Cash Credit / Overdraft: ₹ 1,527.22 crore	5,445.30
Provisions made in terms of paragraph 5 of the circular	620.00
Provisions adjusted against slippages in terms of paragraph 6 of the circular	-
Residual provisions as of March 31, 2021 in terms of paragraph 6 of the circular	620.00

* as on March 31, 2021 in respect of such accounts.

44. Refund / adjustment of ‘interest on interest’

In accordance with the instructions in the paragraph 5 of the RBI circular dated April 07, 2021, the Bank shall refund / adjust ‘interest on interest’ to all borrowers including those who had availed of working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed. Pursuant to these instructions, the methodology for calculation of the amount of such ‘interest on interest’ would be finalised by the Indian Banks Association (IBA) in consultation with other industry participants / bodies and is awaited as on the date of approval of financial statements. The Bank has however estimated the said amount and recognised a charge of ₹ 470.00 crore in its Profit and Loss Account for the year ended March 31, 2021.

45. Comparative figures

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

As per our report of even date

For MSKA & Associates
Chartered Accountants
ICAI Firm Registration Number: 105047W

Swapnil Kale
Partner
Membership Number: 117812

Mumbai, April 17, 2021

For and on behalf of the Board

Umesh Chandra Sarangi
Independent Director

Sashidhar Jagdishan
Managing Director & CEO

Kaizad Bharucha
Executive Director

Srinivasan Vaidyanathan
Chief Financial Officer

Santosh Haldankar
Company Secretary

Basel III - Pillar 3 Disclosures

As at March 31, 2021

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.

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"), which comprise the Consolidated Balance Sheet as at March 31, 2021, the Consolidated Profit and Loss Account, the Consolidated Cash Flow Statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (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, 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 Banking Regulation Act, 1949 as well as the Companies Act, 2013 ("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 their consolidated state of affairs of the Group as at March 31, 2021 and of their consolidated profit and their consolidated cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) 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 ethical requirements that are relevant to our audit of the consolidated financial statements in India in terms of Code of Ethics issued by Institute of Chartered Accountants of India ("ICAI"), and the relevant provisions of the Act and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 24 of Schedule 18 to the consolidated financial statements, which describes the extent to which the COVID-19 pandemic will continue to impact the Bank's consolidated financial statements will depend on ongoing and future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. 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.

Identification of Non-Performing Advances (NPA) and provision on advances	
Key Audit Matter	**How our audit addressed the key audit matter**
The Reserve Bank of India's ("RBI") guidelines on Income recognition and asset classification ("IRAC") prescribe the prudential norms for identification and classification of non-performing assets ("NPA") and the minimum provision required for such assets. The Bank is required to have Board approved policy as per IRAC guidelines for NPA identification and provision. 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 provision on NPA is estimated based on ageing and classification of NPAs, recovery estimates, nature of loan product, value of security and other qualitative factors and is subject to the minimum provisioning norms specified by RBI and approved policy of the Bank in this regard. 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 Management of the Bank also made an assessment of the impact on borrowers' account due to COVID-19 pandemic and in line with the COVID-19 Regulatory Package announced by the RBI in respect of moratorium and restructuring of advances as relief measures to the borrowers. Additionally, the Bank has considered the impact of judgement, on identification of NPA and provision thereof, which was vacated as per Honourable Supreme Court Order on March 23, 2021 and the RBI circular dated April 7, 2021 in that connection. Since the identification of NPAs and provisioning for advances require significant level of estimation and given its significance to the overall audit including possible observation by RBI which could result into disclosure in the financial statements, we have ascertained identification and provisioning for NPAs as a key audit matter.	Tested the design and operating effectiveness of key controls (including application controls) over approval, recording, monitoring and recovery of loans, monitoring overdue / stressed accounts, identification of NPA, provision for NPA and valuation of security and collateral. Testing of Application controls include testing of automated controls, reports and system reconciliations. Evaluated the governance process and review controls over calculations of provision of non-performing advances, basis of provisioning approved in accordance with the Board approved policy. Selected the borrowers based on quantitative and qualitative risk factors for their assessment of appropriate classification as NPA including computation of overdue ageing to assess its correct classification and provision amount as per extant IRAC norms and Bank policy. Performed other substantive procedures included and not limited to the following: • Selected samples of performing loans and assessed independently as to whether those should be classified as NPA; • For samples selected reviewed the collateral valuation, financial statements and other qualitative information; • Considered 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; • For selected samples assessed independently accounts that can potentially be classified as NPA and Red Flagged Accounts; • Performed 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 needed to be considered as NPA; • Examined the early warning reports generated by the Bank to identify stressed loan accounts; • Held 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; • Selected samples for standard accounts, default but standard accounts and overdue accounts and assessed compliance with RBI circular on COVID-19 Regulatory Package; • Selected and tested samples of accounts which were restructured under MSME restructuring circular and Resolution Framework for COVID-19 related stress circular for their compliance with the RBI directions; • Selected samples of accounts which were not declared as NPA due to the interim order of Honourable Supreme Court and later on due to the vacation of the interim order and the RBI circular in connection with that to ensure the asset classification of borrower accounts has been continued as per the extant RBI instructions / IRAC norms. Assessed the adequacy of disclosures against the relevant accounting standards and RBI requirements relating to NPAs.

Evaluation of litigations included in contingent liabilities	
Key Audit Matter	**How our audit addressed the key audit matter**
The Bank has material open tax litigations including matters under dispute which involve significant judgement to determine the possible outcome of these disputes. Significant management judgement is needed in determining whether an obligation exists and whether a provision should be recognised as at the reporting date, in accordance with the accounting criteria set under Accounting Standard 29 - Provisions, Contingent Liabilities and Contingent Assets ('AS 29'), or whether it needs to be disclosed as a contingent liability. Further significant judgements are also involved in measuring such obligations, the most significant of which are: • Assessment of liability: Judgement is involved in the determination of whether an outflow in respect of identified material matters are probable and can be estimated reliably; • Adequacy of provisions: The appropriateness of assumptions and judgements used in the estimation of significant provisions; and • Adequacy of disclosures of provision for liabilities and charges, and contingent liabilities. The Bank's assessment is supported by the facts of matter, their own judgement, experience, and advices from legal and independent tax consultants wherever considered necessary. Since the assessment of these open tax litigations requires significant level of judgement in interpretation of law, we have included this as a key audit matter.	Our Audit procedures with respect to this matter included: Testing the design and operating effectiveness of the Bank's key controls over the estimation, monitoring and disclosure of provisions and contingent liabilities. Our substantive audit procedures included and were not limited to the following: • Obtained an understanding of the Bank's process for determining tax liabilities, tax provisions and contingent liabilities pertaining to legal matters and taxation matters; • Obtained list of cases / matters in respect of which litigations were outstanding as at reporting date; • For significant legal matters, we sought external confirmations and also corroborated with management's documented conclusions on the assessment of outstanding litigations against the Bank; • For significant taxation matters, we involved our tax specialist to gain an understanding of the current status of the litigations, including understanding of various orders / notices received by the Bank and the management's grounds of appeals before the relevant appellate authorities; • Evaluated the merit of the subject matter under consideration with reference to the grounds presented therein and available independent legal / tax advice; and • Agreed underlying tax balances to supporting documentation, including correspondence with tax authorities. Assessed the disclosures within the standalone financial statements in this regard.

Information Technology ("IT") Systems and Controls	
Key Audit Matter	**How our audit addressed the key audit matter**
The Bank has a complex IT architecture to support its day-to-day business operations. High volume of transactions are processed and recorded on single or multiple applications. 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. Appropriate IT general controls and application controls are required to ensure that such IT systems are able to process the data, as required, completely, accurately and consistently for reliable financial reporting. We have identified 'IT systems and controls' as key audit matter because of the high level automation, significant number of systems being used by the management and the complexity of the IT architecture and its impact on the financial reporting system.	Our Audit procedures with respect to this matter included: 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. Obtained a comprehensive understanding of IT applications landscape implemented at the Bank. It was followed by process understanding, mapping of applications to the same and understanding financial risks posed by people-process and technology. Key IT audit procedures includes testing design and operating effectiveness of key controls operating over user access management (which includes user access provisioning, de-provisioning, access review, password configuration review, segregation of duties and privilege access), change management (which include change release in production environment are compliant to the defined procedures and segregation of environment is ensured), program development (which include review of data migration activity), computer operations (which includes testing of key controls pertaining to Backup, Batch processing (including interface testing), incident management and data centre security), System interface controls. This included testing that requests for access to systems were appropriately logged, reviewed and authorized. Also, entity level controls pertaining to policy and procedure and Business continuity plan assessment due impact of COVID-19 was also part of our audit procedure. In addition to the above, the design and operating effectiveness of certain automated controls, that were considered as key internal system controls over financial reporting were tested. Using various techniques such as inquiry, review of documentation / record / reports, observation and re-performance. We also tested few controls using negative testing technique. We had taken adequate samples of instances for our test. Tested compensating controls and performed alternate procedures, where necessary. In addition, understood where relevant, changes made to the IT landscape during the audit period.

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 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 and, in doing so, consider whether the 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, 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 term of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act and the Banking Regulation Act, 1949 and circulars, guidelines and directions issued by the Reserve Bank of India from time to time (the "RBI Guidelines") as applicable to the Bank. 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 and the RBI Guidelines for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring 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 the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group are responsible for overseeing the Group's financial reporting process.

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 Standards on Auditing ("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 judgement 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 internal financial controls with reference to the financial statements 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 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, 2021 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

We did not audit the financial statements of two subsidiaries, whose financial statements reflect total assets of ₹ 6,735,008 Lacs as at March 31, 2021, total revenues of ₹ 1,208,782 Lacs and net cash flows amounting to ₹ 333 Lacs for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, is based solely on the reports of the other auditors.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit and the consideration of the report of the other auditors on separate financial statements as noted in the 'Other Matters' paragraph, we report, to the extent applicable, that:
   a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements;

   b. In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the 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 relevant books of account maintained for the purpose of preparation of the consolidated financial statements;

   d. In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards 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 of the Bank as on March 31, 2021 taken on record by the Board of Directors of the Bank and the reports of the statutory auditors of its subsidiary companies, none of the directors of the Group companies, is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act;

   f. With respect to the adequacy of internal financial controls with reference to the consolidated financial statements of the Group and the operating effectiveness of such controls, refer to our separate report in "Annexure A";

   g. With respect to the matter to be included in the Auditor's Report under Section 197(16):
   In our opinion and according to the information and explanations given to us and based on the report of the statutory auditors of subsidiary companies which were not audited by us, the remuneration paid during the current year by the subsidiary companies to their directors is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director by the subsidiary companies is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us. Further, the Bank is a banking company as defined under Banking Regulation Act, 1949. Accordingly, the requirements prescribed under Section 197 of the Companies Act, 2013 do not apply to the Bank; 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 Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
      i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group - Refer Schedule 12, Schedule 17(D)(17) and Schedule 18(13)(d)(1) and (2) 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(D)(7) and 17(D)(17) and Schedule 18(13)(d) to the consolidated financial statements in respect of such items as it relates to the Group; and

      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 subsidiary companies incorporated in India.

For MSKA & Associates
Chartered Accountants
ICAI Firm Registration Number: 105047W

Swapnil Kale
Partner
Membership Number: 117812

UDIN: 21117812AAAADU7699

Mumbai
April 17, 2021

Annexure A to the Independent Auditors' Report of even date on the Consolidated Financial Statements of HDFC Bank Limited

Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditor's Report of even date to the Members of HDFC Bank Limited on the Consolidated Financial Statements for the year ended March 31, 2021

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

In conjunction with our audit of the consolidated financial statements of the Bank as of and for the year ended March 31, 2021, we have audited the internal financial controls with reference to consolidated financial statements 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, its subsidiary companies, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control with reference to consolidated financial statements criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ("the ICAI"). These responsibilities include the design, implementation and maintenance of internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to consolidated financial statements of the Bank, its subsidiary companies, which are companies incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI and the Standards on Auditing 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 internal financial controls with reference to consolidated financial statements 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 internal financial controls with reference to consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated financial statements included obtaining an understanding of internal financial controls with reference to consolidated financial statements, 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 auditors' judgement, including the assessment of the risks of material misstatement of the consolidated 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 with reference to consolidated financial statements of the Bank, its subsidiary companies, which are companies incorporated in India.

Meaning of Internal Financial Controls With Reference to Consolidated Financial Statements

A Bank's internal financial control with reference to consolidated financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. A Bank's internal financial control with reference to consolidated financial statements 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 Bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorizations of management and directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Bank's assets that could have a material effect on the consolidated financial statements.

Inherent Limitations of Internal Financial Controls With Reference to Consolidated Financial Statements

Because of the inherent limitations of internal financial controls with reference to consolidated financial statements, 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 with reference to consolidated financial statements to future periods are subject to the risk that the internal financial control with reference to consolidated financial statements 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, and to the best of our information and according to the explanations given to us, the Bank, its subsidiary companies, which are companies incorporated in India, have, in all material respects, adequate internal financial controls with reference to consolidated financial statements and such internal financial controls with reference to consolidated financial statements were operating effectively as at March 31, 2021, based on the internal control with reference to consolidated financial statements criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

Other Matters

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to consolidated financial statements insofar as it relates to two subsidiary companies, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India.

For MSKA & Associates
Chartered Accountants
ICAI Firm Registration Number: 105047W

Swapnil Kale
Partner
Membership Number: 117812

UDIN: 21117812AAAADU7699

Mumbai
April 17, 2021

Consolidated Balance Sheet

As at March 31, 2021

₹ in '000

	Schedule	As at 31-Mar-21	As at 31-Mar-20
CAPITAL AND LIABILITIES			
Capital	1	5,512,776	5,483,286
Reserves and surplus	2	2,092,589,110	1,758,103,766
Minority interest	2A	6,327,647	5,766,413
Deposits	3	13,337,208,758	11,462,071,336
Borrowings	4	1,776,967,487	1,868,343,231
Other liabilities and provisions	5	776,460,664	708,536,341
Total		17,995,066,442	**15,808,304,373**
ASSETS			
Cash and balances with Reserve Bank of India	6	973,703,555	722,110,033
Balances with banks and money at call and short notice	7	239,021,709	157,291,086
Investments	8	4,388,231,117	3,893,049,519
Advances	9	11,852,835,198	10,436,708,771
Fixed assets	10	50,995,631	46,268,558
Other assets	11	490,279,232	552,876,406
Total		17,995,066,442	**15,808,304,373**
Contingent liabilities	12	9,752,806,592	11,304,740,615
Bills for collection		447,481,440	515,849,020
Significant accounting policies and notes to the Consolidated financial statements The schedules referred to above form an integral part of the Consolidated Balance Sheet.	17 & 18		

As per our report of even date

For and on behalf of the Board

For MSKA & Associates
Chartered Accountants
ICAI Firm Registration Number: 105047W

Umesh Chandra Sarangi
Independent Director

Sashidhar Jagdishan
Managing Director & CEO

Swapnil Kale
Partner
Membership Number: 117812

Kaizad Bharucha
Executive Director

Srinivasan Vaidyanathan
Chief Financial Officer

Mumbai, April 17, 2021

Santosh Haldankar
Company Secretary

Consolidated Profit and Loss Account

For the year ended March 31, 2021

₹ in '000

	Schedule	Year ended 31-Mar-21	Year ended 31-Mar-20
I. INCOME			
Interest earned	13	1,285,523,933	1,221,892,915
Other income	14	273,328,803	248,789,748
Total		1,558,852,736	**1,470,682,663**
II. EXPENDITURE			
Interest expended	15	592,475,799	621,374,216
Operating expenses	16	350,012,568	330,360,555
Provisions and contingencies [Refer Schedule 18 (15)]		297,796,688	245,985,239
Total		1,240,285,055	**1,197,720,010**
III. PROFIT			
Net profit for the year		318,567,681	272,962,653
Less : Minority interest		235,590	423,147
Consolidated profit for the year		318,332,091	272,539,506
Balance in the Profit and Loss Account brought forward		618,176,878	528,496,075
Total		936,508,969	**801,035,581**
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		78,796,978	67,717,167
Tax (including cess) on dividend		-	902,672
Dividend (including tax / cess thereon) pertaining to previous year paid during the year, net of dividend tax credits		-	48,933,585
Interim Dividend (including tax)		-	16,469,504
Transfer to General Reserve		31,116,525	26,257,315
Transfer to Capital Reserve		22,916,842	11,238,460
Transfer to / (from) Investment Reserve Account		616,645	-
Transfer to / (from) Investment Fluctuation Reserve		17,120,000	11,340,000
Balance carried over to Balance Sheet		785,941,979	618,176,878
Total		936,508,969	**801,035,581**
V. EARNINGS PER EQUITY SHARE (Face value ₹ 1 per share)		₹	₹
Basic		57.88	49.84
Diluted		57.61	49.46
Significant accounting policies and notes to the Consolidated financial statements The schedules referred to above form an integral part of the Consolidated Profit and Loss Account.	17 & 18		

As per our report of even date

For and on behalf of the Board

For MSKA & Associates
Chartered Accountants
ICAI Firm Registration Number: 105047W

Umesh Chandra Sarangi
Independent Director

Sashidhar Jagdishan
Managing Director & CEO

Swapnil Kale
Partner
Membership Number: 117812

Kaizad Bharucha
Executive Director

Srinivasan Vaidyanathan
Chief Financial Officer

Mumbai, April 17, 2021

Santosh Haldankar
Company Secretary

Consolidated Cash Flow Statement

For the year ended March 31, 2021

₹ in '000

	Year ended 31-Mar-21	Year ended 31-Mar-20
Cash flows from / (used in) operating activities		
Consolidated profit before income tax	427,725,836	381,525,366
Adjustments for :		
Depreciation on fixed assets	13,850,062	12,767,714
(Profit) / loss on revaluation of investments	14,853,243	7,021,095
Amortisation of premium on held to maturity investments	7,654,693	5,014,137
(Profit) / loss on sale of fixed assets	2,859	81,865
Provision / charge for non performing assets	139,270,110	110,657,129
Provision for standard assets and contingencies	52,830,711	30,574,317
	656,187,514	**547,641,623**
Adjustments for :		
(Increase) / decrease in investments	(501,566,359)	(1,010,700,996)
(Increase) / decrease in advances	(1,556,810,724)	(1,855,003,617)
Increase / (decrease) in deposits	1,875,137,422	2,237,044,557
(Increase) / decrease in other assets	83,076,840	(72,497,457)
Increase / (decrease) in other liabilities and provisions	(1,045,600)	93,598,719
	554,979,093	**(59,917,171)**
Direct taxes paid (net of refunds)	(130,214,530)	(108,773,749)
Net cash flow from / (used in) operating activities	**424,764,563**	**(168,690,920)**
Cash flows from / (used in) investing activities		
Purchase of fixed assets	(16,961,460)	(16,358,706)
Proceeds from sale of fixed assets	152,809	189,462
Net cash flow used in investing activities	**(16,808,651)**	**(16,169,244)**
Cash flows (used in) / from financing activities		
Increase in minority interest	561,234	748,468
Proceeds from issue of share capital, net of issue expenses	17,600,995	18,486,821
Proceeds from issue of Tier I and Tier II capital bonds	3,565,000	7,435,000
Redemption of Tier II Capital Bonds	(11,050,000)	-
Increase / (decrease) in other borrowings	(83,890,744)	283,580,441
Dividend paid during the period (including tax on dividend)	-	(66,305,761)
Net cash flow (used in) / from financing activities	**(73,213,515)**	**243,944,969**
Effect of exchange fluctuation on translation reserve	**(1,418,252)**	2,139,891
Net increase / (decrease) in cash and cash equivalents	**333,324,145**	**61,224,696**
Cash and cash equivalents as at April 1st	**879,401,119**	**818,176,423**
Cash and cash equivalents as at March 31st	**1,212,725,264**	**879,401,119**

As per our report of even date

For and on behalf of the Board

For MSKA & Associates
Chartered Accountants
ICAI Firm Registration Number: 105047W

Umesh Chandra Sarangi
Independent Director

Sashidhar Jagdishan
Managing Director & CEO

Swapnil Kale
Partner
Membership Number: 117812

Kaizad Bharucha
Executive Director

Srinivasan Vaidyanathan
Chief Financial Officer

Mumbai, April 17, 2021

Santosh Haldankar
Company Secretary

Schedules to the Consolidated Financial Statements

As at March 31, 2021

₹ in '000

	As at 31-Mar-21	As at 31-Mar-20
SCHEDULE 1 - CAPITAL		
Authorised capital		
6,50,00,00,000 (31 March, 2020 : 6,50,00,00,000) Equity Shares of ₹ 1/- each	6,500,000	6,500,000
Issued, subscribed and paid-up capital		
5,51,27,76,482 (31 March, 2020 : 5,48,32,86,460) Equity Shares of ₹ 1/- each	5,512,776	5,483,286
Total	**5,512,776**	**5,483,286**
SCHEDULE 2 - RESERVES AND SURPLUS		
I Statutory reserve		
Opening balance	356,038,280	288,321,113
Additions during the year	78,796,978	67,717,167
Total	**434,835,258**	**356,038,280**
II General reserve		
Opening balance	136,741,358	110,484,043
Additions during the year	31,116,525	26,257,315
Total	**167,857,883**	**136,741,358**
III Balance in profit and loss account	**785,941,979**	**618,176,878**
IV Share premium		
Opening balance	587,555,328	569,105,180
Additions during the year	17,571,505	18,450,148
Total	**605,126,833**	**587,555,328**
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	26,647,724	15,409,264
Additions during the year	22,916,842	11,238,460
Total	**49,564,566**	**26,647,724**
VII Investment reserve		
Opening balance	-	-
Additions during the year	616,645	-
Total	**616,645**	**-**
VIII Investment fluctuation reserve		
Opening balance	19,070,000	7,730,000
Additions during the year	17,120,000	11,340,000
Total	**36,190,000**	**19,070,000**
IX Foreign currency translation account		
Opening balance	3,238,634	1,098,743
Additions / (deductions) during the year	(1,418,252)	2,139,891
Total	**1,820,382**	**3,238,634**
Total	**2,092,589,110**	**1,758,103,766**

Schedules to the Consolidated Financial Statements

As at March 31, 2021

₹ in '000

	As at 31-Mar-21	As at 31-Mar-20
SCHEDULE 2 A - MINORITY INTEREST		
Minority interest at the date on which parent subsidiary relationship came into existence	276,029	276,029
Subsequent increase	6,051,618	5,490,384
Total	**6,327,647**	**5,766,413**
Includes reserves of Employee Welfare Trust of ₹ 150.12 crore (previous year ₹ 147.61 crore)		
SCHEDULE 3 - DEPOSITS		
A I Demand deposits		
(i) From banks	38,701,928	36,285,672
(ii) From others	2,072,060,514	1,695,304,394
Total	**2,110,762,442**	**1,731,590,066**
II Savings bank deposits	4,034,924,747	3,103,769,443
III Term deposits		
(i) From banks	106,458,399	136,163,876
(ii) From others	7,085,063,170	6,490,547,951
Total	**7,191,521,569**	**6,626,711,827**
Total	**13,337,208,758**	**11,462,071,336**
B I Deposits of branches in India	13,278,324,337	11,413,640,800
II Deposits of branches outside India	58,884,421	48,430,536
Total	**13,337,208,758**	**11,462,071,336**
SCHEDULE 4 - BORROWINGS		
I Borrowings in India		
(i) Reserve Bank of India	90,200,000	17,260,000
(ii) Other banks	115,042,682	138,040,829
(iii) Other institutions and agencies	693,515,600	749,824,337
(iv) Upper and lower tier II capital and innovative perpetual debts	211,270,000	218,755,000
(v) Bonds and Debentures (excluding subordinated debt)	389,752,149	392,424,149
Total	**1,499,780,431**	**1,516,304,315**
II Borrowings outside India	277,187,056	352,038,916
Total	**1,776,967,487**	**1,868,343,231**

Secured borrowings included in I & II above: ₹ 35,132.83 crore (previous year: ₹ 36,342.70 crore) except borrowings of ₹ 44,625.92 crore (previous year: ₹ 52,524.20 crore) under repurchase transactions (including tri-party repo) and transactions under Liquidity Adjustment Facility and Marginal Standing Facility

	As at 31-Mar-21	As at 31-Mar-20
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I Bills payable	124,241,904	75,837,207
II Interest accrued	81,235,845	85,825,548
III Others (including provisions)	515,724,329	500,355,960
IV Contingent provisions against standard assets	55,258,586	46,517,626
Total	**776,460,664**	**708,536,341**
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I Cash in hand *(including foreign currency notes)*	107,221,831	92,135,807
II Balances with Reserve Bank of India:		
(a) In current accounts	594,421,724	377,974,226
(b) In other accounts	272,060,000	252,000,000
Total	**866,481,724**	**629,974,226**
Total	**973,703,555**	**722,110,033**

₹ in '000

	As at 31-Mar-21	As at 31-Mar-20
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I In India		
(i) Balances with banks:		
(a) In current accounts	9,897,824	4,155,423
(b) In other deposit accounts	16,170,913	12,476,849
Total	**26,068,737**	**16,632,272**
(ii) Money at call and short notice:		
(a) With banks	-	-
(b) With other institutions	-	-
Total	**-**	**-**
Total	**26,068,737**	**16,632,272**
II Outside India		
(i) In current accounts	110,344,840	47,628,696
(ii) In deposit accounts	3,909,632	10,176,943
(iii) Money at call and short notice	98,698,500	82,853,175
Total	**212,952,972**	140,658,814
Total	**239,021,709**	**157,291,086**
SCHEDULE 8 - INVESTMENTS		
A Investments in India in		
(i) Government securities	3,520,158,606	3,230,399,049
(ii) Other approved securities	-	-
(iii) Shares	4,494,375	4,182,471
(iv) Debentures and bonds	586,747,218	258,011,937
(v) Others (Units, CDs, CPs, PTCs and security receipts)	253,149,671	378,628,257
Total	**4,364,549,870**	**3,871,221,714**
B Investments outside India in		
(i) Government securities (including Local Authorities)	5,936,075	8,409,391
(ii) Other investments		
(a) Shares	35,024	35,024
(b) Debentures and bonds	17,710,148	13,383,390
Total	**23,681,247**	**21,827,805**
Total	**4,388,231,117**	**3,893,049,519**
SCHEDULE 9 - ADVANCES		
A (i) Bills purchased and discounted	345,427,765	387,832,198
(ii) Cash credits, overdrafts and loans repayable on demand	2,559,778,239	2,340,489,951
(iii) Term loans	8,947,629,194	7,708,386,622
Total	**11,852,835,198**	**10,436,708,771**
B (i) Secured by tangible assets*	8,000,686,039	7,174,666,685
(ii) Covered by bank / government guarantees	393,758,390	201,580,178
(iii) Unsecured	3,458,390,769	3,060,461,908
Total	**11,852,835,198**	**10,436,708,771**

** Including advances against book debts*

Schedules to the Consolidated Financial Statements

As at March 31, 2021

₹ in '000

	As at 31-Mar-21	As at 31-Mar-20
C I Advances in India		
(i) Priority sector	2,586,111,539	2,582,817,659
(ii) Public sector	1,199,082,740	623,353,731
(iii) Banks	85,383,854	68,550,435
(iv) Others	7,666,158,574	6,877,873,162
Total	11,536,736,707	10,152,594,987
C II Advances outside India		
(i) Due from banks	55,276,539	33,250,983
(ii) Due from others		
(a) Bills purchased and discounted	63,490	51,070
(b) Syndicated loans	8,347,907	12,531,145
(c) Others	252,410,555	238,280,586
Total	316,098,491	284,113,784
Total	11,852,835,198	10,436,708,771
(Advances are net of provisions)		
SCHEDULE 10 - FIXED ASSETS		
A Premises *(including land)*		
Gross block		
At cost on 31 March of the preceding year	18,910,701	18,258,591
Additions during the year	1,745,137	737,974
Deductions during the year	(98,160)	(85,864)
Total	20,557,678	18,910,701
Depreciation		
As at 31 March of the preceding year	6,375,942	5,816,393
Charge for the year	664,821	634,858
On deductions during the year	(93,299)	(75,309)
Total	6,947,464	6,375,942
Net block	13,610,214	12,534,759
B Other fixed assets *(including furniture and fixtures)*		
Gross block		
At cost on 31 March of the preceding year	117,016,137	105,848,358
Additions during the year	16,985,088	16,378,259
Deductions during the year	(2,898,680)	(5,210,480)
Total	131,102,545	117,016,137
Depreciation		
As at 31 March of the preceding year	83,282,338	76,092,185
Charge for the year	13,182,661	12,139,660
On deductions during the year	(2,747,871)	(4,949,507)
Total	93,717,128	83,282,338
Net block	37,385,417	33,733,799
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

₹ in '000

	As at 31-Mar-21	As at 31-Mar-20
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	50,995,631	46,268,558
SCHEDULE 11 - OTHER ASSETS		
I Interest accrued	118,928,877	103,326,928
II Advance tax / tax deducted at source (net of provisions)	35,269,488	26,561,476
III Stationery and stamps	434,856	430,930
IV Non banking assets acquired in satisfaction of claims	512,557	-
V Bond and share application money pending allotment	225,000	-
VI Security deposit for commercial and residential property	5,687,949	5,626,425
VII Others*	329,220,505	416,930,647
Total	490,279,232	552,876,406

**Includes deferred tax asset (net) of ₹ 5,541.64 crore (previous year : ₹ 4,144.23 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 ₹ 9,320.37 crore (previous year: ₹ 9,196.86 crore)*

	As at 31-Mar-21	As at 31-Mar-20
SCHEDULE 12 - CONTINGENT LIABILITIES		
I Claims against the bank not acknowledged as debts - taxation	12,727,093	12,967,986
II Claims against the bank not acknowledged as debts - others	3,180,888	1,799,920
III Liability on account of outstanding forward exchange contracts	4,964,726,675	6,079,194,921
IV Liability on account of outstanding derivative contracts	3,615,794,584	4,152,761,103
V Guarantees given on behalf of constituents - in India	751,195,338	590,864,399
- outside India	1,800,917	859,639
VI Acceptances, endorsements and other obligations	376,536,252	440,232,727
VII Other items for which the Bank is contingently liable	26,844,845	26,059,920
Total	9,752,806,592	11,304,740,615

	Year ended 31-Mar-21	Year ended 31-Mar-20
SCHEDULE 13 - INTEREST EARNED		
I Interest / discount on advances / bills	1,022,991,272	990,796,325
II Income from investments	232,116,170	205,727,257
III Interest on balance with RBI and other inter-bank funds	24,143,004	18,687,664
IV Others	6,273,487	6,681,669
Total	1,285,523,933	1,221,892,915
SCHEDULE 14 - OTHER INCOME		
I Commission, exchange and brokerage	180,245,945	180,171,223
II Profit / (loss) on sale of investments (net)	53,890,062	27,034,829
III Profit / (loss) on revaluation of investments (net)	(14,853,243)	(7,021,095)
IV Profit / (loss) on sale of building and other assets (net)	465,748	259,150
V Profit / (loss) on exchange / derivative transactions (net)	24,384,132	21,547,462
VI Miscellaneous income	29,196,159	26,798,179
Total	273,328,803	248,789,748

₹ in '000

	Year ended 31-Mar-21	Year ended 31-Mar-20
SCHEDULE 15 - INTEREST EXPENDED		
I Interest on deposits	501,260,261	507,888,796
II Interest on RBI / inter-bank borrowings	90,644,278	113,068,058
III Other interest	571,260	417,362
Total	**592,475,799**	**621,374,216**
SCHEDULE 16 - OPERATING EXPENSES		
I Payments to and provisions for employees	136,766,690	129,201,282
II Rent, taxes and lighting	18,088,843	17,796,297
III Printing and stationery	4,448,276	4,484,020
IV Advertisement and publicity	1,022,511	1,004,391
V Depreciation on bank's property	13,850,062	12,767,714
VI Directors' fees / remuneration, allowances and expenses	56,833	39,741
VII Auditors' fees and expenses	46,273	37,823
VIII Law charges	1,547,957	1,587,423
IX Postage, telegram, telephone etc.	5,402,395	4,716,491
X Repairs and maintenance	16,491,092	12,934,396
XI Insurance	17,249,091	12,295,061
XII Other expenditure*	135,042,545	133,495,916
Total	**350,012,568**	**330,360,555**

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, 2021

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 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.

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 Third Schedule of the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time (RBI guidelines), 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	96.34%
HDB Financial Services Limited	Subsidiary	India	95.11%
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, 2021 the Bank's shareholding in HDB Financial Services Limited decreased from 95.3% to 95.1% on account of the stock options exercised by minority stakeholders.

During the year ended March 31, 2021 the Bank's shareholding in HDFC Securities Limited decreased from 96.6% to 96.3% 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, 2021.

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 or prices published by Financial Benchmarks India Pvt Ltd. (FBIL) with Fixed Income Money Market and Derivatives Association (FIMMDA) as the calculating agent. Investments denominated in foreign currencies are valued based on the prices provided by market information providers such as Bloomberg, Refinitiv etc.

The market value of unquoted government of India securities, state government securities and special bonds such as oil bonds, fertilizer bonds etc. which are directly issued by the government of India, is computed as per the prices published by FBIL with FIMMDA as the calculating agent. These prices are calculated by FIMMDA in accordance with the extant RBI guidelines.

The valuation of other unquoted fixed income securities (viz. other approved securities and bonds and debentures), and preference shares, is done with appropriate mark-up over the Yield to Maturity (YTM) rates for government of India securities as published by FBIL with FIMMDA as the calculating agent.

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 net asset value declared by the respective schemes of the mutual fund.

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

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

Investments in unquoted Venture Capital Fund (VCF) are categorised, at the discretion of the Bank, under HTM category for an initial period of three years and valued at cost during this period, in accordance with the RBI guidelines. Such investments are transferred to the AFS category after the said period of three years and valued at NAV shown by the VCF in its financial statements. At least once a year, the units are valued based on the latest audited financials of the VCF if available or at ₹ 1 per VCF as per the RBI guidelines.

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 of India securities published by FBIL with FIMMDA as the calculating agent.

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.

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 of India Ltd, 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. Restructuring of an account is done at a borrower level.

In accordance with the RBI guidelines on the prudential framework for resolution of stressed assets and the resolution framework for COVID-19 related stress, the Bank in accordance with its Board approved policy, carried out one-time restructuring of eligible borrowers. The asset classification and necessary provisions thereon are done in accordance with the said RBI guidelines.

HDB Financial Services Limited

Classification:

Receivables under financing activity are classified as standard, sub-standard and doubtful assets as per the Company policy approved by the Board and as per RBI guidelines. The rates applied for making provisions on non-performing assets (NPA) are higher than those required by the relevant RBI guidelines. Interest on non-performing assets is transferred to an interest suspense account and not recognised in the Profit and Loss Account until received. Receivables under financing activity 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 guidelines.

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

Assets transferred through securitisation and direct assignment of cash flows 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 borrowings. In accordance with RBI guidelines, the Bank amortises any profit received for a securitisation or direct assignment transaction based on the method prescribed and any loss arising therefrom is recognised in the Profit and Loss Account at the time of sale.

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

In accordance with RBI guidelines on sale of non-performing advances, if the sale is at a price below the net book value (i.e., book value less provisions held), the shortfall is charged to the 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.

In respect of stressed assets sold by the Bank under an asset securitisation, where the investment by the bank in security receipts (SRs) backed by the assets sold by it is more than 10 percent of such SRs, in accordance with RBI guidelines, provisions held are higher of the provisions required in terms of net asset value declared by the Securitisation Company ('SC') / Reconstruction Company ('RC') and provisions as per the extant norms applicable to the underlying loans, notionally treating the book value of these SRs as the corresponding stressed loans assuming the loans remained in the books of the Bank.

The Bank invests in Pass Through Certificates (PTCs) issued by other Special Purpose Vehicles (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 / securitised, 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. Priority Sector Lending Certificates (PSLCs)

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 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.

5 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 Part C of Schedule II 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 equipments and installations	6 to 10 years	10 years
Office equipments	3 to 6 years	5 years
Computers	3 years	3 years
Modems, routers, switches, servers, network and related IT equipments	3 to 6 years	6 years
Motor cars	4 years	8 years
Furniture and fittings	16 years	10 years

Schedules to the Consolidated Financial Statements

For the year ended March 31, 2021

- Improvements to lease hold premises are charged off over the remaining primary period of lease.
- Software and system development expenditure is depreciated over a period of 5 years.
- Point of sales terminals are depreciated over a period of 4 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 (other than POS terminals) costing less than ₹ 5,000 individually are fully depreciated in the year of purchase.

HDFC Securities Limited

Tangible fixed 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 equipments	5 years
Furniture and fixtures	10 years
Leasehold improvements	Over the remaining period of the lease or estimated life, whichever is shorter
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

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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	2-5 years	3 years
Furniture and fixtures	3-7 years	10 years
Office equipments	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.

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.

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 revaluation 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 and the extant RBI guidelines.

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.

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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 derived using the MIFOR and LIBOR curves. For other currency pairs, the forward points (for rates / tenors not published by FEDAI) are obtained from Refinitiv or Bloomberg for valuation of the forex deals. Valuation is considered on present value basis, as directed by FEDAI. For this purpose 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 premium 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.

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Derivative contracts are designated as cash flow hedges, the hedging instrument is measured at fair value and any gain or loss that is determined to be an effective hedge is recognised within equity i.e., Cash flow Hedge Reserve. Amounts recognised in equity are transferred to the Statement of Profit and Loss in the same period as the cash flows of hedged items affect the Statement of Profit and Loss. When a derivative contract expires or is sold or if a hedge no longer meets the criteria for hedge accounting, any cumulative profit or loss in the Cash Flow Hedge Reserve is retained in equity until the hedged cash flow is recognised in the Statement of Profit and Loss. However, if hedged cash flows are no longer expected to occur, the profit or loss against the corresponding derivative contract, accumulated in the Cash Flow Hedge Reserve, is immediately released through the Statement of Profit and Loss. Changes in the fair values of derivative instruments that do not qualify for hedge accounting are recognised immediately in the Statement of Profit and Loss.

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 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.

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- 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.

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 and whole time directors. 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 has an obligation towards gratuity, a defined benefit retirement plan covering all eligible employees. The plan benefit vests upon completion of five years of service and is in the form of lump sum amount, without an upper limit, equivalent to 15 days' basic salary payable for each completed year of service to all eligible employees on resignation, retirement, death while in employment or on termination of employment. The Bank makes contributions to a recognized Gratuity Trust administered by trustees and whose funds are managed by 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. The actuarial calculations entails assumptions about demographics, early retirement, salary increases and interest rates. Actuarial gain or loss is recognised in the Profit and Loss Account.

Schedules to the Consolidated Financial Statements

For the year ended March 31, 2021

Superannuation:
The Bank has a Superannuation Plan under which employees of the Bank, above a prescribed grade, are entitled to receive retirement benefits either through salary or under a defined contribution plan. For those opting for a defined contribution plan, 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 employees of the erstwhile Centurion Bank of Punjab (eCBoP) staff) to a Trust administered by trustees and whose funds are managed by insurance companies. The Bank has no liability towards future superannuation fund benefits other than its contribution, and recognises such contribution as an expense in the year incurred.

Provident fund:
The Bank is covered under the Employees Provident Fund and Miscellaneous Provisions Act, 1952 and accordingly 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 Office. The balance amount of the 12% employer's share is contributed to an exempted Trust set up by the Bank 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 exempted 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 applicable government social security 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:
The Bank has a policy of encashing unavailed leave for eLKB employees under Indian Banks' Association (IBA) structure. The Bank provides for leave encashment 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 trust set up by the Bank and administered by the Board of Trustees and an additional amount towards the liability shortfall 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) based 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.

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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.

Post-employment
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 long term employee benefits
Compensated absences which accrue to employees and which can be carried to future periods and are expected to be availed in more than 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 options and credit to deferred employee compensation expense equal to the unamortised portion.

HDB Financial Services Limited

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. 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.

Employee Stock Option Plan
The Company follows the intrinsic value method to account for its stock-based employee compensation plans. Compensation cost is measured by the excess, if any, of the fair value of the underlying stock over the exercise price as determined under the option plan. The fair value of options have been estimated on the dates of each grant using the Black-Scholes model.

10 Debit and credit cards reward points

HDFC Bank Limited

The Bank estimates the probable redemption of debit and credit card reward points and cost per point using an actuarial method by employing an independent actuary, which includes assumptions such as mortality, redemption and spends. Provisions for liabilities on the outstanding reward points are made based on 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 accounted at the time of sale to the customers and reported as "Other Income".

The Bank also deals in bullion on a borrowing and lending basis and the interest thereon is accounted 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 thereunder 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 entity has a legal right to off-set and when the entity 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

HDFC Bank Limited

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

16 Segment information

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, is recognised in the Profit and Loss Account.

SCHEDULE 18 - Notes forming part of the consolidated financial statements for the year ended March 31, 2021

Amounts in notes forming part of the consolidated financial statements for the year ended March 31, 2021 are denominated in rupee crore to conform to extant RBI guidelines, except where stated otherwise.

1 Proposed dividend

The Reserve Bank of India (RBI), vide notification dated December 04, 2020, stated that in view of the ongoing stress and heightened uncertainty on account of COVID-19, banks should continue to conserve capital to support the economy and absorb losses. The notification also stated that in order to further strengthen the banks' balance sheets, while at the same time support lending to the real economy, banks shall not make any dividend payment on equity shares from the profits pertaining to the financial year ended March 31, 2020. The Bank did not declare final dividend for the financial year ended March 31, 2020.

Given that the current "second wave" has significantly increased the number of COVID-19 cases in India and uncertainty remains, the Board of Directors of the Bank, at its meeting held on April 17, 2021, has considered it prudent to currently not propose dividend for the financial year ended March 31, 2021. The Board shall reassess the position based on any further guidelines from the RBI in this regard.

2 Special dividend

During the previous year ended March 31, 2020, the Bank had paid Special Interim Dividend of ₹ 5 per equity share of face value of ₹ 2 each (pre-split) for the financial year 2019-20, to commemorate 25 years of the Bank's operation, aggregating to ₹ 1,646.95 crore inclusive of tax on dividend.

3 Sub-division of Equity Shares

During the previous year ended March 31, 2020, the shareholders of the Bank at the 25th Annual General Meeting held on July 12, 2019 approved sub-division (split) of one equity share of the Bank from face value of ₹ 2/- each into two equity shares of face value of ₹ 1/- each. All shares and per share information in the financial statements reflect the effect of sub-division (split) retrospectively.

4 Capital infusion

During the year ended March 31, 2021, the Bank allotted 2,94,90,022 equity shares (previous year: 3,66,73,240 equity shares) aggregating to face value ₹ 2.95 crore (previous year: ₹ 3.67 crore) in respect of stock options exercised. Accordingly, the share capital increased by ₹ 2.95 crore (previous year: ₹ 3.67 crore) and the share premium increased by ₹ 1,757.15 crore (previous year: ₹ 1,845.01 crore).

The details of the movement in the paid-up equity share capital of the Bank are given below:

(₹ crore)

Particulars	March 31, 2021	March 31, 2020
Opening balance	548.33	544.66
Addition pursuant to stock options exercised	2.95	3.67
Closing balance	551.28	548.33

5 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 ₹ 31,833.21 crore (previous year: ₹ 27,253.96 crore) and the weighted average number of equity shares outstanding during the year of 5,49,96,68,151 (previous year: 5,46,88,02,148).

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

Particulars	For the years ended	
	March 31, 2021	March 31, 2020
Nominal value per share (₹)	1.00	1.00
Basic earnings per share (₹)	57.88	49.84
Effect of potential equity shares (per share) (₹)	(0.27)	(0.38)
Diluted earnings per share (₹)	57.61	49.46

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, 2021	March 31, 2020
Weighted average number of equity shares used in computing basic earnings per equity share	5,49,96,68,151	5,46,88,02,148
Effect of potential equity shares outstanding	2,57,50,092	4,10,17,673
Weighted average number of equity shares used in computing diluted earnings per equity share	5,52,54,18,243	5,50,98,19,821

6 Reserves and Surplus

Statutory Reserve

The Bank and a subsidiary has made an appropriation of ₹ 7,879.70 crore (previous year: ₹ 6,771.72 crore) out of profits for the year ended March 31, 2021 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, 2021, the Bank appropriated ₹ 2,291.68 crore (previous year: ₹ 1,123.85 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 ₹ 3,111.65 crore (previous year: ₹ 2,625.73 crore) out of profits for the year ended March 31, 2021 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, 2021, the Bank has made an appropriation of ₹ 1,712.00 crore (previous year: ₹ 1,134.00 crore), to the Investment Fluctuation Reserve from the Profit and Loss Account. The balance in the IFR as at March 31, 2021 was equivalent to 2% of the Bank's HFT and AFS investment portfolios.

Investment Reserve Account

During the year ended March 31, 2021, the Bank appropriated ₹ 61.66 crore (net) from Profit and Loss Account to Investment Reserve Account as per the RBI guidelines. During the previous year ended March 31, 2020, the net transfer between Investment Reserve Account and Profit and Loss Account was Nil, as per the RBI guidelines.

Drawdown from reserves

The Bank has not undertaken any drawdown from reserves during the years ended March 31, 2021 and March 31, 2020.

7 Dividend on shares allotted pursuant to exercise of stock options

Shares allotted after the Balance Sheet date pursuant to any exercise of employee stock options but before book closure date are eligible for dividend, if any, declared by the Bank and approved at a General Body Meeting of the shareholders of the Bank.

8 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 and 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 the 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, 2021 and March 31, 2020, no modifications were made to the terms and conditions of ESOPs.

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, 2021:

Particulars	Number of options	Weighted average exercise price (₹)
Options outstanding, beginning of year	14,28,65,602	899.03
Granted during the year	5,74,66,600	1,235.80
Exercised during the year	2,94,90,022	596.85
Forfeited / Lapsed during the year	26,73,420	1,107.22
Options outstanding, end of year	16,81,68,760	1,063.79
Options exercisable	6,44,53,260	834.48

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2020:

Particulars	Number of options	Weighted average exercise price (₹)
Options outstanding, beginning of year	13,66,12,822	682.99
Granted during the year	4,77,73,600	1,220.13
Exercised during the year	3,66,73,240	504.10
Forfeited / Lapsed during the year	48,47,580	962.85
Options outstanding, end of year	14,28,65,602	899.03
Options exercisable	6,44,64,392	638.18

- The following table summarises the information about stock options outstanding as at March 31, 2021:

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	417.75	9,700	0.32	417.75
Plan F	417.75 to 731.08	3,49,74,270	1.48	610.67
Plan G	882.85 to 1,235.80	13,31,84,790	3.18	1,182.83

- The following table summarises the information about stock options outstanding as at March 31, 2020:

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	340.00 to 417.75	4,85,100	0.34	344.05
Plan D	340.00	3,45,900	0.30	340.00
Plan E	340.00	17,05,500	0.30	340.00
Plan F	417.75 to 731.08	5,85,68,822	2.02	587.08
Plan G	882.85 to 1,229.00	8,17,60,280	3.45	1,139.82

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 5,74,66,600 options during the year ended March 31, 2021 (previous year: 4,77,73,600). The various assumptions considered in the pricing model for the ESOPs granted during the year ended March 31, 2021 are:

Particulars	March 31, 2021	March 31, 2020
Dividend yield	0.61%	0.61% to 0.85%
Expected volatility	20.13% to 28.93%	15.30% to 20.13%
Risk - free interest rate	4.63% to 5.75%	5.81% to 6.70%
Expected life of the options	1 to 6 years	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, 2021	March 31, 2020
Net profit (as reported)	31,116.53	26,257.32
Add: Stock-based employee compensation expense included in net income	-	-
Less: Stock-based compensation expense determined under fair value based method *(proforma)*	1,117.02	719.80
Net profit *(proforma)*	29,999.51	25,537.52
	(₹)	(₹)
Basic earnings per share (as reported)	56.58	48.01
Basic earnings per share *(proforma)*	54.55	46.70
Diluted earnings per share (as reported)	56.32	47.66
Diluted earnings per share *(proforma)*	54.29	46.35

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"). The Company issued stock options in February 2017 at a price of ₹ 1,136 per share, in June 2019 at a price of ₹ 4,844 per share and later in December 2020 at a price of ₹ 5,458 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 these options are equity shares of the Company.

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.

Employee Stock Option granted to HDFC Bank employees who are on secondment to the company for not included in this disclosure

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, 2021:

Particulars	Company options	Weighted average exercise price (₹)
Options outstanding, beginning of the year	1,10,000	4,254
Granted during the year	1,67,500	5,458
Exercised during the year	36,600	3,375
Forfeited / Lapsed during the year	12,250	4,994
Options outstanding, end of the year	2,28,650	5,237
Options exercisable	3,950	2,028

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2020:

Particulars	Company options	Weighted average exercise price (₹)
Options outstanding, beginning of the year	1,33,650	1,136
Granted during the year	94,500	4,844
Exercised during the year	1,16,150	1,136
Forfeited / Lapsed during the year	2,000	4,844
Options outstanding, end of the year	1,10,000	4,254
Options exercisable	17,500	1,136

The following table summarises the information about stock options outstanding as at March 31, 2021:

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 - 5,458	2,28,650	6.70	5,237

The following table summarises the information about stock options outstanding as at March 31, 2020:

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 - 4,844	1,10,000	4.85	4,254

Fair value methodology

The fair value of options used to compute *proforma* net profit 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, 2021
Dividend yield	2.28%
Expected volatility	45.00%
Risk-free interest rate	4.47% to 5.64%
Expected life of the options	3 to 6 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 outstanding been determined based on the fair value approach, the Company's net profit and earnings per share would have been as per the *proforma* amounts indicated below:

(₹ crore)

Particulars	March 31, 2021	March 31, 2020
Net Profit (as reported)	720.52	423.37
Add: Stock-based employee compensation expense included in net income	-	-
Less: Stock-based employee compensation expense determined under fair value based method *(proforma)*	18.07	15.35
Net Profit *(proforma)*	702.45	408.02
	(₹)	(₹)
Basic earnings per share (as reported)	457.62	270.96
Basic earnings per share *(proforma)*	446.15	261.14
Diluted earnings per share (as reported)	457.37	269.29
Diluted earnings per share *(proforma)*	446.13	261.07

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-10 on October 13, 2017, ESOS-11 on January 15, 2019, ESOS-12 on October 05, 2020 and ESOS-13 on January 14, 2021. 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 four years from the date of vesting for ESOS-10, ESOS-11, ESOS-12 and ESOS-13.

Method used for accounting for shared based payment plan

The Company uses the intrinsic value method to account for the compensation cost of stock options to employees of the Company.

Activity in the options outstanding under the Employee Stock Option Plans

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2021:

Particulars	Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	21,51,580	237.62
Granted during the year	27,79,450	320.33
Exercised during the year	16,05,560	229.62
Forfeited / Lapsed during the year	1,48,820	255.07
Options outstanding, end of year	31,76,650	313.22

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2020:

Particulars	Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	42,30,300	209.36
Granted during the year	-	-
Exercised during the year	18,79,350	178.22
Forfeited / Lapsed during the year	1,99,370	197.95
Options outstanding, end of year	21,51,580	237.62

The following table summarises the information about stock options outstanding as at March 31, 2021:

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- 10	213.00	48,150	3.59	213.00
ESOS- 11	274.00	3,94,000	4.58	274.00
ESOS- 12	300.00	15,58,900	5.07	300.00
ESOS- 13	348.00	11,75,600	5.94	348.00

The following table summarises the information about stock options outstanding as at March 31, 2020:

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- 10	213.00	12,83,200	4.54	213.00
ESOS- 11	274.00	8,68,380	4.94	274.00

Fair value methodology

The fair value of options used to compute *proforma* net profit 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 are:

Particulars	March 31, 2021
Dividend yield	0.52%
Expected volatility	54.92%
Risk-free interest rate	5.03%
Expected life of the option	4.10 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, 2021	March 31, 2020
Net Profit (as reported)	502.83	1,036.94
Add: Stock-based employee compensation expense included in net income	-	-
Less: Stock-based compensation expense determined under fair value based method *(proforma)*	13.55	11.19
Net Profit *(proforma)*	489.28	1,025.75
	(₹)	(₹)
Basic earnings per share (as reported)	6.38	13.19
Basic earnings per share *(proforma)*	6.21	13.05
Diluted earnings per share (as reported)	6.38	13.18
Diluted earnings per share *(proforma)*	6.21	13.03

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, 2021	March 31, 2020
Net Profit (as reported)	31,833.21	27,253.96
Add: Stock-based employee compensation expense included in net income	-	-
Less: Stock-based compensation expense determined under fair value based method *(proforma)*	1,148.64	746.34
Net Profit *(proforma)*	30,684.57	26,507.62
	(₹)	(₹)
Basic earnings per share (as reported)	57.88	49.84
Basic earnings per share *(proforma)*	55.79	48.47
Diluted earnings per share (as reported)	57.61	49.46
Diluted earnings per share *(proforma)*	55.53	48.11

9 Other liabilities

The Bank has presented gross unrealised gain on foreign exchange and derivative contracts under other assets and gross unrealised loss on foreign exchange and derivative contracts under other liabilities. Accordingly, other liabilities as at March 31, 2021 include unrealised loss on foreign exchange and derivative contracts of ₹ 8,127.65 crore (previous year: ₹ 18,470.93 crore).

10 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, 2021	2020
I.	Securities kept as margin with Clearing Corporation of India towards:		
	a) Collateral and funds management - Securities segment	2,120.00	1,820.00
	b) Collateral and funds management - Tri-party Repo	62,361.84	57,899.98
	c) Default fund - Forex Forward segment	150.00	150.00
	d) Default fund - Forex Settlement segment	51.05	51.05
	e) Default fund - Rupee Derivatives (Guaranteed Settlement) segment	48.00	48.00
	f) Default fund - Securities segment	65.00	65.00
	g) Default fund - Tri-party repo segment	50.00	50.00
II.	Securities kept as margin with the RBI towards:		
	a) Real Time Gross Settlement (RTGS)	51,725.77	54,944.95
	b) Repo transactions	49,959.91	54,622.56
	c) Reverse repo transactions	24,948.85	22,389.54
III.	Securities kept as margin with National Securities Clearing Corporation of India (NSCCIL) towards NSE Currency Derivatives segment.	107.72	107.72
IV.	Securities kept as margin with Indian Clearing Corporation Limited towards BSE Currency Derivatives segment.	161.00	161.00
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	Face value as at March 31, 2021	2020
I.	Mutual funds marked as lien with stock exchange for margin requirement	200.00	-

HDB Financial Services Limited

The Company has not placed any securities as margin during the year (previous year: Nil).

11 Other fixed assets

Other fixed assets include amount capitalised relating to software, Bombay Stock Exchange card and electronic trading platform. Details regarding the same are tabulated below:

(₹ crore)

Particulars	March 31, 2021	March 31, 2020
Cost		
As at March 31 of the previous year	3,329.61	2,980.47
Additions during the year	344.20	349.15
Deductions during the year	-	(0.01)
Total (a)	3,673.81	3,329.61
Depreciation		
As at March 31 of the previous year	2,542.30	2,153.87
Charge for the year	363.32	388.44
On deductions during the year	-	(0.01)
Total (b)	2,905.62	2,542.30
Net value (a-b)	768.19	787.31

12 Other assets

Other assets include deferred tax asset (net) of ₹ 5,541.64 crore (previous year: ₹ 4,144.23 crore). The break-up of the same is as follows:

(₹ crore)

Particulars	March 31, 2021	March 31, 2020
Deferred tax asset arising out of:		
Loan loss and contingencies	5,008.70	3,618.95
Employee benefits	79.15	154.80
Depreciation	72.96	57.78
Others	380.83	312.70
Total (a)	5,541.64	4,144.23
Deferred tax liability (b)	-	-
Deferred tax asset (net) (a-b)	5,541.64	4,144.23

- 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, 2021 include unrealised gain on foreign exchange and derivative contracts of ₹ 8,472.31 crore (previous year: ₹ 19,006.28 crore).

13 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, 2021	March 31, 2020
Opening provision for reward points	734.15	603.09
Provision for reward points made during the year	375.21	517.94
Utilisation / write-back of provision for reward points	(470.57)	(386.88)
Closing provision for reward points	638.79	734.15

b) Provision for legal and other contingencies

(₹ crore)

Particulars	March 31, 2021	March 31, 2020
Opening provision	445.35	398.43
Movement during the year (net)	58.20	46.92
Closing provision	503.55	445.35

c) Provision pertaining to fraud accounts reported during the year

Particulars	March 31, 2021	March 31, 2020
No. of frauds reported	5,232	7,580
Amount involved in fraud (₹ crore)	1,640.80	222.60
Amount involved in fraud net of recoveries / write-offs as at the end of the year (₹ crore)	1,321.08	168.88
Provisions held as at the end of the year (₹ crore)	1,321.08	168.88
Amount of unamortised provision debited from “other reserves” as at the end of the year (₹ crore)	-	-

The information on frauds for the financial year ended March 31, 2021 includes certain large value credits which were already reckoned as NPAs in the prior years and these are fully provided for.

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 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 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 Group enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest / principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts of financial instruments such as foreign exchange contracts and derivatives provide a basis for comparison with instruments recognised on the Balance Sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market rates or prices relative to their terms.
4	Guarantees given on behalf of constituents, acceptances, endorsements and other obligations	As a part of its commercial banking activities, the Bank issues documentary credit and guarantees on behalf of its customers. Documentary credits such as letters of credit enhance the credit standing of the Bank's customers. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.
5	Other items for which the Group is contingently liable	These include: a) Credit enhancements in respect of securitised-out loans; b) Bills rediscounted by the Bank; c) Capital commitments; d) Underwriting commitments; e) Investment purchases pending settlement; f) Amount transferred to the RBI under the Depositor Education and Awareness Fund (DEAF).

*Also refer Schedule 12 - Contingent liabilities

14 Commission, exchange and brokerage income

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

15 Provisions and contingencies

The break-up of 'Provisions and Contingencies' included in the Profit and Loss Account is given below:

(₹ crore)

Particulars	March 31, 2021	March 31, 2020
Provision for income tax - Current	12,336.79	10,422.14
- Deferred	(1,397.41)	476.45
Provision for NPAs[1]	13,574.54	10,635.01
Provision for diminution in value of non-performing investments	(17.32)	7.50
Provision for standard assets	875.22	800.58
Other provisions and contingencies[2]	4,407.85	2,256.84
Total	**29,779.67**	**24,598.52**

1. Includes loss on sale of NPAs / stressed assets
2. Includes provisions for tax, legal and other contingencies ₹ 4,406.30 crore (previous year: ₹ 2,253.62 crore), provisions / (write back) for securitised-out assets ₹ (2.21) crore (previous year: ₹ 1.14 crore) and standard restructured assets ₹ 3.77 crore (previous year: ₹ 2.08 crore).

16 Employee benefits

Gratuity

(₹ crore)

Particulars	March 31, 2021	March 31, 2020
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	851.66	702.86
Interest cost	52.16	45.10
Current service cost	114.56	102.92
Benefits paid	(49.15)	(58.81)
Actuarial (gain) / loss on obligation:		
Experience adjustment	41.30	16.69
Assumption change	6.69	42.90
Present value of obligation as at March 31	**1,017.22**	**851.66**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	577.97	547.75
Expected return on plan assets	44.05	38.78
Contributions	138.48	109.67
Benefits paid	(49.15)	(58.81)
Actuarial gain / (loss) on plan assets:		
Experience adjustment	107.65	(59.42)
Assumption change	15.44	-
Fair value of plan assets as at March 31	**834.44**	**577.97**

Schedules to the Consolidated Financial Statements

For the year ended March 31, 2021

Particulars	March 31, 2021	March 31, 2020
Amount recognised in Balance Sheet		
Fair value of plan assets as at March 31	834.44	577.97
Present value of obligation as at March 31	(1,017.22)	(851.66)
Asset / (Liability) as at March 31	**(182.78)**	**(273.69)**
Expenses recognised in Profit and Loss Account		
Interest cost	52.16	45.10
Current service cost	114.56	102.92
Expected return on plan assets	(44.05)	(38.78)
Net actuarial (gain) / loss recognised in the year	(75.10)	119.00
Net cost	**47.57**	**228.24**
Actual return on plan assets	167.14	(20.64)
Estimated contribution for the next year	163.64	181.17
Assumptions (HDFC Bank Limited)		
Discount rate	6.50% per annum	6.60% per annum
Expected return on plan assets	6.50% per annum	7.00% per annum
Salary escalation rate	7.00% per annum	7.00% per annum
Assumptions (HDFC Securities Limited)		
Discount rate	6.20% per annum	5.95% per annum
Expected return on plan assets	6.20% per annum	5.95% per annum
Salary escalation rate	7.86% per annum	7.33% per annum
Assumptions (HDB Financial Services Limited)		
Discount rate	3.86% per annum	4.87% per annum
Expected return on plan assets	3.86% per annum	4.87% per annum
Salary escalation rate	5.00% - 9.00% per annum	7.00% - 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 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 are given below:

Category of plan assets as at March 31, 2021	HDFC Bank Limited	HDFC Securities Limited	HDB Financial Services Limited
Government securities	27.90%	57.00%	57.27%
Debenture and bonds	26.04%	30.00%	36.84%
Equity shares	41.23%	9.00%	-
Others	4.83%	4.00%	5.89%
Total	**100.00%**	**100.00%**	**100.00%**

Category of plan assets as at March 31, 2020	HDFC Bank Limited	HDFC Securities Limited	HDB Financial Services Limited
Government securities	25.55%	38.00%	41.88%
Debenture and bonds	30.31%	9.00%	52.83%
Equity shares	41.03%	50.00%	-
Others	3.11%	3.00%	5.29%
Total	**100.00%**	**100.00%**	**100.00%**

Experience adjustment

(₹ crore)

Particulars	Years ended March 31,				
	2021	2020	2019	2018	2017
Plan assets	834.44	577.97	547.75	457.35	390.23
Defined benefit obligation	1,017.22	851.66	702.86	614.06	548.50
Surplus / (deficit)	(182.78)	(273.69)	(155.11)	(156.71)	(158.27)
Experience adjustment gain / (loss) on plan assets	107.65	(59.42)	12.04	(2.35)	31.19
Experience adjustment (gain) / loss on plan liabilities	41.30	16.69	10.46	13.69	39.69

Pension (HDFC Bank Limited)

(₹ crore)

Particulars	March 31, 2021	March 31, 2020
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	64.15	69.54
Interest cost	3.79	4.11
Current service cost	1.37	0.67
Benefits paid	(11.63)	(14.65)
Actuarial (gain) / loss on obligation:		
Experience adjustment	31.41	9.06
Assumption change	0.90	(4.58)
Present value of obligation as at March 31	**89.99**	**64.15**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	9.51	21.95
Expected return on plan assets	0.32	1.10
Contributions	2.30	0.83
Benefits paid	(11.63)	(14.65)
Actuarial gain / (loss) on plan assets:		
Experience adjustment	(0.20)	0.28
Assumption change	0.03	-
Fair value of plan assets as at March 31	**0.33**	**9.51**

Particulars	March 31, 2021	March 31, 2020
Amount recognised in Balance Sheet		
Fair value of plan assets as at March 31	0.33	9.51
Present value of obligation as at March 31	(89.99)	(64.15)
Asset / (Liability) as at March 31	**(89.66)**	**(54.64)**
Expenses recognised in Profit and Loss Account		
Interest cost	3.79	4.11
Current service cost	1.37	0.67
Expected return on plan assets	(0.32)	(1.10)
Net actuarial (gain) / loss recognised in the year	32.48	4.19
Net cost	**37.32**	**7.87**
Actual return on plan assets	0.15	1.39
Estimated contribution for the next year	13.09	7.72
Assumptions		
Discount rate	6.50% per annum	6.60% per annum
Expected return on plan assets	6.50% per annum	7.00% per annum
Salary escalation rate	7.00% per annum	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 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 are given below:

Category of plan assets	% of fair value to total plan assets as at March 31, 2021	% of fair value to total plan assets as at March 31, 2020
Government securities	42.87%	20.81%
Debenture and bonds	35.11%	17.14%
Others	22.02%	62.05%
Total	**100.00%**	**100.00%**

Experience adjustment

(₹ crore)

Particulars	Years ended March 31,				
	2021	2020	2019	2018	2017
Plan assets	0.33	9.51	21.95	31.30	36.16
Defined benefit obligation	89.99	64.15	69.54	73.06	73.55
Surplus / (deficit)	(89.66)	(54.64)	(47.59)	(41.76)	(37.39)
Experience adjustment gain / (loss) on plan assets	(0.20)	0.28	0.48	0.59	0.39
Experience adjustment (gain) / loss on plan liabilities	31.41	9.06	3.32	3.95	4.65

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, 2021 (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, 2021	March 31, 2020
Discount rate (GOI security yield)	6.50% per annum	6.60% per annum
Expected guaranteed interest rate	8.50% per annum	8.50% per annum

The Group does not have any unfunded defined benefit plan. The Group contributed ₹ 542.78 crore (previous year: ₹ 490.14 crore) to the provident fund and ₹ 4.96 crore (previous year: ₹ 3.79 crore) to the National Pension Scheme. The Bank contributed ₹ 75.64 crore (previous year: ₹ 75.41 crore) to the superannuation plan.

Leave encashment

HDFC Bank Limited

The Bank has made provision for leave encashment for eLKB employees under Indian Banks' Association (IBA) structure of ₹ 13.60 crore (previous year: ₹ 11.24 crore). The Bank has discontinued the carryover of unutilised leave and accordingly, no provision for compensated absences is required to be held.

HDFC Securities Limited

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

(₹ crore)

Particulars	March 31, 2021	March 31, 2020
Privileged leave	6.16	5.57
Sick leave	1.00	0.78
Total actuarial liability	**7.16**	**6.35**
Assumptions		
Discount rate	6.20% per annum	5.95% per annum
Salary escalation rate	7.86% per annum	7.33% per annum

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors.

17 Segment reporting

Business segments

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

(a) Treasury

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

(b) Retail banking

The retail banking segment of the Bank serves retail customers through 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. 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, 2021 is given below:

Business segments:

(₹ crore)

Sr. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
1	Segment revenue	32,337.67	110,210.21	57,154.30	29,759.68	229,461.86
2	Unallocated revenue					30.82
3	Less: Inter-segment revenue					73,607.41
4	Income from operations (1) + (2) - (3)					155,885.27
5	Segment results	9,030.50	10,574.80	17,437.54	7,344.29	44,387.13
6	Unallocated expenses					1,590.99
7	Income tax expense (including deferred tax)					10,939.37
8	Net profit (5) - (6) - (7)					31,856.77
9	Segment assets	519,641.74	521,997.22	628,731.57	119,752.20	1,790,122.73
10	Unallocated assets					9,383.91
11	Total assets (9) + (10)					1,799,506.64
12	Segment liabilities	76,276.60	1,096,217.82	338,115.31	51,771.65	1,562,381.38
13	Unallocated liabilities					26,682.31
14	Total liabilities (12) + (13)					1,589,063.69
15	Capital employed (9) - (12) (Segment assets - Segment liabilities)	443,365.14	(574,220.60)	290,616.26	67,980.54	227,741.34
16	Unallocated (10) - (13)					(17,298.39)
17	Total (15) + (16)					210,442.95
18	Capital expenditure	24.93	1,527.55	139.94	180.60	1,873.02
19	Depreciation	36.74	1,047.40	118.18	182.69	1,385.01
20	Provisions for non - performing assets / others*	(16.82)	10,157.54	2,279.02	6,389.39	18,809.13
21	Unallocated other provisions*					31.16

*Represents material non-cash charge other than depreciation and taxation.

Geographic segments:

(₹ crore)

Particulars	Domestic	International
Revenue	154,953.30	931.97
Assets	1,755,919.75	43,586.89
Capital expenditure	1,872.61	0.41

Schedules to the Consolidated Financial Statements

For the year ended March 31, 2021

Segment reporting for the year ended March 31, 2020 is given below:

Business segments:

(₹ crore)

Sr. No.	Particulars	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
1	Segment revenue	26,558.44	107,999.94	61,134.45	28,028.21	223,721.04
2	Unallocated revenue					2.19
3	Less: Inter-segment revenue					76,654.96
4	Income from operations (1) + (2) - (3)					147,068.27
5	Segment results	3,462.77	12,942.46	14,121.09	9,372.33	39,898.65
6	Unallocated expenses					1,703.79
7	Income tax expense (including deferred tax)					10,898.59
8	Net profit (5) - (6) - (7)					27,296.27
9	Segment assets	457,240.91	484,270.74	520,567.01	110,819.75	1,572,898.41
10	Unallocated assets					7,932.03
11	Total assets (9) + (10)					1,580,830.44
12	Segment liabilities	102,012.09	907,258.10	317,628.87	49,402.29	1,376,301.35
13	Unallocated liabilities					27,593.74
14	Total liabilities (12) + (13)					1,403,895.09
15	Capital employed (9) - (12) (Segment assets - Segment liabilities)	355,228.82	(422,987.36)	202,938.14	61,417.46	196,597.06
16	Unallocated (10) - (13)					(19,661.71)
17	Total (15) + (16)					176,935.35
18	Capital expenditure	43.29	1,381.75	119.49	167.09	1,711.62
19	Depreciation	32.79	938.71	126.71	178.56	1,276.77
20	Provisions for non - performing assets / others*	7.50	6,632.33	3,756.44	3,283.47	13,679.74
21	Unallocated other provisions*					20.20

*Represents material non-cash charge other than depreciation and taxation.

Geographic segments:

(₹ crore)

Particulars	Domestic	International
Revenue	145,897.80	1,170.47
Assets	1,531,554.08	49,276.36
Capital expenditure	1,709.90	1.72

18 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

Sashidhar Jagdishan, Managing Director & Chief Executive Officer (appointed with effect from October 27, 2020)

Kaizad Bharucha, Executive Director

Aditya Puri, Managing Director (retired from services of the Bank effective October 26, 2020)

Relatives of key management personnel

Nagsri Sashidhar, Jagdishan Chandrasekharan, Dhruv Sashidhar, Mythra Mahesh, Havovi Bharucha, Huzaan Bharucha, Danesh Bharucha, Daraius Bharucha.

Entity in which relative of key management personnel is interested

Nagsri - Creating Special Memories

The following ceased to be related party effective October 26, 2020:

Anita Puri, Amit Puri, Amrita Puri, Adishwar Puri, Aarti Sood, Salisbury Investments Private Limited, Akuri by Puri.

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 disclosed as a significant related party 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, 2021 are summarised as follows:

(₹ crore)

Items / Related party	Promoter	Key management personnel	Total
Deposits taken	3,560.67	60.07	3,620.74
	(3,560.67)	(717.55)	(4,278.22)
Deposits placed	0.32	-	0.32
	(0.47)	(0.76)	(1.23)
Advances given	-	0.99	0.99
	-	(2.32)	(2.32)
Fixed assets purchased from	-	-	-
Fixed assets sold to	-	-	-
Interest paid to	10.80	8.22	19.02
Interest received from	-	0.05	0.05
Income from services rendered to	324.65	#	324.65
Expenses for receiving services from	589.87	0.14	590.01

Items / Related party	Promoter	Key management personnel	Total
Equity investments	-	-	-
	-	-	-
Other Investments	-	-	-
	-	-	-
Dividend paid to	-	-	-
Dividend received from	-	-	-
Receivable from	138.77	-	138.77
	(138.77)	-	(138.77)
Payable to	111.05	-	111.05
	(199.27)	-	(199.27)
Guarantees given	0.40	-	0.40
	(0.41)	-	(0.41)
Remuneration paid	-	22.48	22.48
Loans purchased from	18,979.78	-	18,979.78

\# 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, 2021, approved unpaid deferred bonus in respect of earlier years was ₹ 3.24 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, 2021 is ₹ 7,757.49 crore (previous year: ₹ 12,009.95 crore). The contingent credit exposure pertaining to these contracts computed in line with the extant RBI guidelines on exposure norms was ₹ 166.45 crore (previous year: ₹ 136.86 crore).

During the year ended March 31, 2021, the Bank paid rent of ₹ 0.38 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, 2021, the security deposit outstanding was Nil (previous year: ₹ 3.50 crore).

The Group's related party balances and transactions for the year ended March 31, 2020 are summarised as follows:

(₹ crore)

Items / Related party	Promoter	Key management personnel	Total
Deposits taken	3,679.07	18.54	3,697.61
	(7,717.90)	(22.51)	(7,740.41)
Deposits placed	0.47	0.76	1.23
	(0.47)	(0.76)	(1.23)
Advances given	-	2.55	2.55
	-	(2.87)	(2.87)
Fixed assets purchased from	-	-	-
Fixed assets sold to	-	-	-
Interest paid to	8.53	1.82	10.35
Interest received from	-	0.09	0.09
Income from services rendered to	308.94	#	308.94
Expenses for receiving services from	586.66	0.31	586.97
Equity investments	-	-	-
	-	-	-
Other Investments	-	-	-
	-	-	-
Dividend paid to	864.62	10.40	875.02
Dividend received from	-	-	-
Receivable from	44.48	-	44.48
	(55.33)	-	(55.33)
Payable to	100.28	-	100.28
	(100.28)	-	(100.28)
Guarantees given	0.39	-	0.39
	(0.40)	-	(0.40)
Remuneration paid	-	27.56	27.56
Loans purchased from	24,127.25	-	24,127.25

\# 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, 2020, approved unpaid deferred bonus in respect of earlier years was ₹ 5.92 crore.

19 Additional information pursuant to Schedule III of the Companies Act, 2013

Additional information to consolidated accounts at March 31, 2021 (Pursuant to Schedule III of the Companies Act, 2013)

(₹ crore)

Name of entity	Net assets as of March 31, 2021		Profit or (loss) for the year ended March 31, 2021	
	As % of consolidated net assets**	Amount***	As % of consolidated profit or loss	Amount***
Parent:				
HDFC Bank Limited	97.10%	203,720.83	97.75%	31,116.53
Subsidiaries*:				
1. HDFC Securities Limited	0.70%	1,477.40	2.26%	720.52
2. HDB Financial Services Limited	4.16%	8,721.96	1.58%	502.83
Minority Interest in all subsidiaries	0.30%	632.76	0.07%	23.56

*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, 2020 (Pursuant to Schedule III of the Companies Act, 2013)

(₹ crore)

Name of entity	Net assets as of March 31, 2020		Profit or (loss) for the year ended March 31, 2020	
	As % of consolidated net assets**	Amount***	As % of consolidated profit or loss	Amount***
Parent:				
HDFC Bank Limited	96.95%	170,986.02	96.34%	26,257.32
Subsidiaries*:				
1. HDFC Securities Limited	0.71%	1,245.50	1.55%	423.37
2. HDB Financial Services Limited	4.64%	8,179.26	3.80%	1,036.94
Minority Interest in all subsidiaries	0.33%	576.64	0.16%	42.31

*The subsidiaries are domestic entities
**Consolidated net assets are total assets minus total liabilities including minority interest
***Amounts are before inter-company adjustments.

20 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, 2021	March 31, 2020
Not later than one year	1,229.52	1,182.83
Later than one year and not later than five years	4,145.21	3,878.65
Later than five years	5,279.17	4,854.12
Total	10,653.90	**9,915.60**

Particulars	March 31, 2021	March 31, 2020
The total of minimum lease payments recognised in the Profit and Loss Account for the year	1,466.00	1,420.48
Total of future minimum sub-lease payments expected to be received under non-cancellable sub-leases	57.18	64.65
Sub-lease amounts recognised in the Profit and Loss Account for the year	10.04	9.73
Contingent (usage based) lease payments recognised in the Profit and Loss Account for the year	324.07	270.14

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.

21 Penalties levied by the RBI

During the year ended March 31, 2021, RBI has imposed a penalty of ₹ 0.10 crore for bouncing of Subsidiary General Ledger which led to shortage of balance in certain securities in the Bank's Constituent Subsidiary General Ledger account.

During the previous year ended March 31, 2020, RBI had imposed a penalty of ₹ 1 crore for non-compliance with various directions issued by RBI on Know Your Customer (KYC) / Anti-Money Laundering (AML) standards. Additionally, RBI had imposed a penalty of ₹ 1 crore on the Bank for failure to undertake on-going due diligence in case of 39 current accounts opened for bidding in Initial Public Offer (IPO).

22 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, 2021 and March 31, 2020. 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, 2021 was ₹ 0.28 crore (previous year: ₹ 0.13 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, 2021 was ₹ 0.01 crore (previous year: Nil). The above is based on the information available with the Company which has been relied upon by the auditors.

23 Corporate social responsibility

Operating expenses include ₹ 676.59 crore (previous year: ₹ 572.62 crore) for the year ended March 31, 2021 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, 2021			March 31, 2020		
		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	669.27	7.32	676.59	566.02	6.60	**572.62**

24 COVID-19

HDFC Bank Limited

Consequent to the outbreak of the COVID-19 pandemic, the Indian government announced a lockdown in March 2020. Subsequently, the national lockdown was lifted by the government, but regional lockdowns continue to be implemented in areas with a significant number of COVID-19 cases.

The impact of COVID-19, including changes in customer behaviour and pandemic fears, as well as restrictions on business and individual activities, has led to significant volatility in global and Indian financial markets and a significant decrease in global and local economic activities. The slowdown during the year led to a decrease in loan originations, the sale of third party products, the use of credit and debit cards by customers and the efficiency in collection efforts. This may lead to a rise in the number of customer defaults and consequently an increase in provisions thereagainst. The extent to which the COVID-19 pandemic, including the current "second wave" that has significantly increased the number of cases in India, will continue to impact the Bank's results will depend on ongoing as well as future developments, which are highly uncertain, including, among other things, any new information concerning the severity of the COVID-19 pandemic and any action to contain its spread or mitigate its impact whether government-mandated or elected by us.

In accordance with the COVID-19 Regulatory Packages announced by the RBI on March 27, 2020, April 17, 2020 and May 23, 2020, the Bank, in accordance with its board approved policy, offered a moratorium on the repayment of all instalments and / or interest, as applicable, due between March 1, 2020 and August 31, 2020 to all eligible borrowers classified as standard, even if overdue, as on February 29, 2020. In respect of such accounts that were granted moratorium, the asset classification remained standstill during the moratorium period.

The disclosures as required by the RBI circular dated April 17, 2020 are given below:

(₹ crore)

Particulars	Amount
Respective amounts in SMA / overdue categories, where the moratorium / deferment was extended, in terms of paragraph 2 and 3 of the circular (as of February 29,2020) Term Loan Instalments: ₹ 11,805.09 crore Cash Credit / Overdraft: ₹ 4,063.48 crore	15,868.57
Respective amount where asset classification benefit is extended* Term Loan Instalments: ₹ 3,918.08 crore Cash Credit / Overdraft: ₹ 1,527.22 crore	5,445.30
Provisions made in terms of paragraph 5 of the circular	620.00
Provisions adjusted against slippages in terms of paragraph 6 of the circular	-
Residual provisions as of March 31, 2021 in terms of paragraph 6 of the circular	620.00

* as on March 31, 2021 in respect of such accounts.

HDFC Securities Limited

The COVID-19 pandemic continues to have a considerable impact on economic activities across the various parts of the country and across the globe. The Government of India and various state governments have introduced a series of initiatives over the past year including lockdowns in order to contain the impact of the virus.

Stock broking and depository services have been declared as essential services all through the year and accordingly, the Company has faced no business stoppage / interruption on account of the lockdown. As of March 31, 2021, based on facts and circumstances existing as of that date, the Company does not anticipate any material uncertainties which affects its liquidity position and also ability to continue as a going concern.

HDB Financial Services Limited

The Company had recognized provision on loans for which moratorium was granted in accordance with the COVID-19 Regulatory Package announced by the Reserve Bank of India vide notifications dated March 27, 2020, April 17, 2020 and May 23, 2020. The provision amount is reviewed regularly and get reversed when these loans are considered as NPA wherein the amount is transferred to NPA provision.

Further, the Company holds provisions as at March 31, 2021 against the potential impact of COVID-19 based on the information available at this point in time. The extent to which the COVID-19 pandemic will impact the Company's financial performance is dependent on future developments, which are highly uncertain. The impact of the global health pandemic may be different from that estimated at the date of approval of these financial results and the Company will continue to closely monitor any material changes to future economic conditions.

25 Refund / adjustment of 'interest on interest'

In accordance with the instructions in the paragraph 5 of the RBI circular dated April 07, 2021, the Group shall refund / adjust 'interest on interest' to all borrowers including those who had availed of working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed. Pursuant to these instructions, the methodology for calculation of the amount of such 'interest on interest' would be finalised by the Indian Banks Association (IBA) in consultation with other industry participants / bodies and is awaited as on the date of approval of financial statements. The Group has however estimated the said amount and recognised a charge of ₹ 490.00 crore in its Profit and Loss Account for the year ended March 31, 2021.

26 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.

27 Comparative figures

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

As per our report of even date

For MSKA & Associates
Chartered Accountants
ICAI Firm Registration Number: 105047W

Swapnil Kale
Partner
Membership Number: 117812

Mumbai, April 17, 2021

For and on behalf of the Board

Umesh Chandra Sarangi
Independent Director

Sashidhar Jagdishan
Managing Director & CEO

Kaizad Bharucha
Executive Director

Srinivasan Vaidyanathan
Chief Financial Officer

Santosh Haldankar
Company Secretary