HDFC BANK

HDFC BANK LIMITED

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To the Members of HDFC Bank Limited

Report on the Audit of the Standalone Financial Statements

Opinion

1. We have audited the accompanying Standalone Financial Statements of HDFC Bank Limited ("the Bank"), which comprise the Balance Sheet as at March 31, 2023, and the Profit and Loss Account and the 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.
2. 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 are in conformity with accounting principles generally accepted in India and give a true and fair view of the state of affairs of the Bank as at March 31, 2023, and its profit and its cash flows for the year ended on that date.

Basis for Opinion

3. 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 Standalone Financial Statements" section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the Standalone Financial Statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

4. Key audit matters are those matters that, in our professional judgment, 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

Identification and Provisioning of Non-performing Advances (NPA):
Total NPA as at March 31, 2023: ₹18,011.85 Crores
Provision for NPA as at March 31, 2023: ₹13,643.71 Crores
(Refer Schedule 17 (C)(2), Schedule 18 note 12)

Key audit matters	How our audit addressed the key audit matter
The Bank is required to comply with the Master Circular dated April 01, 2022 issued by the Reserve Bank of India ("RBI") on "Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances" (the "IRAC norms") and amendments thereto, which prescribe the guidelines for identification and classification of Non-performing Advances and the minimum provision required for such assets. The Bank is also required to apply its judgement to determine the identification and provision required against Non-performing Advances considering various quantitative as well as qualitative factors. The identification of Non-performing Advances is also affected by factors like stress and liquidity concerns in certain sectors. The provision for identified Non-performing Advances is estimated based on ageing and classification of Non-performing Advances, nature of product, value of security etc. and is also subject to the minimum provisioning norms specified by RBI. Since the identification of Non-performing Advances and provisioning for Non- performing Advances requires considerable level of management estimation, application of various regulatory requirements and its significance to the overall audit, we have identified this as a key audit matter.	Our audit procedures included the following: - Understood the process and controls, and tested the design and operating effectiveness of key controls, including Information Technology based controls, and focused on the following: • Monitoring of credit quality which amongst other things includes the monitoring of overdue loan accounts, drawing power limit, pending security creation; • Identification and classification of Non- performing Advances in accordance with IRAC norms, other regulatory guidelines issued by the RBI and consideration of qualitative aspects; and • Testing of application controls including testing of automated controls, reports and system reconciliations. - Evaluated the governance process and controls over calculations of provision for Non-performing Advances and tested that basis of provisioning is in accordance with the Board approved policy and IRAC norms. - Tested the controls for identification of loans with default events and / or breach of key covenant, and for a sample of performing loans, independently assessed as to whether there was a need to classify such loans as Non-performing Advances. - On a test check basis, verified the accounts classified by the Bank as Special Mention Accounts ('SMA') in RBI's Central Repository of Information on Large Credits ('CRILC'). With respect to provisions recognised towards Non-performing Advances, we reperformed the provision calculations on a sample basis taking into consideration the value of security, where applicable, the IRAC norms and the policy of the Bank, and compared our outcome to that prepared by the management and tested relevant assumptions and judgements which were used by the management.

Information Technology ("IT") Systems and Controls impacting Financial Reporting

Key Audit Matter	How our audit addressed the key audit matter
The IT environment of the Bank is complex and involves a large number of independent and interdependent IT systems used in the operations of the Bank for processing and recording a large volume of transactions. As a result, there is a high degree of reliance and dependency on such IT systems for the financial reporting process of the Bank. Appropriate IT general controls and IT 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 certain key IT systems ("in-scope" IT systems) which have an impact on the financial reporting process and the related control testing as a key audit matter because of the high level of automation, significant number of systems being used by the Bank for processing financial transactions, the complexity of the IT architecture and its impact on the financial records and financial reporting process of the Bank.	Our procedures with respect to this matter included the following: In assessing the controls over the IT systems of the Bank, we involved our technology specialists to obtain an understanding of the IT environment, IT infrastructure and IT systems. We evaluated and tested relevant IT general controls over the "in-scope" IT systems and IT dependencies identified as relevant for our audit of the standalone financial statements and financial reporting process of the Bank. On such "in-scope" IT systems, we have tested key IT general controls with respect to the following domains: • Program change management, which includes that program changes are moved to the production environment as per defined procedures and relevant segregation of environment is ensured. • User access management, which includes user access provisioning, de-provisioning, access review, password management, sensitive access rights and segregation of duties to ensure that privilege access to applications, operating systems and databases in the production environment were granted only to authorized personnel. • Program development, which includes controls over IT application development or implementation and related infrastructure, which are relied upon for financial reporting. • IT operations, which includes job scheduling, monitoring and backup and recovery. We also evaluated the design and tested the operating effectiveness of relevant key IT dependencies within the key business process, which included testing automated controls, automated calculations / accounting procedures, interfaces, segregation of duties and system generated reports, as applicable. We communicated with those charged with governance and management and tested a combination of compensating controls or remediated controls and / or performed alternative audit procedures, where necessary.

Other Information

5. The Bank's Board of Directors is responsible for the other information. The other information comprises the information included in the annual report but does not include the Standalone Financial Statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

 Our opinion on the Standalone Financial Statements does not cover the other information and we will not express any form of assurance conclusion thereon.

 In connection with our audit of the Standalone Financial Statements, our responsibility is to read the other information identified above when it becomes available 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.

 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 and take appropriate action as applicable under the relevant laws and regulations.

Responsibilities of management and those charged with governance for the Standalone Financial Statements

6. 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 provisions of Section 29 of the Banking Regulations Act, 1949 and circulars, guidelines and directions issued by the Reserve Bank of India ("RBI") from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and 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.
7. In preparing the Standalone Financial Statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management and Board of Director either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so. The 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

8. 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.
9. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
   - Identify and assess the risks of material misstatement of the Standalone Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
   - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls with reference to Standalone 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 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 Standalone Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
   - Evaluate the overall presentation, structure and content of the Standalone Financial Statements, including the disclosures, and whether the Standalone Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
10. 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.
11. 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.
12. 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 of the current year 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

13. The Standalone Financial Statements of the Bank for the year ended March 31, 2022, were jointly audited by MSKA & Associates and M M Nissim & Co LLP, who, vide their report dated April 16, 2022, expressed an unmodified opinion on those Standalone Financial Statements.

Report on other legal and regulatory requirements

14. In our opinion, 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 and Section 133 of the Act.
15. As required by sub-section (3) of Section 30 of the Banking Regulation Act, 1949, we report that:
    (a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
    (b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank;
    (c) During the course of our audit, we have visited 69 branches to examine the books of account and other records maintained at the branch and performed other relevant audit procedures. 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 at the Bank's Head Office located in Mumbai, as all the necessary records and data required for the purposes of our audit are available there.
16. As required by Section 143(3) of the Act, we report that:
    (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
    (b) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;
    (c) The Balance Sheet, the Profit and Loss Account 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, to the extent they are not inconsistent with the guidelines prescribed by RBI;
    (e) On the basis of the written representations received from the directors as on March 31, 2023 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2023 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 Standalone Financial Statements of the Bank and the operating effectiveness of such controls, refer to our separate report in "Annexure A"; and
    (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
        i. The Bank has disclosed the impact of pending litigations on its financial position in its Standalone Financial Statements – Refer Schedule 12(I) and (II), Schedule 17(C)(17) and Schedule 18 note 17(b) and 22 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)(7) and 17(C)(17), Schedule 18 note 17(b) and 22 to the Standalone Financial Statements;
        iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank, during the year ended March 31, 2023;
        iv. (a) The management has represented that, to the best of its knowledge and belief, other than as disclosed in the Note 40, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
        (b) The management has represented that, to the best of its knowledge and belief, other than as disclosed in the Note 40, no funds have been received by the Bank from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Bank shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and
        (c) Based on such audit procedures that we considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (a) and (b) contain any material misstatement.
        v. The dividend declared and paid during the year by the Bank is in compliance with Section 123 of the Act; and
        vi. As proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 (as amended), which provides for maintaining books of account in accounting software having a feature of recording audit trail of each and every transaction, creating an edit log of each change made in books of account along with the date when such changes were made and ensuring that the audit trail cannot be disabled, is applicable to the Bank only with effect from financial year beginning April 01, 2023, the reporting under clause (g) of Rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), is currently not applicable.
17. In our opinion and to the best of our information and according to the explanations given to us, the provisions of Section 197 of the Act are not applicable to the Bank by virtue of Section 35B(2A) of the Banking Regulation Act, 1949. Accordingly, the reporting under Section 197(16) of the Act regarding payment / provision for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act, is not applicable

Annexure A to the Independent Auditor's Report

Referred to in paragraph 16(f) of the Independent Auditor's Report of even date to the members of HDFC Bank Limited on the standalone financial statements for the year ended March 31, 2023

Report on the Internal Financial Controls with reference to Standalone Financial Statements under clause (i) of sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls with reference to Standalone Financial Statements of HDFC Bank Limited ("the Bank") as of March 31, 2023, 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

2. The Bank's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ("the Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Banks'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

3. Our responsibility is to express an opinion on the Banks's internal financial controls with reference to Standalone Financial Statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing deemed to be prescribed under Section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to Standalone Financial Statements was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to Standalone Financial Statements and their operating effectiveness. Our audit of internal financial controls with reference to Standalone Financial Statements included obtaining an understanding of internal financial controls with reference to Standalone 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 Standalone Financial Statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Banks's internal financial controls system with reference to Standalone Financial Statements.

Meaning of Internal Financial Controls With reference to Financial Statements

6. A Bank's internal financial controls with reference to Standalone Financial Statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Standalone Financial Statements for external purposes in accordance with generally accepted accounting principles. A Bank's internal financial controls with reference to Standalone 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 Standalone Financial Statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorisations of management and directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Bank's assets that could have a material effect on the Standalone Financial Statements.

Inherent Limitations of Internal Financial Controls With reference to financial statements

7. Because of the inherent limitations of internal financial controls with reference to Standalone 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 Standalone Financial Statements to future periods are subject to the risk that the internal financial controls with reference to Standalone Financial Statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Bank has, in all material respects, an adequate internal financial controls system with reference to Standalone Financial statements and such internal financial controls with reference to Standalone Financial Statements were operating effectively as at March 31, 2023, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note issued by ICAI.

Balance Sheet As at March 31, 2023

₹ in '000

	Schedule	As at March 31, 2023	As at March 31, 2022
CAPITAL AND LIABILITIES			
Capital	1	**5,579,743**	5,545,541
Reserves and surplus	2	**2,796,410,334**	2,395,383,846
Deposits	3	**18,833,946,463**	15,592,174,400
Borrowings	4	**2,067,655,655**	1,848,172,073
Other liabilities and provisions	5	**957,222,477**	844,074,643
Total		**24,660,814,672**	**20,685,350,503**
ASSETS			
Cash and balances with Reserve Bank of India	6	**1,171,607,706**	1,299,956,352
Balances with banks and money at call and short notice	7	**766,043,125**	223,312,892
Investments	8	**5,170,014,280**	4,555,356,930
Advances	9	**16,005,859,000**	13,688,209,314
Fixed assets	10	**80,165,410**	60,836,735
Other assets	11	**1,467,125,151**	857,678,280
Total		**24,660,814,672**	**20,685,350,503**
Contingent liabilities	12	**17,481,303,179**	13,954,422,995
Bills for collection		**714,395,377**	569,680,463
Significant accounting policies and notes to the financial statements The schedules referred to above form an integral part of the Balance Sheet.	17 & 18		

Profit and Loss Account

For the year ended March 31, 2023

₹ in '000

	Schedule	Year ended March 31, 2023	Year ended March 31, 2022
I INCOME			
Interest earned	13	**1,615,855,367**	1,277,531,191
Other income	14	**312,148,251**	295,099,004
Total		**1,928,003,618**	**1,572,630,195**
II EXPENDITURE			
Interest expended	15	**747,433,173**	557,435,282
Operating expenses	16	**476,520,844**	374,421,858
Provisions and contingencies [Refer Schedule 18 (22)]		**262,962,587**	271,159,503
Total		**1,486,916,604**	**1,203,016,643**
III PROFIT			
Net profit for the year		**441,087,014**	369,613,552
Balance in the Profit and Loss account brought forward		**931,856,743**	736,527,947
Total		**1,372,943,757**	**1,106,141,499**
IV APPROPRIATIONS			
Transfer to Statutory Reserve		**110,271,754**	92,403,388
Transfer to General Reserve		**44,108,702**	36,961,355
Transfer to Special Reserve		**5,000,000**	-
Transfer to Capital Reserve		**46,127**	6,664,722
Transfer to / (from) Investment Reserve Account (net)		**(2,947,976)**	2,331,331
Transfer to / (from) Investment Fluctuation Reserve		**820,000**	-
Dividend pertaining to previous year paid during the year		**86,045,187**	35,923,960
Balance carried over to Balance Sheet		1,129,599,963	931,856,743
Total		**1,372,943,757**	**1,106,141,499**
V EARNINGS PER EQUITY SHARE (FACE VALUE ₹ 1 PER SHARE) [REFER SCHEDULE 18 (4)]		₹	₹
Basic		**79.25**	66.80
Diluted		**78.89**	66.35
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		

Schedules to the Financial Statements

SCHEDULE 1 - CAPITAL

₹ in '000

	As at March 31, 2023	As at March 31, 2022
Authorised capital		
6,50,00,00,000 (31 March, 2022: 6,50,00,00,000) Equity Shares of ₹ 1/- each	**6,500,000**	6,500,000
Issued, subscribed and paid-up capital		
5,57,97,42,786 (31 March, 2022: 5,54,55,40,976) Equity Shares of ₹ 1/- each	**5,579,743**	5,545,541
Total	**5,579,743**	**5,545,541**

SCHEDULE 2 - RESERVES AND SURPLUS

₹ in '000

		As at March 31, 2023	As at March 31, 2022
I	**Statutory reserve**		
	Opening balance	**516,009,081**	423,605,693
	Additions during the year	**110,271,754**	92,403,388
	Total	**626,280,835**	**516,009,081**
II	**General reserve**		
	Opening balance	**204,569,238**	167,607,883
	Additions during the year	**44,108,702**	36,961,355
	Total	**248,677,940**	**204,569,238**
III	**Balance in profit and loss account**	**1,129,599,963**	**931,856,743**
IV	**Share premium account**		
	Opening balance	**631,191,682**	605,126,833
	Additions during the year	**34,202,609**	26,064,849
	Total	**665,394,291**	**631,191,682**
V	**Special reserve**		
	Opening balance		
	Additions during the year	**5,000,000**	-
	Total	**5,000,000**	**-**
VI	**Amalgamation reserve**		
	Opening balance	**1,06,35,564**	1,06,35,564
	Additions / (deductions) during the year	**-**	-
	Total	**1,06,35,564**	**1,06,35,564**
VII	**Capital reserve**		
	Opening balance	**56,229,288**	49,564,566
	Additions during the year	**46,127**	6,664,722
	Total	**56,275,415**	**56,229,288**
VIII	**Investment reserve account**		
	Opening balance	**2,947,976**	616,645
	Additions during the year	**1,077,231**	2,398,701
	Deductions during the year	**(4,025,207)**	(67,370)
	Total	**-**	**2,947,976**
IX	**Investment fluctuation reserve**		
	Opening balance	**36,190,000**	36,190,000
	Additions during the year	**820,000**	-
	Total	**37,010,000**	**36,190,000**
X	**Foreign currency translation reserve**		
	Opening balance	**3,471,355**	1,820,382
	Additions during the year	**4,317,096**	1,650,973
	Total	**7,788,451**	**3,471,355**
XI	**Cash flow hedge reserve**		
	Opening balance	**(976,777)**	-
	Additions / (deductions) during the year	**54,463**	(976,777)
	Total	**(922,314)**	**(976,777)**
XII	**Employees stock options reserve**		
	Opening balance	**3,259,696**	-
	Additions during the year	**7,488,973**	3,259,696
	Deductions during the year	**(78,480)**	-
	Total	**10,670,189**	**3,259,696**
	Total	**2,796,410,334**	**2,395,383,846**

SCHEDULE 3 - DEPOSITS

₹ in '000

			As at March 31, 2023	As at March 31, 2022
A	**I**	**Demand deposits**		
		(i) From banks	**30,978,596**	55,508,311
		(ii) From others	**2,703,982,886**	2,337,597,681
	Total		**2,734,961,482**	**2,393,105,992**
	II	**Savings bank deposits**	**5,624,927,280**	**5,117,385,438**
	III	**Term deposits**		
		(i) From banks	**240,911,098**	98,018,897
		(ii) From others	**10,233,146,603**	7,983,664,073
	Total		**10,474,057,701**	**8,081,682,970**
	Total		**18,833,946,463**	**15,592,174,400**
B	**I**	**Deposits of branches in India**	**18,661,516,437**	15,490,951,433
	II	**Deposits of branches outside India**	**172,430,026**	101,222,967
	Total		**18,833,946,463**	**15,592,174,400**

SCHEDULE 4 - BORROWINGS

₹ in '000

		As at March 31, 2023	As at March 31, 2022
I	**Borrowings in India**		
	(i) Reserve Bank of India	**90,200,000**	90,200,000
	(ii) Other banks	**4,396,822**	7,001,848
	(iii) Other institutions and agencies	**914,824,500**	842,557,858
	(iv) Tier 1 and Tier 2 capital	**250,000,000**	134,770,000
	(v) Other Bonds and debentures	**236,750,000**	236,750,000
	Total	**1,496,171,322**	**1,311,279,706**
II	**Borrowings outside India**	**571,484,333**	**536,892,367**
	Total	**2,067,655,655**	**1,848,172,073**

Secured borrowings included in 1 and 2 above: Nil (previous year: Nil) except borrowings of ₹ 9,020.00 crore (previous year: ₹ 24,204.49 crore) under repurchase transactions (including tri-party repo) and transactions under Liquidity Adjustment Facility.

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

₹ in '000

		As at March 31, 2023	As at March 31, 2022
I	Bills payable	**117,907,577**	130,937,438
II	Interest accrued	**102,677,907**	67,482,314
III	Contingent provisions against standard assets	**69,886,560**	65,626,004
IV	Others (including provisions)	**666,750,433**	580,028,887
	Total	**957,222,477**	**844,074,643**

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

₹ in '000

		As at March 31, 2023	As at March 31, 2022
I	Cash in hand (including foreign currency notes)	**132,428,370**	112,044,402
II	Balances with Reserve Bank of India:		
	(a) In current accounts	**943,919,336**	817,771,950
	(b) In other accounts	**95,260,000**	370,140,000
	Total	**1,039,179,336**	**1,187,911,950**
	Total	**1,171,607,706**	**1,299,956,352**

SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

₹ in '000

	As at March 31, 2023	As at March 31, 2022
I. In India		
(i) Balances with banks:		
(a) In current accounts	7,521,052	3,227,259
(b) In other deposit accounts	9,277,570	119,869
Total	**16,798,622**	**3,347,128**
(ii) Money at call and short notice:		
(a) With banks	-	-
(b) With other institutions	455,275,401	4,913,271
Total	**455,275,401**	**4,913,271**
Total	**472,074,023**	**8,260,399**
II. Outside India		
(i) In current accounts	135,527,627	73,622,217
(ii) In other deposit accounts	38,902,627	20,204,262
(iii) Money at call and short notice	119,538,848	121,226,014
Total	**293,969,102**	**215,052,493**
Total	**766,043,125**	**223,312,892**

SCHEDULE 8 - INVESTMENTS

₹ in '000

	As at March 31, 2023	As at March 31, 2022
I Investments in India in		
(i) Government securities	4,373,698,175	3,665,273,063
(ii) Other approved securities	-	-
(iii) Shares	4,954,258	4,855,855
(iv) Debentures and bonds	582,809,906	647,083,638
(v) Subsidiaries / joint ventures	38,264,875	38,264,875
(vi) Others (Units, AIF, CDs, CPs, PTCs and security receipts)	155,277,108	173,655,256
Total	**5,155,004,322**	**4,529,132,687**
II Investments outside India in		
(i) Government securities (including Local Authorities)	797,242	2,275,818
(ii) Other investments		
(a) Shares	26,426	26,426
(b) Debentures and bonds	14,186,290	23,921,999
Total	**15,009,958**	**26,224,243**
Total	**5,170,014,280**	**4,555,356,930**

SCHEDULE 9 - ADVANCES

₹ in '000

	As at March 31, 2023	As at March 31, 2022
A (i) Bills purchased and discounted	207,200,377	290,524,179
(ii) Cash credits, overdrafts and loans repayable on demand	5,571,329,186	4,334,112,539
(iii) Term loans	10,227,329,437	9,063,572,596
Total	**16,005,859,000**	**13,688,209,314**
B (i) Secured by tangible assets*	10,754,504,079	9,031,012,224
(ii) Covered by bank / government guarantees	454,536,329	483,870,294
(iii) Unsecured	4,796,818,592	4,173,326,796
Total	**16,005,859,000**	**13,688,209,314**
** Including advances against book debts*		
C I Advances in India		
(i) Priority sector	5,324,689,476	3,889,850,541
(ii) Public sector	1,359,077,400	1,356,938,096
(iii) Banks	64,038,765	68,862,972
(iv) Others	8,840,564,067	7,944,406,589
Total	**15,588,369,708**	**13,260,058,198**
C II Advances outside India		
(i) Due from banks	22,962,853	49,098,849
(ii) Due from others		
(a) Bills purchased and discounted	6,040,889	2,548,344
(b) Syndicated loans	19,882,368	5,418,892
(c) Others	368,603,182	371,085,031
Total	**417,489,292**	**428,151,116**
Total	**16,005,859,000**	**13,688,209,314**

(Advances are net of provisions)

SCHEDULE 10 - FIXED ASSETS

₹ in '000

	As at March 31, 2023	As at March 31, 2022
I Premises *(including land)*		
Gross block		
At cost on 31 March of the preceding year	21,820,786	20,283,839
Additions during the year	2,799,840	1,667,165
Deductions during the year	(267,513)	(130,218)
Total	**24,353,113**	**21,820,786**
Depreciation		
As at 31 March of the preceding year	7,511,937	6,908,835
Charge for the year	850,084	715,944
On deductions during the year	(206,758)	(112,842)
Total	**8,155,263**	**7,511,937**
Net block	**16,197,850**	**14,308,849**
II Other fixed assets *(including furniture and fixtures)*		
Gross block		
At cost on 31 March of the preceding year	146,059,692	124,715,562
Additions during the year	39,285,273	26,294,103
Deductions during the year	(6,314,514)	(4,949,973)
Total	**179,030,451**	**146,059,692**
Depreciation		
As at 31 March of the preceding year	99,531,806	88,997,397
Charge for the year	21,583,108	15,285,413
On deductions during the year	(6,052,023)	(4,751,004)
Total	**115,062,891**	**99,531,806**
Net block	**63,967,560**	**46,527,886**
III Assets on lease *(plant and machinery)*		
Gross block		
At cost on 31 March of the preceding year	4,546,923	4,546,923
Additions during the year	-	-
Total	**4,546,923**	**4,546,923**
Depreciation		
As at 31 March of the preceding year	4,104,467	4,104,467
Charge for the year	-	-
Total	**4,104,467**	**4,104,467**
Lease adjustment account		
As at 31 March of the preceding year	442,456	442,456
Charge for the year	-	-
Total	**442,456**	**442,456**
Unamortised cost of assets on lease	-	-
Total	**80,165,410**	**60,836,735**

SCHEDULE 11 - OTHER ASSETS

₹ in '000

	As at March 31, 2023	As at March 31, 2022
I Interest accrued	186,091,208	134,467,710
II Advance tax / tax deducted at source (net of provisions)	51,569,656	42,693,607
III Stationery and stamps	427,902	420,769
IV Non banking assets acquired in satisfaction of claims	464,532	512,211
V Security deposit for commercial and residential property	6,461,751	5,687,636
VI Others [Refer Schedule 18 (15)]	1,222,110,102	673,896,347
Total	**1,467,125,151**	**857,678,280**

SCHEDULE 12 - CONTINGENT LIABILITIES

₹ in '000

	As at March 31, 2023	As at March 31, 2022
I Claims against the bank not acknowledged as debts - taxation	13,064,965	12,931,485
II Claims against the bank not acknowledged as debts - others	1,411,952	1,311,797
III Liability for partly paid investments	-	-
IV Liability on account of outstanding forward exchange contracts	9,052,221,414	6,551,871,752
V Liability on account of outstanding derivative contracts	6,727,143,987	5,897,615,819
VI Guarantees given on behalf of constituents - in India	1,009,875,470	833,910,325
- outside India	2,643,350	3,524,321
VII Acceptances, endorsements and other obligations	614,555,453	615,639,684
VIII Other items for which the Bank is contingently liable	60,386,588	37,617,812
Total	**17,481,303,179**	**13,954,422,995**

SCHEDULE 13 - INTEREST EARNED

₹ in '000

	Year ended March 31, 2023	Year ended March 31, 2022
I Interest / discount on advances / bills	1,270,958,563	985,120,227
II Income on investments	313,111,583	260,461,338
III Interest on balance with RBI and other inter-bank funds	9,967,869	25,523,700
IV Others	21,817,352	6,425,926
Total	**1,615,855,367**	**1,277,531,191**

SCHEDULE 14 - OTHER INCOME

₹ in '000

	Year ended March 31, 2023	Year ended March 31, 2022
I Commission, exchange and brokerage	238,440,461	195,365,747
II Profit / (loss) on sale of investments (net)	(5,853,298)	7,362,434
III Profit / (loss) on revaluation of investments (net)	(5,458,202)	15,463,977
IV Profit / (loss) on sale of building and other assets (net)	936,105	706,725
V Profit / (loss) on exchange / derivative transactions (net)	40,818,516	39,079,094
VI Income earned by way of dividends from subsidiaries / associates and / or joint ventures abroad / in India	8,109,753	8,308,954
VII Miscellaneous income	35,154,916	28,812,073
Total	**312,148,251**	**295,099,004**

SCHEDULE 15 - INTEREST EXPENDED

₹ in '000

	Year ended March 31, 2023	Year ended March 31, 2022
I Interest on deposits	615,178,622	489,089,952
II Interest on RBI / inter-bank borrowings	131,371,625	68,189,380
III Other interest	882,926	155,950
Total	**747,433,173**	557,435,282

HDFC BANK LIMITED

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[Corporate Identification Number-L65920MH1994PLC080618] [e-mail: shareholder.grievances@hdfcbank.com]
[Website: www.hdfcbank.com] [Tel Nos. 022 - 39760001 / 0012]

SCHEDULE 16 - OPERATING EXPENSES

₹ in '000

	Year ended March 31, 2023	Year ended March 31, 2022
I Payments to and provisions for employees	155,123,633	120,316,860
II Rent, taxes and lighting	20,952,892	16,408,506
III Printing and stationery	7,045,362	5,285,712
IV Advertisement and publicity	2,359,697	2,161,308
V Depreciation on bank's property	22,424,793	15,998,039
VI Directors' fees / remuneration, allowances and expenses	73,068	70,825
VII Auditors' fees and expenses	78,184	62,572
VIII Law charges	3,118,459	2,548,186
IX Postage, telegram, telephone etc.	6,581,683	5,697,517
X Repairs and maintenance	21,177,787	17,259,357
XI Insurance	22,478,649	19,093,514
XII Other expenditure*	215,106,637	169,519,462
Total	**476,520,844**	**374,421,858**

*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, 2023

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), GIFT City, India. 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 standalone 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, directions, 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 the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Rules, 2021, 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 year. 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 SIGNIFICANT ACCOUNTING POLICIES

1 Investments

Classification:

In accordance with the RBI guidelines, 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 accounted on settlement date except in the case of equity shares which are accounted on trade date.

Basis of classification:

Investments that are held 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 under HTM category. Investments in the equity of subsidiaries / joint ventures are classified under HTM category. 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 determined 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".

Short sale:

The Bank undertakes short sale transactions in Central Government dated securities in accordance with the RBI guidelines. The short position is categorised under HFT category and netted off from investments. 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 short sale is recognised on settlement date.

Valuation:

Investments classified under AFS and HFT categories are marked to market individually and depreciation / appreciation is aggregated for each group. Net depreciation, 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 provided earlier. The book value of individual securities is not changed on such revaluation of investments.

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. issued by the government of India is computed as per the prices published by FBIL with FIMMDA as the calculating agent.

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, i.e. applicable FIMMDA published credit spread 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 for each company.

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.

Investments in Security receipts (SR) and unquoted units of Infrastructure Investment Trust (InvIT) are valued as per the net asset value provided by the issuing Asset Reconstruction Company and InvIT trust respectively.

Investments in unquoted units of Alternative Investment Fund (AIF) 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. Such investments are transferred to the AFS category after the said period of three years. Investments in AFS category are valued at NAV shown by the AIF in its financial statements. Units are valued based on the latest audited financials of the AIF, if available, or at ₹ 1 per AIF 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.

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 from investments. Any diminution, other than temporary, in the value of investments in HTM category is provided for.

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

Repurchase and reverse repurchase transactions:

Repurchase (Repo) and reverse repurchase (Reverse Repo) transactions are reflected as borrowing and lending transactions respectively.

Borrowing cost on repo transactions is accounted as interest expense and revenue on reverse repo transactions is accounted 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 loan loss provision, interest in suspense for non-performing advances, claims received from Credit Guarantors, provision for funded interest term loan and provision for diminution in the fair value of restructured assets.

Provisioning:

The Bank classifies its loans and investments, including at overseas branches and overdues from crystallised derivative contracts, into performing and non-performing in accordance with RBI guidelines. Further the NPAs are classified into sub-standard, doubtful and loss assets based on the RBI guidelines. Non-performing assets are upgraded into standard as per the extant RBI guidelines.

Specific loan loss provision in respect of non-performing advances is made based on management's assessment of the degree of impairment of advances, subject to the minimum provisioning prescribed by the RBI.

The specific provision for retail non-performing advances is also made based on the nature of product and delinquency levels.

Specific loan loss provision in respect of non-performing advances is included under Provisions and Contingencies.

Non-performing advances are written-off in accordance with the Bank's policy. Recoveries from bad debts written-off are included under other income.

In relation to derivative contracts with non-performing borrowers, 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. The Bank also maintains general provision for unhedged foreign currency exposures of borrowers as prescribed by RBI. In the case of overseas branches, general provision on standard assets is maintained at the higher of the levels stipulated by the respective overseas regulator or RBI. The provision for standard assets is included under other liabilities.

In addition to the above, the Bank on a prudent basis makes provision 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.

Provision made in addition to the Bank's policy for specific loan loss provision for non-performing assets, possible slippage of specific exposures and regulatory general provision is categorised as floating provision. Creation of floating provision is considered by the Bank up to a level approved by the Board of Directors. Floating provisions are used only for contingencies under extraordinary circumstances and for making specific provisions for non-performing accounts. Floating provisions are included under other liabilities.

Further to the provisions required to be held according to the asset classification status, provision is 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 made 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 accordance with the RBI guidelines on the prudential framework for resolution of stressed assets and the resolution frameworks for COVID-19 related stress and its Board approved policy, the Bank has implemented resolution plans for eligible borrowers. The asset classification and necessary provision thereon is made in accordance with the said RBI guidelines. The restructured loans are upgraded into standard category as per the extant 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. Sales / transfers that do not meet true sale criteria are accounted for as borrowings. For a securitisation or direct assignment transaction, the Bank recognises profit upon receipt of the funds and loss is recognised at the time of sale.

On sale of stressed assets, if the sale is at a price below the net book value (i.e., funded outstanding less specific 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 when the sum of cash received by way of initial consideration and / or redemption or transfer of security receipts issued by SC / RC exceeds the net book value of the loan at the time of transfer.

In respect of stressed assets sold under an asset securitisation, where the investment by the bank in security receipts (SRs) issued against the assets transferred by it is more than 10 percent of such SRs, provisions held against outstanding SRs 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 Special Purpose Vehicles (SPVs). These are accounted at acquisition cost and are classified as investments. The Bank also buys loans through the direct assignment route which are classified as advances. These are carried at acquisition cost unless it is more than the face value, in which case the premium is amortised based on effective interest rate method.

The Bank transfers advances through inter-bank participation with and without risk. In the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances. In case where the Bank is assuming risk by participation, the aggregate amount of the participation is classified under advances. In the case of issue of participation certificate without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is acquiring participation certificate, the aggregate amount of participation acquired is shown as due from banks under advances.

4 Fixed assets and depreciation

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

Depreciation is charged over the estimated useful life of the fixed asset on a straight-line basis. The management believes that the useful life of assets assessed by the Bank, pursuant to 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	60 years	60 years
Automated Teller Machines (ATMs)	10 years	15 years
Electrical equipments and installations	6 to 8 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 amortised over the remaining primary period of lease.
- Software and system development expenditure is amortised over a period of 5 years.
- Point of Sales (PoS) terminals are depreciated over a period of 4 years.
- For assets purchased and sold during the year, depreciation is provided on pro-rata basis.
- 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.
- Assets (other than PoS terminals) costing less than ₹ 5,000 individually, are fully depreciated in the year of purchase.

5 Impairment of assets

The Bank assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided to the extent the carrying amount of assets exceeds their estimated recoverable amount.

6 Translation of foreign currency items

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

Outstanding 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 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 Reserve 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 translated at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

7 Foreign exchange and derivative contracts

Foreign exchange spot and forward contracts, outstanding as at the Balance Sheet date and held for trading, are revalued at the closing spot and forward rates respectively as notified by FEDAI and at interpolated rates for contracts of interim maturities. The USD-INR exchange rate for valuation of contracts having longer maturities i.e. greater than one year, is derived using the USD-INR spot rate as well as relevant INR yield curve and USD yield curve. For other currency pairs, and non-deliverable contracts, the forward points (for rates / tenors not published by FEDAI) are obtained / derived basis data published by Refinitiv or Bloomberg for valuation of the contracts. Valuation is considered on present value basis. For this purpose, the forward profit or loss on the contracts are discounted to the valuation date using the discounting yields. The resulting profit or loss on valuation is recognised in the Profit and Loss Account. Marked to market value of foreign exchange contracts are classified as assets when the fair value is positive or as liabilities when the fair value is negative.

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 on a straight line basis as expense or income over the life of the contract.

The Bank recognises all derivative contracts at fair value, on the date on which such derivative contracts are entered into and are re-measured at fair value as at the Balance Sheet date. Marked to market values of such derivatives are classified as assets when the fair value is positive or as liabilities when the fair value is negative.

The Bank as part of its risk management strategy, makes use of derivative instruments, including foreign exchange forward contracts, for hedging the risk embedded in some of its financial assets or liabilities recognised on the balance sheet. 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 at the reporting date thereafter.

In case of a fair value hedge, the changes in the fair value of the hedging instruments and hedged items are recognised in the Profit and Loss Account and in case of cash flow hedges, the changes in fair value of effective portion are recognised in Reserves and Surplus under 'Cash flow hedge reserve' and ineffective portion of an effective hedging relationship, if any, is recognised in the Profit and Loss Account. The accumulated balance in the cash flow hedge reserve, in an effective hedging relationship, is recycled in the Profit and Loss Account at the same time that the impact from the hedged item is recognised in the Profit and Loss Account.

8 Revenue recognition

Interest income is recognised in the Profit and Loss Account on an accrual basis, except in the case of non-performing assets and overdue interest on retail EMI based performing advances, which are recognised when realised. 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 yield basis.

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

Income from units of mutual funds / AIF is recognised on cash 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.

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.

Fees paid / received for priority sector lending certificates (PSLC) is recognised on straight-line basis over the period of the certificate.

9 Employee benefits

Stock based Employee Compensation:

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 Employee Stock Incentive Master Scheme -2022 (ESIS-2022) provides for the grant of Restricted Stock Units (RSUs) to acquire equity shares of the Bank to its employees and whole-time directors. The options / units granted shall vest as per their vesting schedule and these may be exercised within a specified period.

The Bank follows the intrinsic value method to account for its stock-based employee compensation plans in respect of options granted up to March 31, 2021. 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.

Effective April 01, 2021, the fair value of share-linked instruments on the date of grant for all instruments granted after March 31, 2021 is recognised as an expense in accordance with the RBI guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function staff. The fair value of the stock-based employee compensation is estimated on the date of grant using Black-Scholes model.

The compensation cost is amortised on a straight-line basis over the vesting period after adjusting estimated forfeiture. Ultimately, the cost for all instruments that vest is recognized. The compensation expense is recognised in the Profit and Loss Account with a corresponding credit to Employee Stock Options Reserve. On exercise of the stock options, corresponding balance in Employee Stock Options Reserve is transferred to Share Premium. In respect of the options which expire unexercised, the balance standing to the credit of Employee Stock Options Reserve is transferred to General Reserve.

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 recognised 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 out 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 plan. 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.

Pension:

In respect of pension payable to certain eLKB employees under the Lord Krishna Bank (Employees) Pension Scheme, 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.

National Pension Scheme (NPS):

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

10 Debit and credit cards reward points

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

11 Bullion

The Bank imports bullion including precious metal bars on a consignment basis. The imports are typically on a back-to-back basis and are priced to the customer based on the price quoted by the supplier. The difference between the price recovered from customers and cost of bullion is 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 there under and considering the material principles set out in Income Computation and Disclosure Standards) and the net change in the deferred tax asset or liability during the year. Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences between the carrying values of assets and liabilities and their respective tax bases, and operating loss carried forward, if any. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates as at the Balance Sheet date.

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

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

14 Earnings per share

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

15 Share issue expenses

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

16 Segment information

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

17 Accounting for provisions, contingent liabilities and contingent assets

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

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

A disclosure of contingent liability is made when there is:

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

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

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

18 Cash and cash equivalents

Cash and cash equivalents include cash including foreign currency notes 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 financial statements for the year ended March 31, 2023

Amounts in notes forming part of the financial statements for the year ended March 31, 2023 are denominated in rupee crore to conform to extant RBI guidelines, except where stated otherwise.

1. Proposed dividend

The Board of Directors at its meeting held on April 15, 2023 proposed a dividend of ₹ 19.00 per equity share (previous year: ₹ 15.50 per equity share) aggregating to ₹ 10,601.51 crore (previous year: ₹ 8,604.52 crore). The proposal is subject to the approval of shareholders at the ensuing Annual General Meeting. Effect of the proposed dividend has been reckoned in determining capital funds in the computation of the capital adequacy ratio.

2. Proposed scheme of amalgamation

The Board of Directors at its meeting held on April 04, 2022, approved a composite Scheme of amalgamation ("Scheme"), for the amalgamation of: (i) HDFC Investments Limited and HDFC Holdings Limited, with and into Housing Development Finance Corporation Limited ("HDFC Limited"); and thereafter (ii) HDFC Limited into HDFC Bank Limited ("Bank"), and their respective shareholders and creditors, under Sections 230 to 232 of the Companies Act, 2013 and other applicable laws including the rules and regulations. The share exchange ratio shall be 42 equity shares of face value of ₹ 1/- each of the Bank for every 25 equity shares of face value of ₹ 2/- each of HDFC Limited. As per the Scheme, the appointed date for the amalgamation of HDFC Limited with and into the Bank shall be the effective date of the Scheme. The Scheme shall become effective on filing of the necessary form with the ROC. Upon the Scheme becoming effective, the Bank will issue equity shares to the shareholders of HDFC Limited as on the record date as per the Scheme and the equity shares held by HDFC Limited in the Bank will be extinguished.

The Scheme was approved by the shareholders at the National Company Law Tribunal ("NCLT") convened meeting of the shareholders of the Bank held on November 25, 2022. The NCLT in accordance with Sections 230 to 232 of the Companies Act, 2013 and rules thereunder, has vide its order dated March 17, 2023 sanctioned the Scheme. The Bank is in the process of seeking the remaining necessary approvals / permissions and accordingly, the Scheme has not yet been made effective.

3. Capital adequacy

The Bank's capital to risk-weighted assets ratio ('Capital Adequacy Ratio') is calculated in accordance with the RBI guidelines on Basel III capital regulations ('Basel III'). The minimum capital ratio requirement under Basel III as at March 31, 2023 and March 31, 2022 is as follows:

Minimum ratio of capital to risk-weighted assets (RWAs)	% of RWAs
Common Equity Tier 1 (CET 1)	8.2
Tier 1 capital	9.7
Total capital	11.7

The above minimum ratios 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 March 31, 2023	As at March 31, 2022
CET 1 capital	**260,220.90**	225,585.50
Additional Tier 1 capital	**11,603.01**	16,221.25
Tier 1 capital	**271,823.91**	241,806.75
Tier 2 capital	**33,740.94**	13,927.75
Total capital	**305,564.85**	**255,734.50**
Total risk weighted assets	**1,586,634.96**	**1,353,510.85**
Capital adequacy ratios under Basel III		
CET 1	**16.40%**	16.67%
Tier 1	**17.13%**	17.87%
Tier 2	**2.13%**	1.03%
Total	**19.26%**	**18.90%**
Leverage Ratio	**10.04%**	10.62%
Percentage of the shareholding of Government of India	**Nil**	Nil
Amount of non-equity Tier 1 capital raised during the year, of which:	**3,000.00**	**8,318.25**
Basel III compliant Perpetual Debt instrument	**3,000.00**	8,318.25

HDFC BANK

HDFC BANK LIMITED

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[Corporate Identification Number-L65920MH1994PLC080618] [e-mail: shareholder.grievances@hdfcbank.com]
[Website: www.hdfcbank.com] [Tel Nos. 022 - 39760001 / 0012]

(₹ crore)

Particulars	As at March 31, 2023	As at March 31, 2022
Amount of Tier 2 capital raised during the year, of which:	20,000.00	Nil
Basel III compliant Cumulative Subordinated bonds	**20,000.00**	Nil

As on March 31, 2023, the Bank's subordinated and perpetual debt capital instruments amounted to ₹ 22,000.00 crore (previous year: ₹ 5,477.00 crore) and ₹ 11,956.00 crore (previous year: ₹ 16,318.25 crore) respectively.

In accordance with the RBI guidelines, banks are required to make consolidated Pillar 3 and Net Stable Funding Ratio (NSFR) disclosures under the Basel III Framework. These disclosures are available on the Bank's website at the following link: https://www.hdfcbank.com/personal/resources/regulatory-disclosures. The disclosures have not been subjected to audit by the statutory auditors of the Bank.

Capital infusion

During the year ended March 31, 2023, the Bank has allotted 3,42,01,810 equity shares (previous year: 3,27,64,494 equity shares) aggregating to face value of ₹ 3.42 crore (previous year: ₹ 3.27 crore) on exercise of stock options. Accordingly, the share capital increased by ₹ 3.42 crore (previous year: ₹ 3.27 crore) and the share premium increased by ₹ 3,420.26 crore (previous year: ₹ 2,606.48 crore).

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

(₹ crore)

Particulars	March 31, 2023	March 31, 2022
Opening balance	**554.55**	551.28
Addition pursuant to stock options exercised	**3.42**	3.27
Closing balance	**557.97**	554.55

4. 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 ₹ 44,108.70 crore (previous year: ₹ 36,961.36 crore) and the weighted average number of equity shares outstanding during the year of 5,56,57,14,265 (previous year: 5,53,32,03,566).

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

Particulars	For the years ended March 31, 2023	For the years ended March 31, 2022
Nominal value per share (₹)	**1.00**	1.00
Basic earnings per share (₹)	**79.25**	66.80
Effect of potential equity shares (per share) (₹)	**(0.36)**	(0.45)
Diluted earnings per share (₹)	**78.89**	66.35

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 / Restricted Stock Units (RSUs) 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, 2023	For the years ended March 31, 2022
Weighted average number of equity shares used in computing basic earnings per equity share	**5,56,57,14,265**	5,53,32,03,566
Effect of potential equity shares outstanding	**2,54,69,391**	3,77,30,419
Weighted average number of equity shares used in computing diluted earnings per equity share	**5,59,11,83,656**	5,57,09,33,985

5. Reserves and Surplus

Statutory Reserve

The Bank has made an appropriation of ₹ 11,027.18 crore (previous year: ₹ 9,240.34 crore) out of profits for the year ended March 31, 2023 to the Statutory Reserve pursuant to the requirements of Section 17 of the Banking Regulation Act, 1949 read with RBI guidelines.

General Reserve

The Bank has made an appropriation of ₹ 4,410.87 crore (previous year: ₹ 3,696.14 crore) out of profits for the year ended March 31, 2023 to the General Reserve.

Special Reserve

During the year ended March 31,2023, the Bank has made an appropriation of ₹ 500.00 crore (previous year: Nil) to the Special Reserve as per Section 36(1) (viii) of the Income-tax Act, 1961.

Capital Reserve

During the year ended March 31, 2023, the Bank has appropriated ₹ 4.61 crore (previous year: ₹ 666.47 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.

Investment Reserve Account

During the year ended March 31, 2023, the Bank has transferred ₹ 294.80 crore (net) from the Investment Reserve Account to the Profit and Loss Account as per the RBI guidelines. In the previous year, the Bank had appropriated ₹ 233.13 crore (net) from Profit and Loss Account to Investment Reserve Account as per the RBI guidelines.

Investment Fluctuation Reserve

During the year ended March 31, 2023, the Bank made transfer of ₹ 82.00 crore (previous year: Nil) to Investment Fluctuation Reserve. As per RBI guidelines, banks are required to maintain an Investment Fluctuation Reserve (IFR) equivalent to 2.00% of their HFT and AFS investment portfolios. The balance in the IFR as at March 31, 2023 is 2.24 % (previous year: 2.28%) of the Bank's HFT and AFS investment portfolios.

Cash Flow Hedge Reserve

During the year ended March 31, 2023, the Bank has recognised ₹ 5.45 crore (previous year: ₹ (97.68) crore) as Cash Flow Hedge Reserve on derivative contracts designated as cash flow hedge.

Employees Stock Options Reserve

During the year ended March 31, 2023, the Bank has recognised ₹ 748.90 crore (previous year: ₹ 325.97 crore) as Employees Stock Options Reserve on account of fair valuation of share-linked instruments. During the year ended March 31, 2023, on exercise of share-linked instruments, an amount of ₹ 7.85 crore (previous year: Nil) is transferred from Employees Stock Options Reserve to share premium.

Draw down from Reserves

The Bank has not undertaken any drawdown from reserves during the years ended March 31, 2023 and March 31, 2022.

6. Accounting for employee share based payments

The shareholders of the Bank approved the grant of equity stock 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 Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 and RBI guidelines 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.

Further, the shareholders of the Bank approved the grant of 10,00,00,000 Restricted Stock Units ("RSUs") under Employees' Stock Incentive Master Scheme – 2022 (ESIS-2022) in May, 2022.

The vesting conditions applicable to the options / units are at the discretion of the NRC. These options / units 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 and units may be exercised cannot exceed five years and one year respectively from the date of expiry of vesting period. During the financial year 2022-23, no modifications were made to the terms and conditions of ESOPs. During the previous year 2021-22, the Shareholders of the Bank approved certain modifications in the subsisting ESOP Plans to allow any employee of the Bank transferred to a subsidiary company, to continue to be entitled to the stock options already granted to such an employee during the course of his / her service with the Bank.

Activity in the options / units outstanding under the Employee Stock Option Plans / RSUs

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2023:

Particulars	Number of options	Weighted average exercise price (₹)
Options outstanding, beginning of year	**15,81,06,016**	**1,175.65**
Granted during the year	**3,04,80,145**	**1,425.69**
Exercised during the year	**3,42,01,810**	**998.73**
Forfeited / Lapsed during the year	**27,01,890**	**1,227.62**
Options outstanding, end of year	**15,16,82,461**	**1,264.86**
Options exercisable	**6,51,24,916**	**1,162.96**

- Activity in the RSUs outstanding under the Employees' Stock Incentive Master Scheme as at March 31, 2023:

Particulars	Number of RSUs	Weighted average exercise price (₹)
RSUs outstanding, beginning of year	-	-
Granted during the year	**28,91,000**	**1.00**
Exercised during the year	-	-
Forfeited / Lapsed during the year	-	-
RSUs outstanding, end of year	**28,91,000**	**1.00**
RSUs exercisable	-	-

- Activity in the options outstanding under the various employee stock option plans as at March 31, 2022:

Particulars	Number of options	Weighted average exercise price (₹)
Options outstanding, beginning of year	16,81,68,760	1,063.79
Granted during the year	2,56,28,600	1,427.29
Exercised during the year	3,27,64,494	796.52
Forfeited / Lapsed during the year	29,26,850	1,196.30
Options outstanding, end of year	15,81,06,016	1,175.65
Options exercisable	6,53,21,116	1,036.49

- The following table summarises the information about stock options outstanding as at March 31, 2023:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average exercise price (₹)
Plan F	**716.60**	**74,49,626**	**0.83**	**716.60**
Plan G	**882.85 to 1,673.10**	**14,42,32,835**	**2.87**	**1,293.18**

- The following table summarises the information about RSUs outstanding as at March 31, 2023:

Plan	Range of exercise price (₹)	Number of shares arising out of units	Weighted average life of units (in years)	Weighted average exercise price (₹)
ESIS-2022	**1.00**	**28,91,000**	**3.02**	**1.00**

- The following table summarises the information about stock options outstanding as at March 31, 2022:

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average exercise price (₹)
Plan F	417.75 to 731.08	1,75,64,766	1.07	666.77
Plan G	882.85 to 1,516.95	14,05,41,250	2.70	1,239.25

In accordance with the RBI clarification dated August 30, 2021, the Bank has estimated the fair value of the options / units granted after March 31, 2021 using Black-Scholes model. This is recognised as compensation expense over the vesting period of the options with effect from April 01, 2021.

The assumptions considered in the model for valuing the ESOPs granted during the year ended March 31, 2023 and March 31, 2022 are given below:

Particulars	March 31, 2023	March 31, 2022
Dividend yield	**0.22% to 0.97%**	0.21% to 0.52%
Expected volatility	**24.63% to 34.21%**	23.86% to 38.70%
Risk - free interest rate	**5.58% to 7.59%**	4.38% to 6.07%
Expected life of the options	**1 to 8 Years**	1 to 6 Years

The assumptions considered in the model for valuing the RSUs granted during the year ended March 31, 2023:

Particulars	March 31, 2023
Dividend yield	**0.63% to 1.08%**
Expected volatility	**24.08% to 30.20%**
Risk-free interest rate	**7.02% to 7.53%**
Expected life of the options	**1 to 5 Years**

7. Other liabilities

- The Bank held provisions towards standard assets amounting to ₹ 6,988.66 crore as at March 31, 2023 (previous year: ₹ 6,562.60 crore). These are included under other liabilities.
  - Provision for standard assets is made @ 0.25% for direct advances to agriculture, individual housing loans 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 ₹ 9,232.84 crore as at March 31, 2023 (previous year: ₹ 9,684.88 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, 2023 include unrealised loss on foreign exchange and derivative contracts of ₹ 9,914.66 crore (previous year: ₹ 7,464.74 crore).
- There is no item under Other Liabilities and Provisions -"Others (including provisions)" exceeding 1% of total assets as at March 31, 2023 and March 31, 2022.

8. Unhedged foreign currency exposure

The Bank has in place a policy and process for managing currency induced credit risk. The credit appraisal memorandum prepared at the time of origination and review of a credit facility is required to discuss the exchange risk that the customer is exposed to from all sources, including trade related, foreign currency borrowings and external commercial borrowings. It could cover the natural hedge available to the customer as well as other hedging methods adopted by the customer to mitigate exchange risk. For foreign currency loans granted by the Bank beyond a defined threshold the customer is encouraged to enter into appropriate risk hedging mechanisms with the Bank. Alternatively, the Bank satisfies itself that the customer has the financial capacity to bear the exchange risk in the normal course of its business and / or has other mitigants to reduce the risk. On a periodic 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. 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 suitably advised to review and manage its unhedged exposure, where deemed necessary.

In accordance with RBI guidelines, as at March 31, 2023 the Bank holds standard asset provisions of ₹ 263.00 crore (previous year: ₹ 355.00 crore) and maintains capital (including CCB & D-SIB) of ₹ 973.84 crore (previous year: ₹ 1,412.67 crore) in respect of the unhedged foreign currency exposure of its customers.

9. Investments

Composition of investments as at March 31, 2023

(₹ crore)

	Investments in India: Government Securities	Investments in India: Other Approved Securities	Investments in India: Shares	Investments in India: Debentures and Bonds	Investments in India: Subsidiaries and / or joint ventures	Investments in India: Others	Total Investments in India	Investments outside India: Government Securities (including local authorities)	Investments outside India: Subsidiaries and / or joint ventures	Investments outside India: Others	Total Investments outside India	Total Investments
Held to Maturity												
Gross	343,301.94	-	-	6,160.87	3,826.49	16.60	353,305.90	-	-	-	-	353,305.90
Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-	-	-	-	-	-
Net	343,301.94	-	-	6,160.87	3,826.49	16.60	353,305.90	-	-	-	-	353,305.90
Available for Sale												
Gross	84,204.92	-	515.17	50,532.57	-	15,687.13	150,939.79	81.79	-	1,520.10	1,601.89	152,541.68
Less: Provision for depreciation and NPI	(171.25)	-	(20.49)	(923.61)	-	(176.02)	(1,291.37)	(2.07)	-	(98.83)	(100.90)	(1,392.27)
Net	84,033.67	-	494.68	49,608.96	-	15,511.11	149,648.42	79.72	-	1,421.27	1,500.99	151,149.41
Held for Trading												
Gross	10,034.21	-	0.75	2,511.16	-	-	12,546.12	-	-	-	-	12,546.12
Less: Provision for depreciation and NPI	-	-	-	-	-	-	-	-	-	-	-	-
Net	10,034.21	-	0.75	2,511.16	-	-	12,546.12	-	-	-	-	12,546.12
Total Investments	437,541.07	-	515.92	59,204.60	3,826.49	15,703.73	516,791.81	81.79	-	1,520.10	1,601.89	518,393.70
Less: Provision for non-performing investments for HTM category	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI for AFS and HFT categories	(171.25)	-	(20.49)	(923.61)	-	(176.02)	(1,291.37)	(2.07)	-	(98.83)	(100.90)	(1,392.27)
Net	**437,369.82**	**-**	**495.43**	**58,280.99**	**3,826.49**	**15,527.71**	**515,500.44**	**79.72**	**-**	**1,421.27**	**1,500.99**	**517,001.43**

Composition of investments as at March 31, 2022

(₹ crore)

	Investments in India: Government Securities	Investments in India: Other Approved Securities	Investments in India: Shares	Investments in India: Debentures and Bonds	Investments in India: Subsidiaries and / or joint ventures	Investments in India: Others	Total Investments in India	Investments outside India: Government Securities (including local authorities)	Investments outside India: Subsidiaries and / or joint ventures	Investments outside India: Others	Total Investments outside India	Total Investments
Held to Maturity												
Gross	285,210.50	-	-	8,160.52	3,826.49	13.35	297,210.86	-	-	-	-	297,210.86
Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-	-	-	-	-	-
Net	285,210.50	-	-	8,160.52	3,826.49	13.35	297,210.86	-	-	-	-	297,210.86
Available for Sale												
Gross	79,925.94	-	530.96	56,184.73	-	16,373.52	153,015.15	230.31	-	2,394.84	2,625.15	155,640.30
Less: Provision for depreciation and NPI	(291.93)	-	(45.38)	-	-	-	(337.31)	(2.73)	-	-	(2.73)	(340.04)
Net	79,634.01	-	485.58	56,184.73	-	16,373.52	152,677.84	227.58	-	2,394.84	2,622.42	155,300.26
Held for Trading												
Gross	1,684.07	-	-	363.53	-	1,047.56	3,095.16	-	-	-	-	3,095.16
Less: Provision for depreciation and NPI	(1.27)	-	-	(0.42)	-	(68.90)	(70.59)	-	-	-	-	(70.59)
Net	1,682.80	-	-	363.11	-	978.66	3,024.57	-	-	-	-	3,024.57
Total Investments	366,820.51	-	530.96	64,708.78	3,826.49	17,434.43	453,321.17	230.31	-	2,394.84	2,625.15	455,946.32
Less: Provision for non-performing investments for HTM category	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI for AFS and HFT categories	(293.20)	-	(45.38)	(0.42)	-	(68.90)	(407.90)	(2.73)	-	-	(2.73)	(410.63)
Net	**366,527.31**	**-**	**485.58**	**64,708.36**	**3,826.49**	**17,365.53**	**452,913.27**	**227.58**	**-**	**2,394.84**	**2,622.42**	**455,535.69**

- Other investments in India as at March 31, 2023 includes Nil commercial paper (previous year: ₹ 146.82 crore).
- Other investment outside India as at March 31, 2023 includes shares of ₹ 2.64 crore (previous year: ₹ 2.64 crore) and bonds and debentures of ₹ 1,418.63 crore (previous year: ₹ 2,392.20 crore).
- Movement in provisions held towards depreciation on investments & Investment Fluctuation Reserve:

(₹ crore)

Particulars	March 31, 2023	March 31, 2022
i) Movement in provisions held towards depreciation on investments		
a) Opening balance	410.63	851.78
b) Add: Provision made during the year (including provision on non-performing investments)	1,213.64	12.00
c) Less: Write-off, write back of excess provision during the year	232.00	453.15
d) Closing balance	1,392.27	410.63
ii) Movement of Investment Fluctuation Reserve		
a) Opening balance	3,619.00	3,619.00
b) Add: Amount transferred during the year	82.00	-
c) Less: Drawdown	-	-
d) Closing balance	3,701.00	3,619.00
iii) Closing balance in IFR as a percentage of closing balance of investments in AFS and HFT category	**2.24%**	**2.28%**

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, 2023:

(₹ crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as at March 31, 2023
Securities sold under repo				
1. Government securities	9,110.09	64,383.12	12,255.19	9,110.09
2. Corporate debt securities	-	-	-	-
3. Any other securities	-	-	-	-
Securities purchased under reverse repo				
1. Government securities	-	61,499.68	4,201.79	40,320.26
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, 2022:

(₹ crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as at March 31, 2022
Securities sold under repo				
1. Government securities	9,020.00	34,381.25	10,466.70	14,465.00
2. Corporate debt securities	-	-	-	-
3. Any other securities	-	-	-	-
Securities purchased under reverse repo				
1. Government securities	8,968.09	131,685.88	65,670.26	35,746.89
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, 2023:

(₹ crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as at March 31, 2023
Securities sold under tri-party repo				
1. Government securities	-	85,018.85	29,224.00	-
2. Corporate debt securities	-	-	-	-
3. Any other securities	-	-	-	-
Securities purchased under tri-party repo				
1. Government securities	-	41,971.75	669.50	5,281.75
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, 2022:

(₹ crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as at March 31, 2022
Securities sold under tri-party repo				
1. Government securities	-	70,080.05	33,659.03	9,799.00
2. Corporate debt securities	-	-	-	-
3. Any other securities	-	-	-	-
Securities purchased under tri-party repo				
1. Government securities	-	44,926.80	432.45	-
2. Corporate debt securities	-	-	-	-
3. Any other securities	-	-	-	-

- Non-SLR investment portfolio
  - Issuer-wise composition of non-SLR investments as at March 31, 2023:

(₹ crore)

Sr. No.	Issuer	Amount	Extent of private placement#	Extent of "below investment grade" securities#(1)	Extent of "unrated" securities#(2)	Extent of "unlisted" securities#(2)
1	Public sector undertakings	9,227.03	7,123.27	-	-	-
2	Financial institutions	7,535.99	2,365.00	-	-	-
3	Banks	2,756.89	1,625.00	375.66	-	-
4	Private corporate	41,720.71	29,330.57	-	32.34	2,833.20
5	Subsidiaries / Joint Ventures(3)	3,826.49	3,826.49	-	-	-
6	Others	15,785.52	15,703.73	-	-	-
7	Provision held towards depreciation	(1,221.02)				
Total		79,631.61	59,974.06	375.66	32.34	2,833.20

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

(1) Includes overseas investment of ₹ 328.03 crore in bond and debentures issued by entities having domicile in India, where the issuer rating given by domestic rating agencies is above investment grade.

(2) Excludes investments in securities issued by foreign sovereigns, equity shares, units of equity oriented mutual fund schemes, equity / debt instruments / units issued by Category I and II Alternative Investment Funds (AIFs), commercial paper, certificate of deposits, securities acquired by way of conversion of debt, security receipts, pass through certificates and unlisted convertible debentures.

(3) Investments in debt securities issued by Subsidiaries / Joint Ventures have been classified under Private Corporates.

  - Issuer-wise composition of non-SLR investments as at March 31, 2022:

(₹ crore)

Sr. No.	Issuer	Amount	Extent of private placement#	Extent of "below investment grade" securities#(1)	Extent of "unrated" securities# (2)	Extent of "unlisted" securities#(2)
1	Public sector undertakings	9,373.42	7,770.27	-	-	-
2	Financial institutions	5,467.21	1,865.00	-	-	-
3	Banks	3,676.36	1,889.77	1,715.19	-	-
4	Private corporate	49,264.41	31,047.96	-	11.45	2,900.71
5	Subsidiaries / Joint Ventures(3)	3,826.49	3,826.49	-	-	-
6	Others	17,517.92	16,240.06	-	-	-
7	Provision held towards depreciation	(117.43)				
	Total	89,008.38	62,639.55	1,715.19	11.45	2,900.71

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

(1) Includes overseas investment of ₹ 1,715.19 crore in bond and debentures issued by entities having domicile in India, where the issuer rating given by domestic rating agencies is above investment grade.

(2) Excludes investments in securities issued by foreign sovereigns, equity shares, units of equity oriented mutual fund schemes, equity / debt instruments / units issued by Category I and II Alternative Investment Funds (AIFs), commercial paper, certificate of deposits, securities acquired by way of conversion of debt, security receipts, pass through certificates and unlisted convertible debentures.

(3) Investments in debt securities issued by Subsidiaries / Joint Ventures have been classified under Private Corporates.

HDFC BANK

HDFC BANK LIMITED

Regd Office : HDFC Bank House, Senapati Bapat Marg, Lower Parel (West), Mumbai 400 013.
[Corporate Identification Number-L65920MH1994PLC080618] [e-mail: shareholder.grievances@hdfcbank.com]
[Website: www.hdfcbank.com] [Tel Nos. 022 - 39760001 / 0012]

- Non-performing non-SLR investments:

(₹ crore)

Particulars	March 31, 2023	March 31, 2022
Opening balance	35.03	82.44
Additions during the year	11.68	-
Reductions during the year	40.06	47.41
Closing balance	**6.65**	**35.03**
Total provisions held	**6.37**	**35.03**

- **Securities kept as margin**

The details of securities that are kept as margin are as under:

(₹ crore)

		Face value as at March 31, 2023	2022
I.	Securities kept as margin with Clearing Corporation of India towards:		
	a) Collateral and funds management - Securities segment	9,100.00	5,300.00
	b) Collateral and funds management - Tri-party Repo	79,729.85	59,013.79
	c) Default fund - Forex Forward segment	247.10	235.10
	d) Default fund - Forex Settlement segment	51.05	51.05
	e) Default fund - Rupee Derivatives (Guaranteed Settlement) segment	199.15	65.65
	f) Default fund - Securities segment	75.00	65.00
	g) Default fund - Tri-party repo segment	55.00	55.00
II.	Securities kept as margin with the RBI towards:		
	a) Real Time Gross Settlement (RTGS)	48,469.64	50,539.64
	b) Repo transactions	71,636.59	49,971.80
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.	251.00	161.00
V.	Securities kept as margin with Metropolitan Clearing Corporation of India towards MCX Currency Derivatives segment.	-	13.00
VI.	Securities kept as margin with National Securities Clearing Corporation of India (NSCCIL) towards Capital market.	1,000.00	-

- Sale and transfers to / from HTM category
  - During the year ended March 31, 2023, there has been no sale from, and transfer to / from, HTM category in excess of 5% of the book value of investments held in the HTM category at the beginning of the year.
  - In accordance with the RBI guidelines, sale from, and transfer to / from, HTM category exclude:
    a. The one-time transfer of securities to / from HTM category with the approval of Board of Directors undertaken by banks at the beginning of the accounting year;
    b. Direct sales from HTM for bringing down SLR holdings in HTM category consequent to a downward revision in SLR requirements by RBI;
    c. Sales to the Reserve Bank of India under liquidity management operations of RBI such as the Open Market Operations (OMO) and the Government Securities Acquisition Programme (GSAP);
    d. Repurchase of Government Securities by Government of India from banks under buyback / switch operations;
    e. Repurchase of State Development Loans by respective state governments under buyback / switch operations; and
    f. Additional shifting of securities explicitly permitted by the Reserve Bank of India.

10. Derivatives

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

(₹ crore)

Sr. No.	Particulars	March 31, 2023	March 31, 2022
i)	The total notional principal of swap agreements	611,147.47	518,928.08
ii)	Total losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	4,294.12	3,011.67
iii)	Collateral required by the Bank upon entering into swaps***	-	-
iv)	Concentration of credit risk arising from swaps (%)**	46.62%	47.17%
v)	Concentration of credit risk arising from swaps (Amount)**	2,001.81	1,420.65
vi)	The fair value of the swap book	590.44	255.15

* 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, 2023 and March 31, 2022.

*** Represents outstanding amount of net margin received from customers as at March 31, 2023 and March 31, 2022.

The nature and terms of Rupee IRS outstanding as at March 31, 2023 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	3,532	230,000.53	OIS	Fixed receivable v/s floating payable
Trading	4,325	250,780.11	OIS	Floating receivable v/s fixed payable
Hedging	19	23,075.00	OIS	Fixed receivable v/s floating payable
Trading	2	1,000.00	MIOIS	Floating receivable v/s fixed payable
Trading	265	17,788.46	MIFOR	Fixed receivable v/s floating payable
Trading	60	2,760.22	MIFOR	Floating receivable v/s fixed payable
Trading	226	13,965.00	MOD MIFOR	Fixed receivable v/s floating payable
Trading	148	9,210.00	MOD MIFOR	Floating receivable v/s fixed payable
Total		**549,179.32**		

The nature and terms of foreign currency IRS as at March 31, 2023 are set out below:

(₹ crore, except numbers)

Nature	Nos.	Notional principal	Benchmark	Terms
Trading	1	30.69	GBP SONIA	Fixed receivable v/s floating payable
Trading	1	30.69	GBP SONIA	Floating receivable v/s fixed payable
Trading	5	258.27	EURIBOR	Fixed receivable v/s floating payable
Trading	9	548.97	EURIBOR	Floating receivable v/s fixed payable
Trading	36	6,530.26	USD LIBOR	Fixed receivable v/s floating payable
Trading	153	19,267.24	USD LIBOR	Floating receivable v/s fixed payable
Trading	23	3,656.57	USD SOFR	Fixed receivable v/s floating payable
Trading	60	9,367.38	USD SOFR	Floating receivable v/s fixed payable
Hedging	18	2,456.88	USD SOFR	Fixed receivable v/s floating payable
Hedging	4	5,751.90	USD TERM SOFR	Floating receivable v/s fixed payable
Total		**47,898.85**		

The nature and terms of Forward Rate Agreement as at March 31, 2023 are set out below:

(₹ crore, except numbers)

Nature	Nos.	Notional principal	Benchmark	Terms
Trading	515	14,069.30	Bond Yield	Sell FRA
Total		**14,069.30**		

The nature and terms of Rupee IRS outstanding as at March 31, 2022 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	3,609	220,044.98	OIS	Fixed receivable v/s floating payable
Trading	4,041	222,466.69	OIS	Floating receivable v/s fixed payable
Trading	2	1,000.00	MIOIS	Floating receivable v/s fixed payable
Trading	425	28,418.85	MIFOR	Fixed receivable v/s floating payable
Trading	99	5,209.83	MIFOR	Floating receivable v/s fixed payable
Trading	27	2,040.00	MOD MIFOR	Fixed receivable v/s floating payable
Trading	18	995.00	MOD MIFOR	Floating receivable v/s fixed payable
Total		**480,775.35**		

The nature and terms of foreign currency IRS as at March 31, 2022 are set out below:

(₹ crore, except numbers)

Nature	Nos.	Notional principal	Benchmark	Terms
Trading	1	60.05	GBP SONIA	Fixed receivable v/s floating payable
Trading	1	60.05	GBP SONIA	Floating receivable v/s fixed payable
Trading	4	161.22	EURIBOR	Fixed receivable v/s floating payable
Trading	8	434.95	EURIBOR	Floating receivable v/s fixed payable
Trading	42	5,742.58	USD LIBOR	Fixed receivable v/s floating payable
Trading	205	24,189.96	USD LIBOR	Floating receivable v/s fixed payable
Trading	4	463.50	USD SOFR	Fixed receivable v/s floating payable
Trading	16	1,979.35	USD SOFR	Floating receivable v/s fixed payable
Total		**33,091.66**		

The nature and terms of Forward Rate Agreement as at March 31, 2022 are set out below:

(₹ crore, except numbers)

Nature	Nos.	Notional principal	Benchmark	Terms
Trading	214	5,061.07	Bond Yield	Sell FRA
Total		**5,061.07**		

- Exchange traded interest rate derivatives

(₹ crore)

Sr. No.	Particulars	March 31, 2023	March 31, 2022
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 an agreed exchange rate on a 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 an agreed exchange rate 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 on 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, as part of the Risk Management Group, that assesses 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 that are used to assess market and credit risks for derivative transactions are specified by the market risk and credit risk units. Limits are monitored on a daily basis by the mid-office.

The Bank has 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 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 using various qualitative and quantitative methods.

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. The Bank as part of its risk management strategy, makes use of derivative instruments, including foreign exchange forward contracts, for hedging the risk embedded in some of its financial assets or liabilities recognised on the balance sheet. In case of a fair value hedge, the changes in the fair value of the hedging instruments and hedged items are recognised in the Profit and Loss Account and in case of cash flow hedges other than for foreign exchange forward contracts and principal only swaps, the changes in fair value of effective portion are recognised in Reserves and Surplus under 'Cash flow hedge reserve' and ineffective portion of an effective hedging relationship, if any, is recognised in the Profit and Loss Account. The accumulated balance in the cash flow hedge reserve, in an effective hedging relationship, is recycled in the Profit and Loss Account at the same time that the impact from the hedged item is recognised in the Profit and Loss Account. Foreign exchange forward contracts and principal only swaps 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 counterparties based on their business ranking and financial position. The Bank sets up appropriate appetite / 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. Further, to mitigate the current exposure in non-centrally cleared forex and derivative transactions, Bank has entered into Credit Support Annex ('CSA') agreements with some of the major international counterparty banks and few Indian financial institutions.

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		Forward contracts		Interest rate derivatives	
		March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
1	Derivatives (notional principal amount)						
	a) Hedging	13,968.90	7,579.25	5,546.47	-	31,283.78	-
	b) Trading	47,274.28	62,860.03	899,675.67	655,187.18	580,187.44	519,322.30
2	Marked to market positions #						
	a) Asset (+)	1,469.40	1,082.67	5,567.71	3,786.79	4,066.14	3,019.64
	b) Liability (-)	(845.98)	(672.91)	(5,274.23)	(4,027.32)	(3,683.22)	(2,764.49)
	c) Net	623.42	409.76	293.48	(240.53)	382.92	255.15
3	Credit exposure	5,012.02	3,983.65	23,856.61	16,911.18	8,774.40	6,896.91
4	Likely impact of one percentage change in interest rate (100*PV01)**						
	a) On hedging derivatives	3.44	2.82	0.21	-	522.87	-
	b) On trading derivatives	26.58	49.06	3.55	4.57	1,564.80	501.21
5	Maximum of 100*PV01 observed during the year**						
	a) On hedging*	6.16	5.05	0.21	-	731.61	-
	b) On trading	45.32	57.78	6.42	8.84	1,564.80	527.62
6	Minimum of 100*PV01 observed during the year**						
	a) On hedging*	3.40	1.97	0.21	-	148.26	-
	b) On trading	26.58	33.04	0.38	3.27	494.31	272.28

\# For trading derivatives including accrued interest.

* Computed for the month end dates where hedge deals were outstanding.

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

- 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, Forward contracts include Tom, Spot, Forward exchange and Fx Swap contracts.
- 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 has computed the exposure under the Current Exposure Method for counterparty credit risk capital computation based on the guidelines issued by RBI on "Bilateral Netting of Qualified Financial Contracts – Amendments to Prudential Guidelines" dated March 30, 2021 and any related amendments thereafter. However, for the purpose of calculating product-wise derivative exposure as mentioned in point number 3 in table above, bank has calculated using Current Exposure Method ('CEM') without the impact of Bilateral Netting.

11. **Credit default swaps**

The Bank has not transacted in credit default swaps during the year ended March 31, 2023 (previous year: Nil).

12. **Asset quality**

- Classification of assets and provisions held as at March 31, 2023

(₹ crore)

	Standard	Non-Performing				Total
	Total Standard Advances	Substandard	Doubtful	Loss	Total Non-Performing Assets	
Gross Standard Advances and NPAs ^						
Opening Balance	1,364,413.25	8,392.21	6,347.08	1,401.67	16,140.96	1,380,554.21

Add: Additions during the year					24,536.31	
Less: Reductions during the year					22,658.24	
Closing balance	1,596,217.76	7,827.16	8,745.35	1,446.52	18,019.03	1,614,236.79
Reductions in Gross NPAs due to:						
i) Upgradation*					8,781.61	
ii) Recoveries (excluding recoveries from upgraded accounts)					3,075.23	
iii) Technical / Prudential Write-offs					-	
iv) Write-offs other than those under (iii) above					10,801.40	
Provisions (excluding Floating Provisions)						
Opening balance of provisions held	6,562.60	4,165.31	6,166.30	1,401.67	11,733.28	18,295.88
Add: Fresh provisions made during the year					18,579.00	
Less: Excess provision reversed / Write-off loans					16,661.68	
Closing balance of provisions held	6,988.66	3,842.87	8,361.21	1,446.52	13,650.60	20,639.26
Net NPAs						
Opening Balance		4,226.90	180.78	-	4,407.68	
Add: Fresh additions during the year					5,957.31	
Less: Reductions during the year					5,996.56	
Closing Balance		3,984.29	384.14	-	4,368.43	

^ NPAs include investments and foreign exchange and derivatives aggregating to ₹ 7.18 crore (previous year: ₹ 39.99 crore) that are classified as non-performing by the Bank.

* includes those accounts where all overdue have been paid.

- Classification of assets and provisions held as at March 31, 2022

(₹ crore)

	Standard	Non-Performing				Total
	Total Standard Advances	Substandard	Doubtful	Loss	Total Non-Performing Assets	
Gross Standard Advances and NPAs ^						
Opening Balance	1,128,309.31	8,100.47	5,392.69	1,592.84	15,086.00	1,143,395.31
Add: Additions during the year					26,861.43	
Less: Reductions during the year					25,806.47	
Closing balance	1,364,413.25	8,392.21	6,347.08	1,401.67	16,140.96	1,380,554.21
Reductions in Gross NPAs due to:						
i) Upgradation*					9,485.80	
ii) Recoveries (excluding recoveries from upgraded accounts)					6,890.80	
iii) Technical / Prudential Write-offs					-	
iv) Write-offs other than those under (iii) above					9,429.87	
Provisions (excluding Floating Provisions)						
Opening balance of provisions held	5,303.37	3,836.02	5,102.32	1,592.84	10,531.18	15,834.55
Add: Fresh provisions made during the year					17,771.79	
Less: Excess provision reversed / Write-off loans					16,569.69	
Closing balance of provisions held	6,562.60	4,165.31	6,166.30	1,401.67	11,733.28	18,295.88
Net NPAs						
Opening Balance		4,264.45	290.37	-	4,554.82	
Add: Fresh additions during the year					9,089.64	
Less: Reductions during the year					9,236.78	
Closing Balance		4,226.90	180.78	-	4,407.68	

^ NPAs include investments and foreign exchange and derivatives aggregating to ₹ 39.99 crore (previous year: ₹ 86.67 crore) that are classified as non-performing by the Bank.

* includes those accounts where all overdue have been paid.

- Technical or prudential write-offs

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

(₹ crore)

Particulars	March 31, 2023	March 31, 2022
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, 2023	March 31, 2022
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.

Ratios	March 31, 2023	March 31, 2022
Gross non-performing assets to gross advances[1]	1.12%	1.17%
Gross non-performing advances to gross advances	1.12%	1.17%
Net non-performing assets[2] to net advances[3]	0.27%	0.32%
Provision coverage ratio[4]	75.76%	72.69%

1 Gross advances are net of bills rediscounted and interest in suspense for non-performing advances.

2 Net NPAs are non-performing assets net of specific provisions, claims received from Credit Guarantors, 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.

3 Net advances are equivalent to gross advances net of specific loan loss provisions, claims received from Credit Guarantors, provision for funded interest term loans classified as NPA and provisions in lieu of diminution in the fair value of restructured assets.

4 Provision coverage ratio does not include assets written-off.

- 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 10 per cent of the published incremental Gross NPAs for the reference period.

Based on the above, there was no reportable divergence in asset classification and provisioning for NPAs for the years ended March 31, 2022 and March 31, 2021.

HDFC BANK

HDFC BANK LIMITED

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- 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, 2023		March 31, 2022	
No. of accounts restructured	Amount outstanding	No. of accounts restructured	Amount outstanding
2,44,795	4,929.56	2,87,562	6,874.39

- Provision pertaining to fraud accounts reported during the year:

Particulars	March 31, 2023	March 31, 2022
No. of frauds reported	3,726*	6,543
Amount involved in fraud (₹ crore)	525.72*	505.86
Amount involved in fraud net of recoveries / write-offs as at the end of the year (₹ crore)	361.86	231.74
Provisions held as at the end of the year (₹ crore)	361.86	231.74
Amount of unamortised provision debited from "other reserves" as at the end of the year (₹ crore)	-	-

Above table represents all frauds reported during the year.

*Includes 1,417 cases of Customer liability amounting to ₹ 79.06 crore reported in the current year basis RBI Advisory.

- Details of resolution plan implemented under the Resolution Framework for COVID-19-related Stress as per RBI circular dated August 06, 2020 (Resolution Framework 1.0) and May 05, 2021 (Resolution Framework 2.0) as at March 31, 2023 are given below:

(₹ crore)

Type of Borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan - Position as at the end of the previous year i.e. March 31, 2022 (A)	Of (A), aggregate debt that slipped into NPA during the year ended March 31, 2023	Of (A) amount written off during the year#	Of (A) amount paid by the borrowers during the year*	Exposure to accounts classified as Standard consequent to implementation of resolution plan - Position as at the end of this year i.e. March 31, 2023^
Personal Loans	9,781.56	4,033.36	2,572.93	2,166.06	3,582.14
Corporate persons	1,512.41	689.51	7.08	219.83	603.07
Of which, MSMEs	154.18	31.50	2.20	37.53	85.15
Others	2,096.07	692.64	75.70	537.03	866.40
Total	13,390.04	5,415.51	2,655.71	2,922.92	5,051.61

\# Represents debt that slipped into NPA and was subsequently written off during the year ended March 31, 2023.

*Amount paid by the borrower during the year is net of additions in the borrower account including additions due to interest capitalisation.

^Excludes other facilities to the borrowers aggregating to ₹ 971.62 crore which have not been restructured.

- Details of resolution plan implemented under the Resolution Framework for COVID-19-related Stress as per RBI circular dated August 06, 2020 (Resolution Framework 1.0) and May 05, 2021 (Resolution Framework 2.0) as at March 31, 2022 are given below.

(₹ crore)

Type of Borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of the previous half-year i.e. September 30, 2021 (A)*	Of (A), aggregate debt that slipped into NPA during the half-year ended March 31, 2022	Of (A) amount written off during the half-year#	Of (A) amount paid by the borrowers during the half-year**	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year i.e. March 31, 2022^
Personal Loans	11,588.80	1,594.28	620.09	212.96	9,781.56
Corporate persons	1,834.34	128.64	1.61	193.29	1,512.41
Of which, MSMEs	159.92	5.71	0.58	0.03	154.18
Others	2,457.43	303.17	21.97	58.19	2,096.07
Total	**15,880.57**	**2,026.09**	**643.67**	**464.44**	**13,390.04**

* Includes restructuring done in respect of requests received as of September 30, 2021 processed subsequently.

\# Represents debt that slipped into NPA and was subsequently written off during the half-year ended March 31, 2022.

** Amount paid by the borrower during the half year is net of additions in the borrower account including additions due to interest capitalization.

^ Excludes other facilities to the borrowers aggregating to ₹ 2,307.65 crore which have not been restructured.

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

(₹ crore)

	Resolution Plan implemented during the year	Amount
March 31, 2023	-	-
March 31, 2022	-	-

Transfer of Assets

- **Details of non-performing assets (NPAs) transferred during the financial year 2022-2023:**

(₹ in crore except number of accounts)

Particulars	To Asset Reconstruction Companies (ARCs)	To permitted transferees	To other transferees
Number of accounts	1	1	-
Aggregate principal outstanding of loans transferred	52.40	183.80	-
Weighted average residual tenor of the loans transferred (in years)	0.01	-	-
Net book value of loans transferred (at the time of transfer)	-	-	-
Aggregate consideration	41.00	44.22	-
Additional consideration realised in respect of accounts transferred in earlier years	1.84	-	-

The Bank has reversed the excess provision of ₹ 85.22 crore to Profit and Loss account on sale of the aforesaid loans.

- **Details of non-performing assets (NPAs) transferred during the financial year 2021-2022:**

(₹ in crore except number of accounts)

Particulars	To Asset Reconstruction Companies (ARCs)	To permitted transferees	To other transferees
Number of accounts	70,921	65,704	-
Aggregate principal outstanding of loans transferred	2,187.81	449.46	-
Weighted average residual tenor of the loans transferred (in years)	3.01	2.01	-
Net book value of loans transferred (at the time of transfer)	992.38	188.86	-
Aggregate consideration	1,093.10	35.94	-
Additional consideration realised in respect of accounts transferred in earlier years	2.67	-	-

No excess provisions were reversed to the Profit and Loss Account on account of sale of NPAs.

- Pursuant to RBI Master Direction on Transfer of Loan Exposures dated September 24, 2021, Banks are required to disclose transfer of "loans not in default and Special Mention Accounts" respectively. The Bank has not transferred any loans not in default / Special Mention Accounts, during the year ended March 31,2023 (previous period from September 24, 2021 to March 31, 2022 : Nil).

- **Details of ratings of SRs outstanding as on March 31, 2023 are given below.**

(₹ crore)

Rating	Rating Agency	Recovery rating	Gross Value of Outstanding SRs
RR1	CRISIL	100% - 150%	73.44
RR1	India Ratings	100% - 150%	251.09
RR2	India Ratings	75% - 100%	120.89
RR4	India Ratings	25% - 50%	154.34
Unrated			0.22
		Total	599.98

- **Details of ratings of SRs outstanding as on March 31, 2022 are given below.**

(₹ crore)

Rating	Rating Agency	Recovery rating	Gross Value of Outstanding SRs
R2	CRISIL	75% - 100%	182.87
NR2	India Ratings	100%-150%	366.20
NR3	India Ratings	75% - 100%	614.34
NR4	India Ratings	50% - 75%	218.01
NA*			102.30
		Total	1,483.72

* Pursuant to regulatory norms, the ARC has time to obtain initial rating of SRs from an approved credit rating agency within a period of six months from the date of acquisition of assets by it.

Acquisition of Assets

- **During the years ended March 31, 2023 and March 31, 2022, no non-performing financial assets were acquired by the Bank.**
- **Pursuant to the RBI Master Direction on Transfer of Loan Exposures dated September 24, 2021, the details of loans acquired during the year ended March 31, 2023 are given below:**
  - **Details of loans not in default acquired through assignment are given below:**

Particulars	Value
Aggregate amount of loans acquired (₹ in crore)	37,005.96
Weighted average residual maturity (in years)	18.31
Weighted average holding period by originator (in years)	1.46
Retention of beneficial economic interest by the originator	10%
Tangible security coverage	99.94%

The loans acquired are not rated as these are to non-corporate borrowers.

- **Pursuant to the RBI Master Direction on Transfer of Loan Exposures dated September 24, 2021, the details of loans acquired during the period from September 24, 2021, to March 31, 2022 are given below:**
  - **Details of loans not in default acquired through assignment are given below:**

Particulars	Value
Aggregate amount of loans acquired (₹ in crore)	18,094.40
Weighted average residual maturity (in years)	14.99
Weighted average holding period by originator (in years)	1.57
Retention of beneficial economic interest by the originator	10%
Tangible security coverage	100%

The loans acquired are not rated as these are to non-corporate borrowers.

From the above, 58 loans aggregating to ₹ 11.45 crore was repurchased by the transferor in compliance with paragraph 48 of Master Direction - RBI (Transfer of Loan Exposures) Directions, 2021.

- The Bank has not acquired any Special Mention Account.
- The RBI Master Direction on Transfer of Loan Exposures dated September 24, 2021 has mandated disclosure of transfer of loan assets. Considering the terms 'loans not in default' and 'special mention account' under this circular vis-à-vis loans termed as 'standard' as hitherto and the separate processes prescribed therein for transfer of such assets, the Bank believes that such disclosure would be more meaningful if disclosure prospectively and therefore transfer of loan exposures prior to September 24, 2021 are not considered relevant for disclosure.
- During the years ended March 31, 2023 and March 31, 2022, there were no standard assets securitised-out 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, 2023 and as at March 31, 2022.
- Off-Balance Sheet SPVs

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

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

- Details of exposure to real estate sector

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

(₹ crore)

Category			March 31, 2023	March 31, 2022
a)	**Direct exposure**		**167,749.12**	**133,650.15**
(i)	Residential mortgages* Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented. Exposure would also include non-fund based (NFB) limits.		102,267.97	83,773.07
	(of which housing loans eligible for inclusion in priority sector advances)		(31,189.22)	(29,375.95)
(ii)	Commercial real estate Lending secured by mortgages on Commercial Real Estates (office building, retail space, multipurpose commercial premises, multifamily residential buildings, multi tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development, and construction etc.) Exposures would also include non-fund based (NFB) limits.		65,344.78	49,683.48
(iii)	Investments in Mortgage Backed Securities (MBS) and other securitised exposures:			
	(a)	Residential	120.24	160.09
	(b)	Commercial real estate	16.13	33.51
b)	**Indirect exposure**		**45,756.48**	**36,208.42**
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)			45,756.48	36,208.42
Total exposure to real estate sector			**213,505.60**	**169,858.57**

*includes loans purchased under the direct loan assignment route.

- Details of capital market exposure

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

(₹ crore)

Sr. No.	Particulars	March 31, 2023	March 31, 2022
(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	5,699.34	7,107.55
(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	2,893.07	2,923.72
(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	4,934.43	4,179.78
(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	843.14	379.35
(v)	Secured and unsecured advances to stock brokers and guarantees issued on behalf of stock brokers and market makers	21,079.95	14,216.38
(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	3,253.90	4,643.34
(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)	22.76	17.90
	Total exposure to capital market	**38,726.59**	**33,468.02**

- Details of risk category wise country exposure

(₹ crore)

Risk Category	March 31, 2023		March 31, 2022	
	Exposure (net)	Provision held	Exposure (net)	Provision held
Insignificant	35,221.89	-	30,148.36	-
Low	17,059.11	-	16,729.52	-
Moderately low	1,072.61	-	1,054.54	-
Moderate	282.52	-	474.80	-
Moderately high	465.92	-	260.29	-
High	123.30	-	7.06	-
Very high	207.61	-	24.76	-
Total	**54,432.96**	-	**48,699.33**	-

- Details of factoring exposure

The factoring exposure of the Bank as at March 31, 2023 is ₹ 12,748.75 crore (previous year: ₹ 7,865.01 crore).

- Intra-Group exposure

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

(₹ crore)

Particulars	March 31, 2023	March 31, 2022
Total amount of intra-group exposures	15,239.68	12,765.40
Total amount of top 20 intra-group exposures	15,239.68	12,765.40
Percentage of intra-group exposures to total exposure of the Bank on borrowers / customers	0.57%	0.57%
Details of breach of limits on intra-group exposures and regulatory action thereon, if any	Nil	Nil

- Details of accounts subjected to restructuring

		Agriculture and allied activities		Corporates (excluding MSME)		Micro, Small and Medium Enterprises (MSME)		Retail (excluding agriculture and MSME)		Total	
		March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Standard	Number of borrowers	-	-	1	-	1	1	-	-	2	1
	Gross Amount (₹ crore)	-	-	18.76	-	17.82	23.15	-	-	36.58	23.15
	Provision held (₹ crore)	-	-	-	-	-	-	-	-	-	-
Substandard	Number of borrowers	-	169	-	-	-	476	38	1,260	38	1,905
	Gross Amount (₹ crore)	-	2.77	-	-	-	67.25	0.56	104.11	0.56	174.13
	Provision held (₹ crore)	-	-	-	-	-	-	-	-	-	-
Doubtful	Number of borrowers	9	3	1	1	164	41	199	93	373	138
	Gross Amount (₹ crore)	0.34	0.15	4.42	4.42	35.22	16.77	15.74	5.92	55.72	27.26
	Provision held (₹ crore)	-	-	-	-	-	0.35	-	-	-	0.35
Total	Number of borrowers	9	172	2	1	165	518	237	1,353	413	2,044
	Gross Amount (₹ crore)	0.34	2.92	23.18	4.42	53.04	107.17	16.30	110.03	92.86	224.54
	Provision held (₹ crore)	-	-	-	-	-	0.35	-	-	-	0.35

HDFC BANK LIMITED

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[Website: www.hdfcbank.com] [Tel Nos. 022 - 39760001 / 0012]

- 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 years ended March 31, 2023 and March 31, 2022 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, 2023 (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, 2023 was ₹ 57,213.15 crore (previous year: Nil).

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

a) **Concentration of deposits**

(₹ crore, except percentages)

Particulars	March 31, 2023	March 31, 2022
Total deposits of twenty largest depositors	**85,628.53**	61,578.97
Percentage of deposits of twenty largest depositors to total deposits of the Bank	**4.5%**	3.9%

b) **Concentration of advances***

(₹ crore, except percentages)

Particulars	March 31, 2023	March 31, 2022
Total advances to twenty largest borrowers	**363,225.92**	295,918.84
Percentage of advances of twenty largest borrowers to total advances of the Bank	**13.9%**	13.8%

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

c) **Concentration of exposure****

(₹ crore, except percentages)

Particulars	March 31, 2023	March 31, 2022
Total exposure to twenty largest borrowers / customers	**385,175.03**	319,497.99
Percentage of exposure of twenty largest borrowers / customers to total exposure of the Bank on borrowers / customers	**14.3%**	14.4%

**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, except percentages)

Particulars	March 31, 2023	March 31, 2022
Total gross exposure to top twenty NPA accounts	**2,385.78**	2,306.92
Percentage of exposures to the twenty largest NPA exposure to total Gross NPAs	**13.2%**	14.3%

e) **Sector-wise Advances and Gross NPAs**

(₹ crore)

Sr. No.	Sector	As at March 31, 2023			As at March 31, 2022		
		Gross advances	Gross non-performing assets	% of gross non-performing assets to gross advances in that sector	Gross advances	Gross non-performing assets	% of gross non-performing assets to gross advances in that sector
A	**Priority sector**						
1	Agriculture and allied activities	**139,465.44**	**4,841.86**	**3.47%**	102,210.34	4,157.29	4.07%
2	Advances to industries eligible as priority sector lending	**180,254.97**	**916.08**	**0.51%**	130,568.43	772.65	0.59%
	- Power	**801.16**	**0.12**	**0.01%**	475.43	1.32	0.28%
3	Services	**174,491.93**	**1,485.13**	**0.85%**	126,753.53	2,584.04	2.04%
	- NBFC	**7,747.42**	**-**	**0.00%**	2,634.71	-	0.00%
	- Retail Trade	**25,144.39**	**233.68**	**0.93%**	-	-	0.00%
4	Personal loans	**44,270.30**	**1,009.54**	**2.28%**	35,235.05	523.70	1.49%
	- Home Loan	**33,913.80**	**271.27**	**0.80%**	31,550.42	315.58	1.00%
	Sub-total (A)	**538,482.64**	**8,252.61**	**1.53%**	**394,767.35**	**8,037.68**	**2.04%**
B	**Non Priority sector**						
1	Agriculture and allied activities	**6,467.12**	**403.79**	**6.24%**	3,408.11	421.79	12.38%
2	Industry	**282,400.45**	**2,328.83**	**0.82%**	295,034.46	1,927.23	0.65%
	- Power	**62,793.25**	**564.80**	**0.90%**	66,385.43	210.34	0.32%
3	Services	**364,040.11**	**3,469.37**	**0.95%**	327,552.74	2,758.63	0.84%
	- Financial Institution	**65,844.94**	**-**	**0.00%**	61,798.93	-	0.00%
	- NBFC	**49,816.37**	**3.29**	**0.01%**	45,734.36	10.22	0.02%
	- Retail Trade	**33,819.85**	**560.66**	**1.66%**	-	-	0.00%
4	Personal loans	**422,839.29**	**3,564.43**	**0.84%**	359,751.56	2,995.63	0.83%
	- Home Loan	**70,988.01**	**295.54**	**0.42%**	53,703.20	314.72	0.59%
	- Vehicle / Auto Loans	**77,942.40**	**1,273.98**	**1.63%**	88,521.17	979.89	1.11%
	Sub-total (B)	**1,075,746.97**	**9,766.42**	**0.91%**	**985,746.87**	**8,103.28**	**0.82%**
	Total (A) + (B)	**1,614,229.61**	**18,019.03**	**1.12%**	**1,380,514.22**	**16,140.96**	**1.17%**

- Details of 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 in such transactions. The details of purchase / sale of PSLC during the year are as under:

(₹ crore)

Type of PSLCs	For the year ended March 31, 2023		For the year ended March 31, 2022	
	PSLC bought during the year	PSLC sold during the year	PSLC bought during the year	PSLC sold during the year
Agriculture	**4.00**	**11,660.25**	726.00	-
Small and Marginal farmers	**69,992.50**	**-**	887.25	-
Micro Enterprises	**-**	**-**	31,280.00	-
General	**-**	**24,650.00**	67,707.50	-
Total	**69,996.50**	**36,310.25**	**100,600.75**	**-**

14. **Other fixed assets**

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

(₹ crore)

Particulars	March 31, 2023	March 31, 2022
Cost		
As at March 31 of the previous year	**4,372.72**	3,566.70
Additions during the year	**1,041.36**	806.03
Deductions during the year	**(108.75)**	(0.01)
Total (a)	**5,305.33**	**4,372.72**
Depreciation		
As at March 31 of the previous year	**3,266.44**	2,822.87
Charge for the year	**670.47**	443.58
On deductions during the year	**(108.75)**	(0.01)
Total (b)	**3,828.16**	**3,266.44**
Net value (a-b)	**1,477.17**	**1,106.28**

15. **Other assets**

- Other assets include deferred tax asset (net) of ₹ 6,449.35 crore (previous year: ₹ 6,229.67 crore). The break-up of the same is as follows:

(₹ crore)

Particulars	March 31, 2023	March 31, 2022
Deferred tax asset arising out of:		
Loan loss and contingencies	**5,788.25**	5,745.11
Employee benefits	**49.83**	58.41
Depreciation	**82.58**	66.90
Others	**528.69**	359.25
Total (a)	**6,449.35**	**6,229.67**
Deferred tax liability (b)	**-**	**-**
Deferred tax asset (net) (a-b)	**6,449.35**	**6,229.67**

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

(₹ crore)

Particulars	March 31, 2023	March 31, 2022
Deposit with NABARD / SIDBI / NHB #	**90,592.86**	44,738.08
Unrealised gain on foreign exchange and derivative contracts*	**12,036.10**	7,923.90
Deferred tax assets	**6,449.35**	6,229.67
Accounts receivable	**7,028.11**	4,129.31
Deposits & amounts paid in advance	**4,588.20**	3,297.55
Advances for capital assets	**1,512.26**	1,067.48
Residual items	**4.13**	3.64
Total	**122,211.01**	**67,389.63**

*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.
Deposits with NABARD / SIDBI / NHB exceeded 1% of total assets.

16. **Maturity pattern of certain items of 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, 2023	1 day	2 to 7 days	8 to 14 days	15 to 30 days	31 days to 2 months	Over 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*	12,844.60	13,476.73	11,778.20	23,839.60	41,381.23	54,641.54	83,347.05	139,465.60	809,684.22	190,440.80	219,686.33	1,600,585.90
Investments*	131,535.04	17,957.44	8,054.00	19,653.22	11,537.26	16,158.65	28,274.85	41,123.61	144,921.54	7,052.96	90,732.86	517,001.43
Deposits*	29,908.08	75,025.08	41,030.46	39,163.66	51,367.10	45,630.01	114,698.70	170,773.44	802,428.32	15,143.18	498,226.62	1,883,394.65
Borrowings*	351.94	10,508.22	2,026.12	18,036.26	8,125.22	6,860.92	29,767.16	20,446.27	58,987.46	20,656.00	31,000.00	206,765.57
Foreign currency assets	13,990.73	19,128.29	8,005.96	13,718.36	7,137.95	6,135.77	11,019.40	4,099.23	7,965.76	1,871.45	629.07	93,701.97
Foreign currency liabilities	1,873.98	6,589.29	3,649.48	12,199.66	5,837.89	5,236.36	12,830.60	17,830.12	32,950.32	8,920.83	4,525.32	112,443.85

*The amounts represented include Foreign Currency Balances.

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.

(₹ crore)

As at March 31, 2022	1 day	2 to 7 days	8 to 14 days	15 to 30 days	31 days to 2 months	Over 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*	15,887.52	21,695.65	15,157.80	45,647.16	51,173.80	53,279.34	90,228.96	101,559.82	560,217.39	185,260.82	228,712.67	1,368,820.93
Investments*	102,260.15	22,936.74	4,113.47	7,045.41	9,643.29	8,324.59	23,635.54	27,984.84	159,398.09	12,542.99	77,650.58	455,535.69
Deposits*	32,342.12	70,543.76	30,158.67	37,703.12	50,207.34	35,555.31	75,054.08	103,905.16	669,179.97	15,077.04	439,490.87	1,559,217.44
Borrowings*	542.63	16,504.77	3,177.86	15,036.59	20,313.02	8,153.04	15,073.47	26,803.05	48,219.53	17,993.25	13,000.00	184,817.21
Foreign currency assets	14,259.58	12,976.59	6,209.09	18,737.58	9,202.72	6,337.86	14,212.97	3,628.29	4,974.93	1,722.78	759.90	93,022.29
Foreign currency liabilities	2,494.86	2,843.35	4,739.94	9,502.37	13,118.28	8,912.00	10,304.04	9,451.62	9,134.10	8,555.93	3,420.55	82,477.04

*The amounts represented include Foreign Currency Balances.

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.

17. **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, 2023	March 31, 2022
Opening provision for reward points	**635.91**	638.79
Provision for reward points made during the year	**553.73**	465.13
Utilisation / write-back of provision for reward points	**(493.33)**	(468.01)
Closing provision for reward points	**696.31**	635.91

b) Provision for legal and other contingencies

(₹ crore)

Particulars	March 31, 2023	March 31, 2022
Opening provision	**536.09**	503.55
Movement during the year (net)	**6.25**	32.54
Closing provision	**542.34**	536.09

c) 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	Partly paid investments	This represents amount remaining unpaid towards liability for partly paid investments.
4	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.
5	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.
6	Other items for which the Bank is contingently liable	These include: a) Credit enhancements in respect of securitised-out loans; b) Bills rediscounted by the Bank; c) Capital commitments; d) Underwriting commitments; e) Investment purchases pending settlement; f) Amount transferred to the RBI under the Depositor Education and Awareness Fund (DEAF).

*Also refer Schedule 12 - Contingent liabilities

18. **Business ratios / information**

Particulars	March 31, 2023	March 31, 2022
Interest income as a percentage to working funds[1]	**7.60%**	7.03%
Net interest income[2] as a percentage to working funds	**4.08%**	3.96%
Net interest income as a percentage to average interest earning assets	**4.33%**	4.20%
Non-interest income as a percentage to working funds	**1.47%**	1.62%
Cost of Deposits[3]	**3.80%**	3.56%
Operating profit[4] as a percentage to working funds	**3.31%**	3.53%
Return on assets (average)	**2.07%**	2.03%
Business[5] per employee (₹ in crore)	**19.74**	20.25
Profit per employee[6] (₹ in crore)	**0.28**	0.28
Debt-Equity Ratio[7]	**0.39**	0.33
Return on Equity Ratio[8]	**17.39%**	16.90%

Definitions of certain items in Business ratios / information:

1. Working funds is the daily average of total assets during the year.
2. Net Interest Income = Interest Income - Interest Expense.
3. Cost of Deposits is the ratio of interest expense on deposits to daily average of total deposits.
4. Operating profit is profit for the year before provisions and contingencies and profit / (loss) on sale of building and other fixed assets (net).
5. Business is the total of quarterly average of net advances and deposits (net of inter-bank deposits).
6. Productivity ratios are based on average employee numbers.
7. Debt represents borrowings with residual maturity of more than one year.
8. Return on Equity represents net profit after tax to average equity share capital and reserves.

19. **Interest earned**

Interest income under the sub-head Income on investments includes dividend on units of mutual funds and equity and preference shares received during the year ended March 31, 2023 amounting to ₹ 412.08 crore (previous year: ₹ 1,623.48 crore).

20. **Other income**

- Commission, exchange and brokerage income
  - ✓ Commission, exchange and brokerage income is presented net of related commission expenses.
  - ✓ Bancassurance business

    Commission income for the year ended March 31, 2023 includes fees of ₹ 1,899.31 crore (previous year: ₹ 1,556.51 crore) in respect of life insurance business and ₹ 275.70 crore (previous year: ₹ 266.11 crore) in respect of general insurance and health insurance business.
  - ✓ Marketing and distribution

    Commission income for the year ended March 31, 2023 includes income from marketing and distribution of ₹ 3,866.29 crore (previous year: ₹ 3,059.05 crore), which comprises of income for displaying publicity materials at the Bank's branches / ATMs, commission on mutual funds, pension and other investment / saving products and sourcing and referral income.
- Miscellaneous income

  Miscellaneous income includes recoveries from written-off accounts amounting to ₹ 3,382.41 crore (previous year: ₹ 2,765.13 crore) exceeding 1% of the total income of the Bank.

21. **Other expenditure**

Other expenditure includes commission paid to sales agents amounting to ₹ 4,610.13 crore (previous year: ₹ 3,718.81 crore) exceeding 1% of the total income of the Bank.

22. **Provisions and contingencies**

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

(₹ crore)

Particulars	March 31, 2023	March 31, 2022
Provision for income tax		
- Current	**14,596.28**	13,346.03
- Deferred	**(219.68)**	(1,291.91)
Provision for NPAs[1]	**11,783.25**	10,119.38
Provision for diminution in value of non-performing investments	**4.14**	(14.52)
Provision for standard assets	**422.70**	1,257.85
Other provisions and contingencies[2]	**(290.43)**	3,699.12
Total	**26,296.26**	**27,115.95**

1. Includes loss on sale of NPAs / stressed assets.
2. Includes provisions for tax, legal and other contingencies ₹ (287.88) crore (previous year: ₹ 3,704.83 crore), provisions / (write-back) for securitised-out assets ₹ (2.55) crore (previous year: ₹ 0.14 crore) and standard restructured assets Nil (previous year: ₹ (5.85) crore).

23. **Employee benefits**

Gratuity

(₹ crore)

Particulars	March 31, 2023	March 31, 2022
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	**910.43**	**857.58**
Interest cost	**64.51**	56.41
Current service cost	**121.30**	109.39
Benefits paid	**(77.25)**	(56.13)
Actuarial (gain) / loss on obligation:		
Experience adjustment	**(7.81)**	(65.14)
Assumption change	**(17.09)**	8.32
Present value of obligation as at March 31	**994.09**	**910.43**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	**895.44**	**743.24**
Expected return on plan assets	**61.32**	53.26
Contributions	**148.57**	131.14
Benefits paid	**(77.25)**	(56.13)
Actuarial gain / (loss) on plan assets:		
Experience adjustment	**(36.90)**	21.96
Assumption change	**-**	1.97
Fair value of plan assets as at March 31	**991.18**	**895.44**
Amount recognised in Balance Sheet		
Fair value of plan assets as at March 31	**991.18**	895.44
Present value of obligation as at March 31	**(994.09)**	(910.43)
Asset / (liability) as at March 31	**(2.91)**	**(14.99)**
Expenses recognised in Profit and Loss Account		
Interest cost	**64.51**	56.41
Current service cost	**121.30**	109.39
Expected return on plan assets	**(61.32)**	(53.26)
Net actuarial (gain) / loss recognised in the year	**12.00**	(80.75)
Net cost	**136.49**	**31.79**
Actual return on plan assets	**24.42**	77.19
Estimated contribution for the next year	**153.63**	148.57
Assumptions		
Discount rate	**7.40% per annum**	6.80% per annum
Expected return on plan assets	**6.50% per annum**	6.50% per annum
Salary escalation rate	**7.00% per annum (Other than IBA employees), 10.00% per annum (IBA employees)**	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, 2023	as at March 31, 2022
Government securities	**36.39%**	28.80%
Debenture and bonds	**16.77%**	24.52%
Equity shares	**39.94%**	40.40%
Others	**6.90%**	6.28%
Total	**100.00%**	**100.00%**

Experience adjustment

(₹ crore)

Particulars	Years ended March 31,				
	2023	2022	2021	2020	2019
Plan assets	**991.18**	895.44	743.24	514.93	501.71
Defined benefit obligation	**994.09**	910.43	857.58	725.87	617.96
Surplus / (deficit)	**(2.91)**	(14.99)	(114.34)	(210.94)	(116.25)
Experience adjustment gain / (loss) on plan assets	**(36.90)**	21.96	105.74	(64.41)	11.70
Experience adjustment (gain) / loss on plan liabilities	**(7.81)**	(65.14)	26.48	(8.46)	7.12

Pension

(₹ crore)

Particulars	March 31, 2023	March 31, 2022
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	**88.02**	**89.99**
Interest cost	**6.07**	5.19
Current service cost	**1.54**	1.40
Past service cost	**-**	7.69
Benefits paid	**(12.01)**	(20.43)
Actuarial (gain) / loss on obligation:		
Experience adjustment	**3.32**	6.44
Assumption change	**20.88**	(2.26)
Present value of obligation as at March 31	**107.82**	**88.02**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	**0.88**	**0.33**
Expected return on plan assets	**0.04**	0.04
Contributions	**11.18**	20.70
Benefits paid	**(12.01)**	(20.43)
Actuarial gain / (loss) on plan assets:		
Experience adjustment	**0.22**	0.39
Assumption change	**-**	(0.15)
Fair value of plan assets as at March 31	**0.31**	**0.88**
Amount recognised in Balance Sheet		
Fair value of plan assets as at March 31	**0.31**	0.88
Present value of obligation as at March 31	**(107.82)**	(88.02)
Asset / (liability) as at March 31	**(107.51)**	**(87.14)**
Expenses recognised in Profit and Loss Account		
Interest cost	**6.07**	5.19
Current service cost	**1.54**	1.40
Past service cost	**-**	7.69
Expected return on plan assets	**(0.04)**	(0.04)
Net actuarial (gain) / loss recognised in the year	**23.98**	3.95
Net cost	**31.55**	**18.19**
Actual return on plan assets	**2.59**	0.27
Estimated contribution for the next year	**22.95**	18.86
Assumptions		
Discount rate	**7.40% per annum**	6.80% per annum
Expected return on plan assets	**6.50% per annum**	6.50% per annum
Salary escalation rate	**10.00% 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, 2023	% of fair value to total plan assets as at March 31, 2022
Government securities	**36.54%**	34.17%
Debenture and bonds	**4.07%**	3.58%
Others	**59.39%**	62.25%
Total	**100.00%**	**100.00%**

Experience adjustment

(₹ crore)

Particulars	Years ended March 31,				
	2023	2022	2021	2020	2019
Plan assets	**0.31**	0.88	0.33	9.51	21.95
Defined benefit obligation	**107.82**	88.02	89.99	64.15	69.54
Surplus / (deficit)	**(107.51)**	(87.14)	(89.66)	(54.64)	(47.59)
Experience adjustment gain / (loss) on plan assets	**0.22**	0.39	(0.20)	0.28	0.48
Experience adjustment (gain) / loss on plan liabilities	**3.32**	6.44	31.41	9.06	3.32

HDFC BANK LIMITED

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Amortisation of expenditure on account of enhancement in family pension of employees of banks

The Reserve Bank of India, vide its notification dated October 04, 2021 granted Banks an option to amortise the expenditure on account of enhancement of family pension, over a period not exceeding five years beginning with the financial year ending March 31, 2022, subject to a minimum of one-fifth of the total amount involved being expensed every year. The Bank has not availed the said option and has recognised the entire expenditure on account of enhancement of family pension in financial year ended March 31, 2022.

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, 2023 (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, 2023	March 31, 2022
Discount rate (GOI security yield)	**7.40% per annum**	6.80% per annum
Expected guaranteed interest rate	**8.10% per annum**	8.10% per annum

The Bank does not have any unfunded defined benefit plan. The Bank contributed ₹ 531.39 crore (previous year: ₹ 420.98 crore) to the provident fund, ₹ 7.80 crore (previous year: ₹ 5.72 crore) to the National Pension Scheme (for employees who opted) and ₹ 80.33 crore (previous year: ₹ 76.37 crore) to the superannuation plan.

The Code on Social Security 2020 ('the Code') relating to employee benefits, during the employment and post-employment, has received Presidential assent on September 28, 2020. The Code has been published in the Gazette of India. Further, the Ministry of Labour and Employment has released draft rules for the Code on November 13, 2020. The effective date from which the changes are applicable is yet to be notified and rules for quantifying the financial impact are not yet issued. The Bank will assess the impact of the Code and will give appropriate impact in the financial statements in the period in which, the Code becomes effective and the related rules to determine the financial impact are published.

24. Disclosures on remuneration

Qualitative Disclosures

A. Information relating to the bodies that oversee remuneration

Name and composition

The Board of Directors of the Bank has constituted the Nomination and Remuneration Committee (hereinafter, the 'NRC') for overseeing and governing the compensation policies of the Bank. The NRC is comprised of five non-executive directors as of March 31, 2023. Further, four members of the NRC are also members of the Risk Policy and Monitoring Committee (hereinafter, the 'RPMC') of the Board.

As of March 31, 2023, the NRC is comprised of Mr. Umesh Chandra Sarangi, Mr. Sanjiv Sachar, Mr. Sandeep Parekh, Mr. M.D. Ranganath and Mr. Atanu Chakraborty. Further, Mr. Sanjiv Sachar, Mr. M.D. Ranganath, Mr. Sandeep Parekh and Mr. Atanu Chakraborty are also the members of the RPMC. Mr. Sanjiv Sachar is the chairperson of the NRC.

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, Material Risk Takers, Senior Management, Risk and Control Staff, Key Management Personnel and Whole Time Directors (who are also Material Risk Takers) 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, Senior Management and Whole Time Directors of the Bank.

External Consultants:

The Bank engaged with the following consultants during the year ended March 31, 2023:

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 and review of the cash Variable Pay framework.
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 1,72,998 as on March 31, 2023 (previous year: 1,41,349).

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

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, 2023 and changes were made to the policy post the review and approval of the NRC .

II. Design and Structure of Remuneration

The design and structure of remuneration in accordance with the RBI guidelines dated November 04, 2019, pertaining to the performance year 2021-2022 and the related payouts made in the financial year ended March 31, 2023 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, 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 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 Senior Management i.e. Employees in Executive Vice President and above grades, Material Risk Takers other than Whole Time Directors, Risk and Control Staff 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 - For Senior Management and Material Risk Takers

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.

(i) Composition of Variable Pay

The variable pay will be in the form of share linked instruments or a mix of cash and share linked instruments. The share linked instrument used in the financial year 2022-23 was the Employee Stock Options. 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. For Whole Time Directors the variable pay is approved by the NRC, Board and the Reserve Bank of India.

The Bank will ensure that there is a proper balance between Fixed Pay and 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.

(ii) Limits on Variable Pay

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

In case the variable pay is upto 200% of the fixed pay, a minimum of 50% of the variable pay; and in case the variable pay is above 200%, a minimum of 67% of the variable pay shall be via non-cash instruments. The non-cash component in 2022-23 comprised of Employee Stock Options.

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 senior management including Whole Time Directors (WTDs) and Material Risk Takers (MRTs), deferral arrangements exists for the variable pay. A minimum of 60% of total variable pay is under deferral arrangements. If cash component is a part of the variable pay, at least 50% of the cash bonus is deferred. In cases where cash component of the variable pay is under ₹ 25 lakh, deferral of cash variable pay is not applied (in line with RBI guidelines).

The deferral period is a minimum of three years and is 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 which is approved by the NRC and the Board. In 2022-23, the deferment of cash variable pay, where applicable, was 3 years in the case of cash variable pay and 4 years (vesting period) in the case of Employee Stock Options.

(iv) Vesting of Variable Pay

The deferred portion of the remuneration vests at the end of deferral period and is spread out over the course of the deferral period. The first vesting is not before 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 more than a year in order to ensure appropriate assessment of risk.

(v) Malus / Clawback Arrangement:

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 (cash variable pay / long term incentive (LTI) i.e. any Share Linked Instrument). The RBI guidelines define malus thus "A malus arrangement permits the bank to prevent vesting of all or part of the amount of a deferred remuneration. Malus arrangement does not reverse vesting after it has already occurred."

Clawback Arrangement: The provision of Clawback arrangement would entail return of payout of reward (cash variable pay / long term incentive (LTI) i.e. any Share Linked Instrument) made in the previous years attributable to a given reference year wherein the incident has occurred. The return would be in terms of net amount. The RBI guidelines define clawback thus "A clawback is a contractual agreement between the employee and the bank in which the employee agrees to return previously paid or vested remuneration to the bank under certain circumstances."

The malus and clawback clause will be actioned when the employee demonstrates behaviour involving fraudulent behaviour, moral turpitude, lack of integrity, flagrant breach of company policies and statutory norms resulting in financial or non-financial losses. Manifestation of behaviour listed above is presumed to have a malafide intent. Illustrative list of conditions are enumerated below. The occurrence of any / some / all of the following conditions / events shall trigger a review by the NRC for the application of the Malus or the Clawback arrangement:

a) Substantial financial deterioration in profitability or risk parameters
b) Reckless, negligent or willful actions or exhibited inappropriate values and behavior
c) Fraud that requires a financial restatement
d) Reputational harm
e) Exposing the bank to substantial risk
f) Such other conditions or events, of similar nature as above, as determined by NRC for triggering review by NRC for the purpose of application of the Malus or the Clawback arrangement

In determining the causes for deterioration in financial performance under (a), the NRC may take into consideration and have due regard to the fact whether the deterioration was for factors within control or whether it was on account of conditions like global market headwinds, industry performance, changes in legal / regulatory regime, force majeure events like occurrence of natural disasters, pandemic, other socio-economic conditions etc.

While undertaking the review for the concerned person for the application of the Malus or the Clawback arrangement based on any trigger events, when determining accountability of the concerned person, the NRC shall be guided by the principles of proportionality, culpability or proximity or nexus to the event or misconduct.

In accordance with the RBI guidelines, wherever the assessed divergence in bank's provisioning for Non-Performing Assets (NPAs) or asset classification exceeds the prescribed threshold for public dis-closure, 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 variable pay. The time horizon for the application of malus / clawback clause shall be 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 / Senior Management (Job Bands C1 and above) prior to applying the Malus or Clawback arrangement.

(vi) Approval Process:

The Variable Pay for Senior Management, Material Risk Takers other than Whole Time Directors, Risk and control staff is approved by the NRC and the Board. For Whole Time Directors the variable pay is approved by the NRC, Board and the Reserve Bank of India.

Employees other than Senior Management, Material Risk Takers, Whole Time Directors

The Bank has formulated the following variable pay plans:

(i) 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.

(ii) Performance-linked Plans (PLPs)

PLPs are formulated for employees in sales, collections, customer service and relationship roles who are given business / service targets but have limited impact on risk since credit decisions are exercised independent of these functions. All PLP payouts are based on a balanced scorecard framework which factors not just quantitative, but also qualitative measures, 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.

(iii) Employee Stock Option Plan (ESOPs)

Employees in Job Bands D3 and above also receive 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 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.

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 Bank grants ESOPs to eligible employees. Such ESOPs vest over four tranches spread over a period of 48 months.

In accordance with the RBI guidelines, Employee Stock Options is included as part of Variable Pay.

(iv) Restricted Stock Units (RSUs)

The bank introduced RSUs in FY2022-23 for employees at E3 – D2 bands (upto 10 levels below the MD).

The overall grant criteria is based on the bank meeting certain parameters such as shareholder's return, asset quality, return on assets, profitability and return on capital.

The quantum of RSUs to be granted to individual employees was based on an employee's grade and performance rating over the previous three years.

The vesting criteria would be based on the profitability of the bank.

All plans for grant of RSUs 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 RSUs post approval by the NRC.

Such RSUs vest over four tranches spread over a period of 48 months.

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.

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 / Material Risk Takers and certain employees in select strategic roles, a sign-on bonus, if any, is limited to the first year only and would be in the form of Employee Stock Options.

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.

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.

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 for the purpose of retention of critical skills and critical talent in the domain of Information Technology, Digital, Information Security, Data Science as well as business segments that are strategic focus areas of the bank. However, such pay revisions are done on an exception basis.

The Fixed Pay for the Material Risk Takers (other than Whole time Directors), Senior Management, Key Management Personnel is approved by the NRC and the Board. The Fixed Pay for the Whole Time Directors is approved by the NRC, Board and the Reserve Bank of India.

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 and Restricted Stock Units).

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) Variable Pay:

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 and market risk.

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 variable pay is distributed based on business unit, individual performance, 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 Whole Time Directors, Material Risk Takers, Senior Management (i.e. employees in the job Bands of Executive Vice President and above). Under the malus clause the incumbent could forego 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 variable pay payout pertaining to the reference performance year. The deferred variable pay is paid out post review and approval by the NRC and the Board.

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;
h) Improvement in Gross NPA over the previous year; and
i) Achievement of key strategic objectives.

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:

- **Variable Pay Plans:**

  For Employees in Job Bands of Vice President and Above (includes employees in Senior Management, Material Risk Takers, Whole Time Directors) the variable pay intends to reward short term as well as long term sustained performance of the bank and shareholder value creation.

  Short term Performance: Short term performance is realised in the form of cash variable pay. The cash variable pay is based on performance rating and the job band of the individual and is further enhanced or moderated by the business performance multiplier and role. The cash variable pay is computed on the gross salary.

  Long term Performance: Employee Stock Options are granted to employees based on their performance rating and job band and the value of the same is realised vide long term performance of the bank and creation of shareholder value.

  For Employees in job bands below Vice President:

  At these levels the variable pay is primarily in the form of cash variable pay and is based on the annual performance. In FY 2022-23, the Bank introduced RSUs for select employees at E3-D2 bands based on their performance rating over the previous three years and grade.

  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 category 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 who are part of the annual cash Variable Pay plan are not part of the Performance Linked Plans mentioned below.

- **Performance-linked Plans (PLPs)**

  The Bank has formulated PLPs for its sales, collections, customer service and relationship roles who are given sales, collections and service 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 and, depending on the plan, could be paid out monthly or quarterly.

E. Description of the ways in which the Bank seeks to adjust remuneration to take account of the longer term performance

For employees in Senior Management, Material Risk Takers and Whole Time Directors the bank seeks to adjust remuneration to take account of the longer term performance in the following way.

(i) Limits on variable pay

A substantial portion of compensation i.e. at least 50% will be variable and paid on the basis of individual, business-unit and organization performance. This will be in line with the principle that, at higher levels of responsibility, the proportion of variable pay will be higher. The total variable pay shall be limited to a maximum of 300% of the fixed pay.

In case the variable pay is upto 200% of the fixed pay, a minimum of 50% of the variable pay; and in case the variable pay is above 200%, a minimum of 67% of the variable pay shall be via non-cash instruments. The non-cash component in 2022-23 comprised of Employee Stock Options.

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.

(ii) Deferral of variable pay

For senior management including Whole Time Directors (WTDs) and Material Risk Takers (MRTs), deferral arrangements will exist for the variable pay. A minimum of 60% of total variable pay will be under deferral arrangements. If cash component is a part of the variable pay, at least 50% of the cash bonus shall be deferred. In cases where cash component of the bonus is under ₹ 25 lakh, deferral arrangements would not be necessary.

The deferral period would be a minimum of three years and will be applicable to both cash and non-cash components of variable pay. The deferral period for share linked instruments / ESOPs will be governed by the ESOP Scheme Rules which will be approved by the NRC and the Board. In 2022-23 the deferment of cash variable pay, where applicable, was 3 years in the case of cash variable pay and 4 years (vesting period) in the case of Employee Stock Options.

(iii) Vesting of Variable Pay

The deferred portion of the remuneration will vest at the end of deferral period and will be spread out over the course of the deferral period. The first vesting would not be before one year from the commencement of the deferral period. The vesting would be no faster than on a pro rata basis and the frequency of the vesting would be more than a year in order to ensure appropriate assessment of risk.

(iv) Malus / Clawback Arrangement:

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 (cash variable pay / long term incentive (LTI) i.e. any Share Linked Instrument). The RBI guidelines define malus thus "A **Malus** arrangement permits the bank to prevent vesting of all or part of the amount of a deferred remuneration. Malus arrangement does not reverse vesting after it has already occurred."

Clawback Arrangement: The provision of Clawback arrangement would entail return of payout of reward (cash variable pay / long term incentive (LTI) i.e. any Share Linked Instrument) made in the previous years attributable to a given reference year wherein the incident has occurred. The return would be in terms of net amount. The RBI guidelines define clawback thus "A **Clawback** is a contractual agreement between the employee and the bank in which the employee agrees to return previously paid or vested remuneration to the bank under certain circumstances."

The malus and clawback clause will be actioned when the employee demonstrates behaviour involving fraudulent behaviour, moral turpitude, lack of integrity, flagrant breach of company policies and statutory norms resulting in financial or non-financial losses. Manifestation of behaviour listed above is presumed to have a malafide intent. Illustrative list of conditions are enumerated below. The occurrence of any / some / all of the following conditions / events shall trigger a review by the NRC for the application of the Malus or the Clawback arrangement:

a) Substantial financial deterioration in profitability or risk parameters
b) Reckless, negligent or willful actions or exhibited inappropriate values and behavior
c) Fraud that requires a financial restatement
d) Reputational harm
e) Exposing the bank to substantial risk
f) Such other conditions or events, of similar nature as above, as determined by NRC for triggering review by NRC for the purpose of application of the Malus or the Clawback arrangement

In determining the causes for deterioration in financial performance under (a), the NRC may take into consideration and have due regard to the fact whether the deterioration was for factors within control or whether it was on account of conditions like global market headwinds, industry performance, changes in legal / regulatory regime, force majeure events like occurrence of natural disasters, pandemic, other socio-economic conditions etc.

While undertaking the review for the concerned person for the application of the Malus or the Clawback arrangement based on any trigger events, when determining accountability of the concerned person, the NRC shall be guided by the principles of proportionality, culpability or proximity or nexus to the event or misconduct.

In accordance with the RBI guidelines, wherever the assessed divergence in 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 Variable pay. The time horizon for the application of malus / clawback clause shall be 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 / Senior Management (C1 and above) prior to applying the Malus or Clawback arrangement.

The criteria for Malus / Clawback will be reviewed by the NRC annually.

Employees other than Whole Time Directors, Material Risk Takers and Senior Management

The Bank has formulated the following variable pay plans:

- **Annual Variable Pay 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.

  Variable Pay intends to reward short term as well as long term sustained performance of the bank and shareholder value creation.

  Short term Performance: Short term performance is realised in the form of cash variable pay. The cash variable pay is based on performance rating, the job band of the individual and is further enhanced or moderated by the business performance multiplier and role. The cash variable pay is computed on the gross salary.

  Long term Performance: Employee Stock Options are granted to employees at D3 and above bands based on their performance rating and Job band and the value of the same is realised vide long term performance of the bank and creation of shareholder value. The vesting period for Employee Stock Option is 4 years.

  The Bank also introduced Restricted Stock Units (RSUs) to employees at E3-D2 bands in FY22-23. The RSUs would vest over 4 years.

- **Performance-linked Plans (PLPs)**

  The Bank has formulated PLPs for its sales, collections, customer service and relationship roles who are given sales, collections and service 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 and, depending on the plan, could be paid out monthly or quarterly.

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 Cash Variable Pay**

  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. For Material Risk Takers, Senior Management and Whole Time Directors 50% of the cash variable pay is deferred over 3 years in the event the cash variable pay exceeds ₹ 25 lakhs.

- **Performance-linked Plans (PLPs)**

  The Bank has formulated PLPs for its sales, collections, customer service and relationship roles who are given sales, collections and service 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 and, depending on the plan, could be paid out monthly or quarterly.

- **Employee Stock Option Plan (ESOP)**

  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.

- **Restricted Stock Units (RSUs)**

  The Bank introduced Restricted Stock Units (RSUs) for employees at E3-D2 bands in FY22-23. The RSUs would vest over 4 years.

Quantitative disclosures

The quantitative disclosures for the financial year ended March 31, 2023 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 04, 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, 2023	March 31, 2022
(a)	Number of meetings held by the Nomination and Remuneration Committee (NRC) during the financial year and sitting fees paid to its members	**Number of meetings: 12** **Sitting fees paid: ₹ 0.59 crore**	Number of meetings: 13 Sitting fees paid: ₹ 0.61 crore
(b) (i)	Number of employees having received a variable remuneration award during the financial year	**75**	75
(b) (ii)	Number and total amount of sign-on awards made during the financial year	**17,811 ESOPs granted as sign-on awards**	25,000 ESOPs granted as sign-on awards
(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	**1. Deferred Cash variable pay - ₹ 34.13 crore** **2. ^Employee Stock Options (ESOP) – 56,39,409 Options**	1. Deferred Cash variable pay - ₹ 18.53 crore 2. ^Employee Stock Options (ESOP) - 31,66,000 Options
(c) (ii)	Total amount of deferred remuneration paid out in the financial year	**₹ 5.88 crore**	₹ 2.44 crore
(d)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred	**₹ 123.14 crore (Fixed*)** **₹ 4.01 crore (cash variable pay pertaining to financial year ended March 31, 2022, in relation to employees where there was no deferment of cash variable pay). The same category of employees were granted 4,77,800 ESOPs.** **₹ 40.86 crore (cash variable pay pertaining to financial year ended March 31, 2022, in relation to employees where there was a deferment of cash variable pay) of which ₹ 20.43 crore was non-deferred variable pay and ₹ 20.43 crore was deferred variable pay. The same category of employees were granted 26,52,191 ESOPs.** **Number of stock options granted during the financial year: 33,66,409. This number includes 17,811 ESOPs granted as sign-on awards and 2,18,607 ESOPs granted to MD and ED for performance in F.Y. 2020 – 2021** **Mr. Sashidhar Jagdishan was awarded cash variable pay ₹ 2.10 crore for the performance year 2020 – 2021 paid out in the F.Y. 2023 basis RBI letter dated – March 23, 2022. The above amount is not included in the variable pay awarded this year as it pertains to the previous year.**	₹ 118.35 crore (Fixed*) ₹ 3.84 crore (variable pay pertaining to financial year ended March 31, 2021, in relation to employees where there was no deferment of cash variable pay). The same category of employees were granted 4,07,900 ESOPs. ₹ 35.50 crore (variable pay pertaining to financial year ended March 31, 2021, in relation to employees where there was a deferment of cash variable pay) of which ₹ 17.75 crore was non-deferred variable pay and ₹ 17.75 crore was deferred variable pay. The same category of employees were granted 27,58,100 ESOPs. Number of stock options granted during the financial year: 31,66,000 Mr. Kaizad Bharucha was awarded cash variable pay ₹ 2.08 crore for the performance year 2019 – 2020 paid out in the F.Y. 2022 basis RBI letter dated – April 29, 2021. The above amount is not included in the variable pay awarded this year as it pertains to the previous year.
(e) (i)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and / or implicit adjustments	**1. Deferred Cash variable pay – ₹ 34.13 crore** **2. ^Employee Stock Options (ESOP) – 56,39,409 Options**	1. Cash bonus - ₹ 18.53 crore 2. ^Employee Stock Options (ESOP) – 31,66,000 Options
(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.	**76**	79

HDFC BANK

HDFC BANK LIMITED

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[Website: www.hdfcbank.com] [Tel Nos. 022 - 39760001 / 0012]

Sr. No.	Subject	March 31, 2023	March 31, 2022
(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 ₹ 0.08 crore as of March 31, 2023.** **The ratio of the fixed pay of the managing director to the mean pay of the Bank as a whole is 94:1 as of March 31, 2023.** **The ratio of the fixed pay of the other whole time director to the mean pay of the Bank as a whole is 87:1 as of March 31, 2023.**	The mean pay for the Bank as a whole is ₹ 0.07 crore as of March 31, 2022. The ratio of the fixed pay of the managing director to the mean pay of the Bank as a whole is 94:1 as of March 31, 2022. The ratio of the fixed pay of the other whole time director to the mean pay of the Bank as a whole is 87:1 as of March 31, 2022.

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

^ In accordance with the RBI guidelines, Employee Stock Options are to be included as part of variable pay. The number of options reported as part of deferred remuneration comprise of Employee Stock Options granted during the financial year 2022-23 (as part of non cash variable pay) and are yet to be vested. The first pay out in line with the extant RBI guidelines came into force effective April 01, 2021.

25. Segment reporting

Business segments

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

a) **Treasury**

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

b) **Retail banking**

Digital banking

The digital banking segment represents business by Digital Banking Units (DBUs). The said DBUs serves retail customers through the Bank's digital network and other online channels. This segment raises deposits from customers and provides loans and other services to customers.

Revenues of the DBUs are derived from interest earned on retail loans, fees from services rendered, etc. Expenses of this segment primarily comprise of interest expense on deposits, infrastructure and premises expenses for operating the DBUs, other direct overheads and allocated expenses of specialist product groups.

Other 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 1 or Tier 2 capital and other unallocable assets and liabilities such as deferred tax, 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, 2023 is given below:

Business segments:

(₹ crore)

Sr. No.	Particulars	Treasury	Retail banking		Wholesale banking	Other banking operations	Total
			Digital banking #	Other Retail Banking			
1	Segment revenue	34,322.91	0.64	142,272.51	91,817.32	25,979.31	294,392.69
2	Unallocated revenue						2,548.75
3	Less: Inter-segment revenue						104,141.08
4	Income from operations (1) + (2) - (3)						192,800.36
5	Segment results	2,096.49	(0.85)	14,164.39	33,641.99	9,684.53	59,586.55
6	Unallocated expenses						1,101.25
7	Income tax expense (including deferred tax)						14,376.6
8	Net profit (5) - (6) - (7)						44,108.7
9	Segment assets	641,108.56	40.22	756,028.55	973,689.82	80,748.70	2,451,615.85
10	Unallocated assets						14,465.62
11	Total assets (9) + (10)						2,466,081.47
12	Segment liabilities	73,308.77	41.66	1,590,690.86	464,552.76	7,018.64	2,135,612.69
13	Unallocated liabilities						50,269.77
14	Total liabilities (12) + (13)						2,185,882.46
15	Capital employed (9) - (12) (Segment assets - Segment liabilities)						316,003.35
16	Unallocated (10) - (13)						(35,804.34)
17	Total (15) + (16)						280,199.01
18	Capital expenditure	28.52	-	3,071.71	832.78	275.51	4,208.52
19	Depreciation	40.09	-	1,855.64	198.20	148.55	2,242.48
20	Provisions for non - performing assets / others*	(5.00)	-	6,738.00	685.66	4,501.00	11,919.66
21	Unallocated other provisions*					-	-

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

\# Vide its circular dated April 07, 2022 on establishment of Digital Banking Units (DBUs), the RBI has prescribed reporting of Digital Banking Segment as a sub-segment of Retail Banking Segment. During the year ended March 31, 2023, the Bank has commenced operations at four DBUs and the segment information disclosed above is related to the said DBUs.

Geographic segments:

(₹ crore)

Particulars	Domestic	International	Total
Revenue	190,495.35	2,305.01	192,800.36
Assets	2,402,944.66	63,136.81	2,466,081.47
Capital expenditure	4,204.72	3.80	4,208.52

Segment reporting for the year ended March 31, 2022 is given below:

Business segments:

(₹ crore)

Sr. No.	Particulars`	Treasury	Retail banking	Wholesale banking	Other banking operations	Total
1	Segment revenue	34,385.12	115,189.91	66,482.93	21,496.22	237,554.18
2	Unallocated revenue					(12.18)
3	Less: Inter-segment revenue					80,278.99
4	Income from operations (1) + (2) - (3)					157,263.01
5	Segment results	8,939.51	9,223.24	25,053.01	7,386.51	50,602.27
6	Unallocated expenses					1,586.79
7	Income tax expense (including deferred tax)					12,054.12
8	Net profit (5) - (6) - (7)					36,961.36
9	Segment assets	551,767.34	619,468.20	808,136.61	76,591.09	2,055,963.24
10	Unallocated assets					12,571.81
11	Total assets (9) + (10)					2,068,535.05
12	Segment liabilities	77,273.63	1,292,339.74	413,825.31	5,994.76	1,789,433.44
13	Unallocated liabilities					39,008.67
14	Total liabilities (12) + (13)					1,828,442.11
15	Capital employed (9) - (12) (Segment assets - Segment liabilities)					266,529.80
16	Unallocated (10) - (13)					(26,436.86)
17	Total (15) + (16)					240,092.94
18	Capital expenditure	24.69	2,393.81	229.00	148.63	2,796.13
19	Depreciation	40.48	1,295.47	149.27	114.58	1,599.80
20	Provisions for non - performing assets / others*	(14.52)	9,932.56	1,954.52	3,180.87	15,053.43
21	Unallocated other provisions*					8.40

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

Geographic segments:

(₹ crore)

Particulars	Domestic	International	Total
Revenue	156,402.92	860.09	157,263.01
Assets	2,010,500.52	58,034.53	2,068,535.05
Capital expenditure	2,795.71	0.42	2,796.13

26. Liquidity coverage ratio

Quantitative information on Liquidity Coverage Ratio (LCR) for year ended March 31, 2023 is given below:

(₹ crore)

	Particulars	Quarter ended March 31, 2023		Quarter ended December 31, 2022		Quarter ended September 30, 2022		Quarter ended June 30, 2022	
		Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*
	High Quality Liquid Assets								
1	Total High Quality Liquid Assets (HQLA)		**442,566.92**		**406,743.38**		**426,131.42**		**387,259.88**
	Cash Outflows								
2	Retail deposits and deposits from small business customers, of which:	**1,099,558.51**	**92,330.46**	**1,066,165.61**	**89,380.80**	**1,033,702.45**	**86,659.65**	**994,210.93**	**83,471.50**
(i)	Stable deposits	352,507.84	17,625.39	344,715.29	17,235.76	334,211.85	16,710.59	318,991.69	15,949.58
(ii)	Less stable deposits	747,050.67	74,705.07	721,450.32	72,145.04	699,490.60	69,949.06	675,219.24	67,521.92
3	Unsecured wholesale funding, of which:	**441,407.62**	**253,406.01**	**432,518.53**	**238,700.24**	**430,220.32**	**238,000.09**	**425,882.92**	**237,259.68**
(i)	Operational deposits (all counterparties)	28,292.85	6,950.05	46,463.43	11,409.02	46,649.89	11,452.57	49,870.56	12,261.81
(ii)	Non-operational deposits (all counterparties)	401,797.58	235,138.77	369,266.01	210,502.13	368,850.74	211,827.83	360,961.08	209,946.59
(iii)	Unsecured debt	11,317.19	11,317.19	16,789.09	16,789.09	14,719.69	14,719.69	15,051.28	15,051.28
4	Secured wholesale funding		**4,120.06**		**2,870.30**		**2,859.14**		**5,506.73**
5	Additional requirements, of which:	**193,052.40**	**110,792.54**	**189,489.23**	**108,608.82**	**191,913.27**	**111,663.05**	**194,884.13**	**115,987.81**
(i)	Outflows related to derivative exposures and other collateral requirement	95,929.63	95,929.63	94,160.22	94,160.22	98,224.81	98,224.81	102,867.83	102,867.83
(ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii)	Credit and liquidity facilities	97,122.77	14,862.91	95,329.01	14,448.60	93,688.46	13,438.24	92,016.30	13,119.98
6	Other contractual funding obligation	35,678.62	35,678.62	32,853.43	32,853.43	32,240.25	32,240.25	29,433.35	29,433.35
7	Other contingent funding obligations	812,026.23	37,855.22	713,534.95	33,002.13	678,505.46	31,370.83	653,909.58	30,282.97
8	**Total Cash Outflows**		**534,182.91**		**505,415.72**		**502,793.01**		**501,942.04**
	Cash Inflows								
9	Secured lending (e.g. reverse repo)	-	-	-	-	-	-	-	-
10	Inflows from fully performing exposures	75,647.19	40,621.46	62,244.30	33,296.00	59,675.88	31,501.60	56,893.52	29,847.36
11	Other cash inflows	115,459.41	108,221.73	118,990.90	112,062.72	117,649.14	110,814.05	117,297.42	111,629.68
12	**Total Cash Inflows**	**191,106.60**	**148,843.19**	**181,235.20**	**145,358.72**	**177,325.02**	**142,315.65**	**174,190.94**	**141,477.04**
			Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**
13	**TOTAL HQLA**		**442,566.92**		**406,743.38**		**426,131.42**		**387,259.88**
14	**Total Net Cash Outflows**		**385,339.72**		**360,057.00**		**360,477.36**		**360,465.00**
15	**Liquidity Coverage Ratio(%)**		**114.85%**		**112.97%**		**118.21%**		**107.43%**

* 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, 2022 is given below:

(₹ crore)

	Particulars	Quarter ended March 31, 2022		Quarter ended December 31, 2021		Quarter ended September 30, 2021		Quarter ended June 30, 2021	
		Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*
	High Quality Liquid Assets								
1	Total High Quality Liquid Assets (HQLA)		**385,997.51**		**417,489.13**		**400,953.88**		**373,545.17**
	Cash Outflows								
2	Retail deposits and deposits from small business customers, of which:	**954,490.24**	**80,092.58**	**927,566.77**	**77,673.10**	**896,814.72**	**75,284.44**	**852,277.84**	**71,135.40**
(i)	Stable deposits	307,128.86	15,356.44	301,671.49	15,083.57	287,940.72	14,397.04	281,847.60	14,092.38
(ii)	Less stable deposits	647,361.38	64,736.14	625,895.28	62,589.53	608,874.00	60,887.40	570,430.24	57,043.02
3	Unsecured wholesale funding, of which:	**427,179.99**	**236,495.87**	**425,733.31**	**238,454.69**	**404,540.27**	**227,410.53**	**396,313.06**	**217,872.62**
(i)	Operational deposits (all counterparties)	50,091.34	12,318.56	49,151.99	12,082.10	41,056.81	10,080.72	47,120.53	11,571.41
(ii)	Non-operational deposits (all counterparties)	361,773.31	208,861.97	364,778.87	214,570.14	356,351.20	210,197.55	342,691.41	199,800.09
(iii)	Unsecured debt	15,315.34	15,315.34	11,802.45	11,802.45	7,132.26	7,132.26	6,501.12	6,501.12
4	Secured wholesale funding		**1,809.17**		**553.04**		**1,691.00**		**1,702.72**
5	Additional requirements, of which:	**167,534.97**	**96,527.73**	**155,825.60**	**87,313.27**	**147,989.01**	**80,983.14**	**140,451.24**	**74,898.54**
(i)	Outflows related to derivative exposures and other collateral requirement	84,702.91	84,702.91	75,933.90	75,933.90	69,165.62	69,165.62	63,937.12	63,937.12
(ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii)	Credit and liquidity facilities	82,832.06	11,824.82	79,891.70	11,379.37	78,823.39	11,817.52	76,514.12	10,961.42
6	Other contractual funding obligation	27,141.50	27,141.50	24,854.04	24,854.04	23,514.45	23,514.45	22,135.84	22,135.84
7	Other contingent funding obligations	634,305.56	29,445.82	603,961.91	28,113.35	595,276.29	27,817.78	437,391.84	19,917.22
8	**Total Cash Outflows**		**471,512.67**		**456,961.49**		**436,701.34**		**407,662.34**
	Cash Inflows								
9	Secured lending (e.g. reverse repo)	-	-	-	-	-	-	-	-
10	Inflows from fully performing exposures	63,853.06	33,587.93	60,426.04	32,280.13	59,397.24	31,440.06	59,738.94	31,638.73
11	Other cash inflows	99,723.29	92,944.16	90,398.02	84,455.97	85,086.16	78,694.00	83,566.17	78,654.93
12	**Total Cash Inflows**	**163,576.35**	**126,532.09**	**150,824.06**	**116,736.10**	**144,483.40**	**110,134.06**	**143,305.11**	**110,293.66**
			Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**
13	**TOTAL HQLA**		**385,997.51**		**417,489.13**		**400,953.88**		**373,545.17**
14	**Total Net Cash Outflows**		**344,980.58**		**340,225.39**		**326,567.28**		**297,368.68**
15	**Liquidity Coverage Ratio(%)**		**111.89%**		**122.71%**		**122.78%**		**125.62%**

* The average weighted and unweighted amounts are calculated taking simple average based on daily observation for the respective quarters.

HDFC BANK

HDFC BANK LIMITED

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[Corporate Identification Number-L65920MH1994PLC080618] [e-mail: shareholder.grievances@hdfcbank.com]
[Website: www.hdfcbank.com] [Tel Nos. 022 - 39760001 / 0012]

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. The Bank has also set up a senior level management committee, viz., the Group Risk Management Committee (GRMC) under the ICAAP framework of the Bank, to establish a formal and dedicated structure to periodically assess the nature / quantum of material risks of the subsidiaries and adequacy of its risk management processes, including providing oversight for managing liquidity risk. Liquidity for the Bank's domestic banking operations is directly managed at the Head Office. The overseas branches and offshore unit of the Bank independently manage their liquidity requirements with support from the Head Office. Similarly, the Bank's subsidiaries independently manage their liquidity requirements under guidance of the GRMC, which, along with senior management of the subsidiaries, reviews the risk assessment of material risks at the subsidiaries. Further, the Bank maintains suitable systems and processes to monitor liquidity requirements in other currencies as appropriate.

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 upto ₹7.5 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 01, 2015, with the minimum requirement at 60% which have risen in equal annual steps to reach 100% on January 01, 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, 2023 is 100%.

In the Indian context, the run-off factors for the stressed scenarios are prescribed by the RBI, for various categories of liabilities (viz., deposits, unsecured and secured wholesale borrowings), undrawn commitments, derivative-related exposures, and offset with inflows emanating from assets maturing within the same time period. Given below is a table of run-off factors and the average LCR maintained by the Bank quarter-wise over the past two years:

Particulars	Run-off factors
Retail Deposits	5% - 10%
Small Business Customers	5% - 10%
Operational Deposits	5% - 25%
Non-financial corporates, sovereigns, central banks, multilateral development banks, and PSEs	40%
Other legal entities	100%

Quarter ended	LCR Maintained (Average)	LCR Required
March 31, 2023	114.85%	100.00%
December 31, 2022	112.97%	100.00%
September 30, 2022	118.21%	100.00%
June 30, 2022	107.43%	100.00%
March 31, 2022	111.89%	100.00%
December 31, 2021	122.71%	100.00%
September 30, 2021	122.78%	100.00%
June 30, 2021	125.62%	100.00%

The average LCR for the quarter ended March 31, 2023 was at 114.85% as against 111.89% for the quarter ended March 31, 2022, and above the present prescribed minimum requirement of 100%. The average HQLA for the quarter ended March 31, 2023 was ₹ 442,566.92 crore, as against ₹ 385,997.51 crore for the quarter ended March 31, 2022. During the same period the composition of government securities and treasury bills in the HQLA was at 89.95% as compared to 89.04% in the previous year.

For the quarter ended March 31, 2023, derivative exposures (net of cash inflows) / collateral requirements and undrawn commitments constituted just about 0.67% and 2.78% respectively of average cash outflow as against 0.58% and 2.51% respectively for quarter ended March 31, 2022. The Bank has consistently maintained a robust funding profile with a significant portion of funding through deposits. As of March 31, 2023 the top 20 depositors comprised of 4.55% of total deposits indicating a healthy and stable deposit profile.

27. **Related Party Disclosures**

As per AS-18, Related Party Disclosures read with RBI Master Direction on Financial Statements - Presentation and Disclosures, 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 and Chief Executive Officer

Kaizad Bharucha, Executive Director

Relatives of key management personnel and their interested entities

Nagsri Sashidhar, Jagdishan Chandrasekharan, Dhruv Sashidhar, Mythra Mahesh, Mahesh Babu Ramamurthy, Havovi Bharucha, Huzaan Bharucha, Danesh Bharucha, Daraius Bharucha, Dilnaaz D Bharucha, Nagsri - Creating Special Memories.

The significant transactions between the Bank and related parties for year ended March 31, 2023 are given below. A specific related party transaction is a significant transaction wherever it exceeds 10% of all related party transactions in that category:

- Interest paid: Housing Development Finance Corporation Limited ₹ 9.53 crore (previous year: ₹ 20.43 crore); HDFC Securities Limited ₹ 4.77 crore (previous year: ₹ 0.14 crore); HDB Financial Services Limited ₹ 2.71 crore (previous year: ₹ 5.47 crore).
- Interest received: HDB Financial Services Limited ₹ 677.81 crore (previous year: ₹ 498.75 crore).
- Rendering of services: Housing Development Finance Corporation Limited ₹ 588.82 crore (previous year: ₹ 463.93 crore).
- Receiving of services: Housing Development Finance Corporation Limited ₹ 864.67 crore (previous year: ₹ 720.16 crore); HDB Financial Services Limited ₹ 3,062.02 crore (previous year: ₹ 2,749.25 crore).
- Dividend paid: Housing Development Finance Corporation Limited ₹1,340.15 crore (previous year: ₹ 562.00 crore).
- Dividend received: HDFC Securities Limited ₹ 668.36 crore (previous year: ₹ 830.90 crore); HDB Financial Services Limited ₹ 142.61 crore (previous year: Nil).

The Bank's related party balances and transactions for the year ended March 31, 2023 are summarised as follows:

(₹ crore)

Items / Related party	Promoter	Subsidiaries	Key management personnel (KMP)	Relatives of KMP & their interested entities	Total
Deposits taken	2,739.28	731.33	22.20	3.82	3,496.63
	(4,505.30)	(2,539.20)	(22.20)	(3.86)	(7,070.56)
Deposits placed	0.32	10.93	-	-	11.25
	(0.32)	(10.93)	-	-	(11.25)
Advances given	-	7,086.61	0.56	#	7,087.17
	-	(7,086.61)	(0.61)	#	(7,087.22)
Fixed assets purchased from	-	-	-	-	-
Fixed assets sold to	-	-	-	-	-
Interest paid to	9.53	7.48	0.51	0.10	17.62
Interest received from	-	677.81	0.01	-	677.82
Income from services rendered to	588.82	78.59	#	#	667.41
Expenses for receiving services from	864.67	3,090.95	-	-	3,955.62
Equity investments	-	3,826.49	-	-	3,826.49
	-	(3,826.49)	-	-	(3,826.49)
Other investments	-	4,162.44	-	-	4,162.44
	-	(5,105.62)	-	-	(5,105.62)
Dividend paid to	1,340.15	-	6.64	#	1,346.79
Dividend received from	-	810.98	-	-	810.98
Receivable from	74.48	16.94	-	-	91.42
	(97.35)	(19.11)	-	-	(116.46)
Payable to	77.35	16.77	-	-	94.12
	(77.35)	(152.99)	-	-	(230.34)
Guarantees given	0.35	-	-	-	0.35
	(0.35)	-	-	-	(0.35)
Remuneration paid	-	-	20.58	-	20.58
Loans purchased from	36,910.13	-	-	-	36,910.13

\# 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 is ₹ 10.55 crore to Mr. Sashidhar Jagdishan and ₹ 10.03 crore to Mr. Kaizad Bharucha (excluding 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, 2023, approved unpaid deferred bonus in respect of earlier years was ₹ 7.25 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, 2023 is ₹ 9,445.12 crore (previous year: ₹ 11,178.71 crore). The contingent credit exposure pertaining to these contracts computed in line with the extant RBI guidelines on exposure norms was ₹ 317.02 crore (previous year: ₹ 236.68 crore).

During the year ended March 31, 2023, the Bank purchased Nil (previous year: ₹ 1,316.88 crore) debt securities from HDB Financial Services Limited issued by it.

During the year ended March 31, 2023, the Bank sold SLR securities of ₹ 578.89 crore (previous year: Nil) to HDFC Securities Limited.

The deposit outstanding from HDB Employees Welfare Trust as at March 31, 2023 was ₹ 1.59 crore (previous year: ₹ 20.35 crore). The Bank also paid interest on deposit from HDB Employees Welfare Trust aggregating to ₹ 0.80 crore (previous year: ₹ 2.41 crore).

The Bank's related party balances and transactions for the year ended March 31, 2022 are summarised as follows:

(₹ crore)

Items / Related party	Promoter	Subsidiaries	Key management personnel (KMP)	Relatives of KMP & their interested entities	Total
Deposits taken	2,741.49	1,195.53	4.54	1.43	3,942.99
	(5,132.37)	(1,668.62)	(23.02)	(1.43)	(6,825.44)
Deposits placed	0.32	10.62	-	-	10.94
	(0.32)	(10.62)	-	-	(10.94)
Advances given	-	6,067.14	0.55	#	6,067.69
	-	(6,067.14)	(0.73)	(0.01)	(6,067.88)
Fixed assets purchased from	-	-	-	-	-
Fixed assets sold to	-	-	-	-	-
Interest paid to	20.43	5.61	0.98	0.04	27.06
Interest received from	-	498.75	0.02	-	498.77
Income from services rendered to	463.93	72.23	#	#	536.16
Expenses for receiving services from	720.16	2,774.86	-	-	3,495.02
Equity investments	-	3,826.49	-	-	3,826.49
	-	(3,826.49)	-	-	(3,826.49)
Other investments	-	5,105.62	-	-	5,105.62
	-	(5,105.62)	-	-	(5,105.62)
Dividend paid to	562.00	-	2.50	#	564.50
Dividend received from	-	830.90	-	-	830.90
Receivable from	65.33	1.19	-	-	66.52
	(135.56)	(7.78)	-	-	(143.34)
Payable to	64.14	96.01	-	-	160.15
	(64.14)	(101.83)	-	-	(165.97)
Guarantees given	0.39	-	-	-	0.39
	(0.40)	-	-	-	(0.40)
Remuneration paid	-	-	17.16	-	17.16
Loans purchased from	28,205.24	-	-	-	28,205.24

\# 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 is ₹ 6.52 crore to Mr. Sashidhar Jagdishan and ₹ 10.64 crore to Mr. Kaizad Bharucha (excluding 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, 2022, approved unpaid deferred bonus in respect of earlier years was ₹ 2.09 crore.

28. **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, 2023	March 31, 2022
Not later than one year	**1,437.80**	1,261.61
Later than one year and not later than five years	**5,370.51**	4,384.36
Later than five years	**6,829.01**	5,410.34
Total	**13,637.32**	**11,056.31**
The total of minimum lease payments recognised in the Profit and Loss Account for the year	**1,706.38**	1,347.58
Total of future minimum sub-lease payments expected to be received under non-cancellable sub-leases	**45.90**	55.67
Sub-lease amounts recognised in the Profit and Loss Account for the year	**11.53**	10.85
Contingent (usage based) lease payments recognised in the Profit and Loss Account for the year	**373.70**	321.96

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.

29. **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, 2023	March 31, 2022
Opening balance of amounts transferred to DEAF	**931.00**	783.99
Add: Amounts transferred to DEAF during the year	**170.02**	154.94
Less: Amounts reimbursed by DEAF towards claims	**(10.97)**	(7.93)
Closing balance of amounts transferred to DEAF	**1,090.05**	931.00

30. **Penalties levied by the RBI**

During the year ended March 31, 2023, there were Nil instances of penalty levied by the RBI on the Bank.

During the year ended March 31, 2022, RBI by an order dated May 27, 2021, levied a penalty of ₹ 10 crore for marketing and sale of third-party non-financial products to the Bank's auto loan customers, arising from a whistle blower complaint, which revealed, inter alia, contravention of Section 6(2) and Section 8 of the Banking Regulation Act, 1949. The Bank has discontinued the sale of said third-party non-financial product since October 2019.

31. **Disclosure for complaints and grievance redress**

Summary information on complaints received by the Bank from the customers and from the Office of Ombudsman:

Sr. No.	Particulars	March 31, 2023	March 31, 2022
	Complaints received by the bank from its customers		
1	Number of complaints pending at beginning of the year	**6,878**	6,263
2	Number of complaints received during the year	**4,29,354**	3,68,291
3	Number of complaints disposed during the year	**4,22,871**	3,67,676
3.1	Of which, number of complaints rejected by the bank	**1,08,819***	78,383
4	Number of complaints pending at the end of the year	**13,361**	6,878

Note: Details of maintainable complaints received by the Bank from Office of Ombudsman and number of Awards unimplemented within the stipulated time are not included above, as these have not been received from Consumer Education and Protection Department, RBI till date.

*Out of total 1,08,819 cases referred to IO, 1,00,562 cases were complaints.

Overall complaints summary for the financial years:

	Description	March 31, 2023	March 31, 2022
A	Total number of complaints	**5,60,376**	4,35,152
B	Complaints redressed by the bank within one working day / duplicate complaints	**1,31,022**	66,861
C	Net Reportable Complaints (A - B)	**4,29,354**	3,68,291

Top five grounds of complaints received by the Bank from the customers for the year ended March 31, 2023:

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	2,299	1,64,097	12%	2,955	-
Credit Cards	731	78,586	2%	2,207	-
Internet / Mobile / Electronic Banking	2,559	96,393	41%	3,621	-
Loans and advances	625	44,858	19%	3,168	-
Account opening / difficulty in operation of accounts	146	16,760	25%	247	-
Others	518	28,660	13%	1,163	1
Total	**6,878**	**4,29,354**	**17%**	**13,361**	**1**

Top five grounds of complaints received by the Bank from the customers for the year ended March 31, 2022:

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	2,790	1,46,532	(22%)	2,299	28
Credit Cards	991	76,874	(52%)	731	-
Internet / Mobile / Electronic Banking	1,603	68,518	21%	2,559	9
Loans and advances	533	37,738	14%	625	14
Account opening / difficulty in operation of accounts	80	13,361	49%	146	-
Others	266	25,268	16%	518	7
Total	**6,263**	**3,68,291**	**(21%)**	**6,878**	**58**

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

32. **Small and micro industries**

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 02, 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, 2023 and March 31, 2022. The above is based on the information available with the Bank which has been relied upon by the auditors.

33. **Overseas assets, NPAs and revenue**

(₹ crore)

Particulars	March 31, 2023	March 31, 2022
Total Assets	**63,136.81**	58,034.53
Total NPAs	**26.81**	195.26
Total Revenue	**2,305.01**	860.09

34. **Corporate social responsibility**

The details of Corporate Social Responsibility (CSR) activities carried out in line with the CSR Policy of the Bank are given below:

(₹ crore)

Sr. No.	Particulars	March 31, 2023	March 31, 2022
1	Amount required to be spent by the Bank during the year	**823.30**	733.86
2	Amount of expenditure incurred	**821.49**	736.87
3	Amount available for set off from preceding financial years	**9.20**	7.05
4	Amount required to be setoff for the financial year	**1.81**	-
5	Shortfall at the end of the year	**-**	-
6	Details of unspent CSR amount for the preceding three financial years	**-**	-
7	Reason for shortfall	**-**	-
8	Nature of CSR activities	**- Rural Development - Promotion of Education - Skill Training & Livelihood Enhancement - Financial Literacy & Inclusion - Healthcare & Hygiene**	- Rural Development - Promotion of Education - Skill Training & Livelihood Enhancement - Financial Literacy & Inclusion - Healthcare & Hygiene
9	Details of related party transactions, e.g. contribution to a trust controlled by the Bank in relation to CSR expenditure as per relevant Accounting Standard	-	-
10	Where a provision is made with respect to a liability incurred by entering into a contractual obligation, the movements in the provision	-	-

35. **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, 2023 and March 31, 2022.

36. **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, 2023 amounted to ₹ 4.44 crore (previous year: ₹ 4.48 crore).

Further, in accordance with RBI guidelines, remuneration to all Non-Executive Directors other than the Chairperson for the year ended March 31, 2023 amounted to ₹ 1.60 crore (previous year: ₹ 1.65 crore).

37. **Payment of DICGC Insurance Premium**

(₹ crore)

Sr. No.	Particulars	March 31, 2023	March 31, 2022
1	Payment of DICGC Insurance Premium (excluding GST)	**1,921.30**	1,636.66
2	Arrears in payment of DICGC Premium	**-**	-

38. **Implementation of IFRS converged Indian Accounting Standards**

The Ministry of Corporate Affairs, in its press release dated January 18, 2016, had issued a roadmap for implementation of Indian Accounting Standards (IND-AS) for scheduled commercial banks, insurers / insurance companies and non-banking financial companies, which was subsequently confirmed by the RBI through its circular dated February 11, 2016. This roadmap required these institutions to prepare IND-AS based financial statements for the accounting periods beginning April 01, 2018 with comparatives for the periods beginning April 01, 2017. The implementation of IND-AS by banks requires certain legislative changes in the format of financial statements to comply with the disclosures required under IND-AS. In April 2018, the RBI deferred the implementation of IND-AS by a year by when the necessary legislative amendments were expected. The legislative amendments recommended by the RBI are under consideration by the Government of India. Accordingly, the RBI, through its circular dated March 22, 2019, deferred the implementation of IND-AS until further notice.

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

39. **COVID-19**

The COVID-19 virus, a global pandemic affected the world economy over the last two to three years. The extent to which any new wave of COVID-19 will impact the bank's results will depend on ongoing as well as future developments, 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.

40. **Disclosure under Rule 11 (e) of the Companies (Audit and Auditors) Rules, 2014**

The Bank, as part of its normal banking business, grants loans and advances to its constituents including foreign entities with permission to lend / invest / provide guarantee or security or the like in other entities identified by such constituents. Similarly, the Bank accepts deposits from its constituents, who may instruct the Bank to lend / invest / provide guarantee or security or the like against such deposit in other entities identified by such constituents.

These transactions are part of Bank's normal banking business, which is conducted after exercising proper due diligence including adherence to "Know Your Customer" guidelines as applicable in respective jurisdiction.

Other than the nature of transactions described above, the Bank has not advanced / lent / invested / provided guarantee or security to or in any other person with an understanding to lend / invest / provide guarantee or security or the like to or in any other person. Similarly, other than the nature of transactions described above, the Bank has not received any funds from any other person with an understanding that the Bank shall lend or invest or provide guarantee or security or the like to or in any other person.

41. **Comparative figures**

Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the current year's presentation. The previous year comparative numbers were jointly audited by MSKA & Associates and M M Nissim & Co. LLP, Chartered Accountants.

As per our report of even date

For M M Nissim & Co LLP
Chartered Accountants
ICAI Firm Registration Number:
107122W/W100672

Sanjay Khemani
Partner
Membership Number: 044577

For Price Waterhouse LLP
Chartered Accountants
ICAI Firm Registration Number:
301112E/E300264

Sharad Vasant
Partner
Membership Number: 101119

Mumbai, April 15, 2023

For and on behalf of the Board

Atanu Chakraborty
Part Time Chairman of the Board

Umesh Chandra Sarangi
Independent Director

M. D. Ranganath
Independent Director

Sandeep Parekh
Independent Director

Sanjiv Sachar
Independent Director

Lily Vadera
Independent Director

Sashidhar Jagdishan
Managing Director & CEO

Renu Karnad
Non-Executive Director

Kaizad Bharucha
Executive Director

Srinivasan Vaidyanathan
Chief Financial Officer

Santosh Haldankar
Company Secretary