**Term sheet of the Issue**

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| Security Name | 7.56% HDFC Bank Basel III Tier 2 Bonds Series 2/2017-18 |
| Issuer | HDFC Bank Ltd. |
| Type of Instrument | Unsecured, Subordinated, Fully Paid-Up, Non-Convertible, Basel III compliant, Tier 2 Bonds for inclusion in Tier 2 Capital for capital adequacy purposes. |
| Nature of Instrument | Unsecured |
| Seniority | The claims of the Bondholders in the Bonds shall be:<br>i. senior to the claims of investors in instruments eligible for inclusion in Tier 1 capital whether currently outstanding or issued at any time in the future<br>ii. subordinated to the claims of all depositors and general creditors of the Bank<br>iii. neither secured nor covered by a guarantee of the Bank or its related entity or other arrangement that legally or economically enhances the seniority of the claim vis -à-vis creditors of the Bank<br>iv. paripassu without preference amongst themselves and other subordinated debt eligible for inclusion in Tier 2 Capital whether currently outstanding or issued at any time in the future.<br><br>Tier 1 Capital and Tier 2 Capital shall have the meaning ascribed to such terms in the Basel III Guidelines. |
| Mode of Issue | Private placement |
| Eligible Investors | The following class of investors are eligible to participate in the offer:<br>• Public Financial Institutions as defined in section 2(72) of the Companies Act, 2013 which are duly authorized to invest in Bonds;<br>▪ Mutual Funds,<br>▪ Insurance Companies,<br>• Scheduled Commercial Banks,<br>• Co -operative Banks,<br>• Regional Rural Banks authorized to invest in bonds/ debentures,<br>• Provident Funds, Gratuity Funds, Superannuation Funds and Pension Funds,<br>• Companies and Bodies Corporate authorizedto invest in bonds/ debentures,<br>• Societies authorized to invest in bonds/debentures,<br>• Trusts authorized to invest in bonds/ debentures,<br>• Statutory Corporations/ Undertakings established by Central/ State legislature authorized to invest inbonds/ debentures,<br><br>This being a private placement Issue, the eligible investors who have been addressed through this communication directly, are only eligible to apply.<br><br>Prior to making any investment in these Bonds, each investor should satisfy and assure himself/herself/itself that he/she/it is authorized and eligible to invest in these Bonds. The Bank shall be under no obligation to verify the eligibility/authority of the investor to invest in these Bonds. Further, mere receipt of this Disclosure Document by a person shall notbe construed as any representation by the Bank that |

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| | such person is authorized to invest in these Bonds or eligible to subscribe to these Bonds. If after applying for subscription to these Bonds and/or allotment ofBonds to any person, such person becomes ineligible and/or is found to have been ineligible to invest in/hold these Bonds, the Bank shall not be responsible in any manner.<br><br>The following class of investors are <u>not eligible</u> to participate in the offer:<br><br>Resident Individual Investors, Foreign Nationals, any related party overwhich the Bank exercises control or significant influence (as defined underrelevant Accounting Standards), Persons resident outside India, Foreign entites, Venture Capital Funds, Alternative Investment Funds, Overseas Corporate Bodies,Partnership firms formed under applicable laws in India in the name ofthe partners, Hindu Undivided Families through Karta, Person ineligible to contract under applicable statutory/ regulatory requirements. |
| Listing | The Bonds shall be listed on the Wholesale Debt Market (WDM) segment of the BSE and NSE.<br>The Designated Stock Exchange for this issue shall be BSE<br>The Bank has obtained in-principle approval for listing from BSE &NSE. |
| Delay in Listing | The Bank shall make an application to BSE and NSE within 15 days from the Deemed Date of Allotment to list the Bonds and seek listing permission from BSE within 20 days from the Deemed Date of Allotment. In case of delay in listing of Bonds beyond 20 days from the Deemed Date of Allotment, the Bank shall pay penal interest at the rate of 1.00% p.a. over the Coupon Rate from the expiry of 30 days from the Deemed Date of Allotment till the listing of the Bonds to the investors. Such penal interest shall be paid by the Bank to the Bondholders on the first Coupon Payment Date. |
| Rating | CRISILAAA/Stable by CRISIL Limited,<br>CAREAAA;Stable by Credit Analysis & Research Ltd. |
| Issue Size | Rs 2000 crore with an option to retain over subscription |
| Option to retain oversubscription (Amount ) | HDFC Bank can retain oversubscription up to Rs 1500 Crore over and above the issue size of Rs 2000 crore |
| Objects of the Issue/ Details of the utilization of the Proceeds | Augmenting overall capital of the Bank for strengthening its capital adequacy and for enhancing its long term resources.<br><br>The funds being raised by the Bank through the present Issue are not meant for financing any particular project. The Bank shall utilize the proceeds of the Issue for its regular business activities.The Bank shall not utilize proceeds of the Issue for any purpose which may be in contravention of the regulations/ guidelines/ norms issued by the RBI/ SEBI/ Stock Exchange. |
| Coupon Rate | 7.56% payable annually |
| Step Up/Step Down Coupon Rate | Not Applicable |
| Coupon Payment Frequency | Annual (subject to RBI Guidelines) |
| Coupon Payment dates | On anniversary of the deemed date of allotment each year ( i.e 29 June every year), subject to RBI Regulations |
| Coupon Type | Fixed |
| Coupon Reset Process | Not Applicable |
| Day Count Basis | Actual/ Actual (as per SEBI circular no. CIR/IMD/DF/18/2013 dated |

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| | October 29, 2013 and SEBI circular no. CIR/IMD/DF-1/122/2016 dated November 11, 2016)<br>All coupon/ interest, penal interest, interest on application money, delay/ default interest shall be computed on an "actual/actual basis". Where the period for which such amounts are to be calculated (start date to end date) includes February 29, coupon/ interest shall be computed on 366 days-a-year basis. |
| Interest on Application Money | Interest on application money will be paid to Investors at the Coupon Rate subject to deduction of tax at source, as applicable) from date of realisation of funds/cheques(s)/ Demand Draft(s) up to but not including the Deemed Date of<br>Allotment.<br><br>The Bank shall not pay any interest on application money liable to be refunded in case of (a) invalid applications or applications liable to be rejected and (b) monies paid in excess of the amount of Bonds applied for in the application form. |
| Default Interest Rate | Not Applicable. |
| Tenor | 10 Years from the date of allotment |
| Redemption Date | 29 June 2027 |
| Redemption Amount | At par, Rs 10 Lakhs per Bond<br>The Bonds shall be redeemed at par along with interest, subject to terms specified therein. |
| Redemption Premium /Discount | Not Applicable. |
| Issue Price | Rs 10,00,000/- (Rs Ten lakh only) per Bond |
| Discount at which security is issued and the effective yield as a result of such discount. | Not Applicable |
| Put Option | None |
| Put Option Date | Not Applicable |
| Put Price | Not Applicable |
| Call Option | None |
| Call Option Date | Not Applicable |
| Call Option Price | Not Applicable |
| Put Notification Time | Not Applicable |
| Call Notification Time | Not Applicable |
| Face Value | Rs 10,00,000/- (Rs Ten lakh only) per Bond |
| Minimum Application | 1 (One) Debenture and in multiples of 1 (One) Debenture thereafter |
| **Issue Timing (*)**<br>Bidding Date on BSE (EBP)<br>Issue Opening Date<br>Issue Closing Date<br>Pay-in-date<br>Deemed date of allotment | <br>June 28, 2017<br>June 28, 2017<br>June 29, 2017<br>June 29, 2017<br>June 29, 2017 |
| Issuance mode | Demat only |
| Trading mode | Demat only |
| Settlement mode | Payment of interest and repayment of principal shall be made by way of credit through direct credit/NECS/RTGS/NEFT mechanism |
| Depository | NSDL & CDSL |
| Business Day Convention/Effect of Holidays | If any Coupon/ Interest Payment Date falls on a day that is not a Business Day, the payment shall be made by the Bank on the immediately succeeding Business Day.<br>(Ref: SEBI circular CIR/IMD/DF/18/2013 dated October 29, 2013 and SEBI circular no. CIR/IMD/DF-1/122/2016 dated November 11, |

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| | 2016)<br>If the redemption date (also being the last Coupon Payment Date) of the Bonds falls on a day that is not a Business Day, the redemption amount shall be paid by the Bank on the immediately preceding Business Day along with interest accrued on the Bonds until but excluding the date of such payment.<br>In the event the Record Date falls on a day which is not a Business Day, the immediately succeeding Business Day shall be considered as the Record Date. |
| Record Date | 15 (Fifteen) days prior to the redemption date or each Coupon Payment Date (as the case may be). |
| Security | Unsecured |
| Transaction Documents | The Issuer shall execute the documents including but not limited to the following in connection with the Issue:<br>(i) Letter appointing Trustee to the Bondholders<br>(ii) Bond trustee agreement and Bond trustee deed<br>(iii) Rating letters from credit rating agencies<br>(iv) Tripartite agreement between the Issuer, Registrar and NSDL for issue of Bonds in dematerialized form<br>(v) Tripartite agreement between the Issuer, Registrar and CDSL for issue of Bonds in dematerialized form<br>(vi) Letter appointing Registrar and agreement entered into between the Issuer and the Registrar<br>(vii) Listing Agreement with NSE & BSE Limited.<br>(viii)This Disclosure Document and the Application Form<br>(ix) Private Placement Offer Letter (PAS -4) |
| Conditions Precedent to Disbursement | The subscription from Investors shall be accepted for allocation and allotment by the Bank subject to the following:<br>a) Rating letters from CRISIL& CARE not more than one month old from the Issue Opening Date;<br>b) Letter from the Trustee conveying its consent to act as Trustee for the holder(s) of Bonds;<br>c) Letter from NSE / BSE for In-principle approval for listing and trading of Bonds |
| Condition Subsequent to Disbursement | The Bank shall ensure that the following documents are executed/ activities are completed as per terms of this Disclosure Document:<br>a) Credit of Demat Account(s) of the Allottee(s) by number of Bonds allotted within 2 (Two) Business Days from the Deemed Date of Allotment;<br>b) Making application to BSE and/or NSE within 15 (Fifteen) days from the Deemed Date of Allotment to list the Bonds and seek listing permission within 20 (Twenty) days from the Deemed Date of Allotment;<br>c) Neither the Bank nor any related party over which the Bank exercises control or significant influence (as defined under relevant Accounting Standards) shall purchase the Bonds, nor would the Bank directly or indirectly fund the purchase of the Bonds. The Bank shall not grant advances against the security of the Bonds issued by it. |
| Events of Default | Not Applicable.<br>The Bondholders shall have no rights to accelerate the repayment of future scheduled payments (coupon or principal) except in bankruptcy and liquidation. |
| Cross Default | Not Applicable |

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| Role and Responsibilities of Debenture Trustee | The Trustee shall perform its duties and obligations and exercise its rights and discretions, in keeping with the trust reposed in the Trustee by theholder(s) of the Bonds and shall further conduct itself, and comply withthe provisions of all applicable laws, provided that, the provisions of Section 20 of the Indian Trusts Act, 1882, shall not be applicable to theTrustee. The Trustee shall carry out its duties and perform its functions as required to discharge its obligations under the terms of SEBI DebtRegulations, the Securities and Exchange Board of India (DebentureTrustees) Regulations, 1993, the Bond Trustees Agreement,this Disclosure Document and all other related transaction documents, withdue care, diligence and loyalty. |
| Loss Absorbency | The present issue of Bonds is being made in pursuance of the Basel III Guidelines covering criteria for inclusion of Debt Capital Instruments as Tier 2 Capital (Annex 5) and Minimum Requirements to ensure loss absorbency of all non-equity regulatory capital instruments at the PONV (Annex 16) as amended or replaced from time to time. In the case of any discrepancy or inconsistency between the terms of the Bonds contained in any Transaction Document(s) (including this Disclosure Document) and the Basel III Guidelines, the provisions of the Basel III guidelines shall prevail.<br><br>The debentures may at the option of the RBI, be written off upon the occurrence of the PONV trigger event. PONV trigger event shall be as defined in the BASEL III Guidelines and shall be determined by RBI.<br><br>**Loss Absorption at the Point of Non-Viability ("PONV")**<br><br>(a) If a PONV Trigger (as described below)occurs, the Bank shall:<br>1. notify the Trustee;<br>2. cancel any coupon which is accrued and unpaid on the Bonds as on the write-down date; and<br>3. without the need for the consent of Bondholders or the Trustee, write down the outstanding principal of the Bonds by such amount as may be prescribed by RBI.<br><br>(b) Following writing-off of the Bonds and claims and demands as noted above neither the Bank, nor any other person on the Bank's behalf shall be required to compensate or provide any relief, whether absolutely or contingently, to the Bondholder or any other person claiming for or on behalf of or through such holder and all claims and demands of such persons, whether under law, contract or equity, shall stand permanently and irrevocably extinguished and terminated.<br>(c) The write-off of any Common Equity Tier I Capital shall not be required before the write-off of any non-equity (Additional Tier I & Tier II) regulatory capital instruments. |
| Point of Non-Viability (PONV) | (a) PONV Trigger Event is the earlier of:<br>1. a decision that a permanent write-off without which the Bank would become non-viable, is necessary as determined by the RBI; and<br>2. the decision to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable, as determined by the relevant |

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| | authority.<br><br>(b) The amount of non-equity capital to be written-off will be determined by RBI.<br><br>(c) The order of write-off of the Bonds shall be as specified in the order of Seniority as per this Information Memorandum and any other regulatory norms as may be stipulated by the RBI from time to time.<br><br>(d) The write-off consequent upon the PONV Trigger Event shalloccur prior to any public sector injection of capital so that the capital provided by the public sector is not diluted. The Bondholders shall not have any residual claims on the Bank (including any claims which are senior to ordinary shares of the Bank), following the PONV Trigger Eventand when write-off is undertaken.<br><br>(e) For these purposes, the Bank may be considered as non-viable if:<br><br>The Bank which, owing to its financial and other difficulties, may no longer remain a going concern on its own in the opinion of the RBI unless appropriate measures are taken to revive its operations and thus, enable it to continue as a going concern. The difficulties faced by the Bank should be such that these are likely to result in financial losses and raising the CET 1 capital of the Bank should be considered as themost appropriate way to prevent the Bank from turning non-viable. Such measures would include write-off of non-equity regulatory capital into common shares in combination with or without other measures as considered appropriate by the RBI.<br><br>(f) The Bank facing financial difficulties and approaching a PONV will be deemed to achieve viability if within a reasonable time in the opinion of RBI; it will be able to come out of the present difficulties if appropriate measures are taken to revive it. The measures including augmentation of equity capital through write off of Bonds/ public sector injection of funds are likely to:<br>(i) Restore depositors'/investors' confidence;<br>(ii) Improve rating /creditworthiness of the Bank and thereby improve its borrowing capacity and liquidity and reduce cost of funds; and<br>(iii) Augment the resource base to fund balance sheet growth in the case of fresh injection of funds.<br><br>(g) Criteria to Determine the PONV<br><br>The above framework will be invoked when the Bank is adjudged by RBI to be approaching the point of non-viability, or has already reached the point of non-viability, but in the views of RBI: |

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| | i) there is a possibility that a timely intervention in form of capital support, with or without other supporting interventions, is likely to rescue the bank; and<br><br>ii) if left unattended, the weaknesses would inflict financial losses on the bank and, thus, cause decline in its common equity level.<br><br>**(h)** RBI would follow a two- stage approach to determine the non-viability of the Bank. The Stage 1 assessment would consist of purely objective and quantifiable criteria to indicate that there is a prima facie case of the Bank approaching non-viability and, therefore, a closer examination of the Issuer's financial situation is warranted. The Stage 2 assessment would consist of supplementary subjective criteria which, in conjunction with the Stage 1 information, would help in determining whether the Bank is about to become non-viable. These criteria would be evaluated together and not in isolation. Once the PONV is confirmed, the next step would be to decide whether rescue of the Bank would be through write-off alone or write-off in conjunction with a public sector injection of funds.<br><br>**(i)** The PONV Trigger Event will be evaluated both at consolidated and solo level and breach at either level will trigger write-off**.** |
| Other Events | ***Treatment of Bonds in the event of Winding-Up:***<br><br>a. If the Bank goes into liquidation before the Bonds have been written-down, the Bonds will absorb losses in accordance with the order of Seniority as specified in this Information Memorandum and as per usual legal provisions governing distribution in a winding up.<br>b. If the Bank goes into liquidation after the Bonds have been written-down, the Bondholders will have no claim on the proceeds of liquidation.<br><br>***Amalgamation of a banking company: (Section 44 A of BR Act, 1949)***<br><br>Subject to the provisions Banking Regulation Act, 1949 as amended from time to time:<br>a. If the Bank is amalgamated with any other bank before the Bonds have been written-down, the Bonds will become part of the corresponding categories of regulatory capital of the new bank emerging after the merger.<br>b. If the Bank is amalgamated with any other bank after the Bonds have been written-down permanently, these Bonds cannot be written up by the amalgamated entity.<br><br>***Scheme of reconstitution or amalgamation of a banking company:***<br><br>If the relevant authorities decide to reconstitute the Bank or amalgamate the Bank with any other bank under the Section 45 of |

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| | Banking Regulation Act, 1949, the Bank will be deemed as non-viable or approaching non-viability and the trigger at the point of non-viability for write-down of Bonds will be activated. Accordingly, the Bonds will be written-down permanently before amalgamation / reconstitution. |
| Discount | The Bonds shall be subjected to a progressive discount for capital adequacy purposes in accordance with the Basel III Guidelines. |
| Basel III Guidelines | The present Issue of Bonds is being made in pursuance Master Circular No. DBR.No. BP.BC.1/ 21.06.201/ 2015-16 dated July 1, 2015 issued by the Reserve Bank of India on Basel III Capital Regulations ("Master Circular") covering terms and conditions for issue of Tier 2 capital (Annex 5 of the Master Circular) and minimum requirements to ensure loss absorbency of all non-equity regulatory capital instruments at the point of non-viability (Annex 16 of the Master Circular) as amended from time to time. In the event of any discrepancy or inconsistency between the terms of the Bonds contained in any Transaction Document(s) (including this Disclosure Document) and the Basel III Guidelines, the provisions of the Basel III Guidelines shall prevail. |
| SEBI Debt Regulations | Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 issued vide circular no. LAD-NRO/GN/2008/13/127878 dated June 06, 2008 as amended pursuant to the Securities and Exchange Board of India (Issue and Listing of Debt Securities) (Amendment) Regulations, 2012 issued vide circular no. LAD-NRO/GN/2012-13/19/5392 dated October 12, 2012, andSecurities and Exchange Board of India (Issue and Listing of Debt Securities) (Amendment) Regulations, 2014 issued vide circular no. LAD-NRO/GN/2013-14/43/207 dated January 31, 2014, as and Securities and Exchange Board of India (Issue and Listing of Debt Securities) (Amendment) Regulations, 2016 issued vide circular no. LAD-NRO/GN/2016-17/004 dated May 25, 2016and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, each as amended from time to time |
| Governing Law & Jurisdiction | The Bonds are governed by and shall be construed in accordance with the existing laws of India. Any dispute arising thereof shall be subject to the jurisdiction of courts of Mumbai, Maharashtra. |

*(*)*The Bank reserves its sole and absolute right to modify (pre-pone/ post-pone) the above issue schedule without giving any reasons or prior notice. In such a case, applicants shall be intimated about the revised time schedule by the Bank. The Bank also reserves the right to keep multiple Date(s) of Allotment at its sole and absolute discretion without any notice. In case if the Issue Closing Date/ Pay in Dates is/are changed (pre-poned/ post-poned), the Deemed Date of Allotment may also be changed (pre-poned/ post-poned) by the Bank at its sole and absolute discretion. Consequent to change in Deemed Date of Allotment and/or , the Coupon Payment Dates and/or redemption date may also be changed at the sole and absolute discretion of the Bank.

**DECLARATION**

It is hereby declared that this Disclosure Document contains full disclosure in accordance with the applicable SEBI Regulations on Privately Placed Debt Securities&SEBI (Issue and Listing of Debt securities) Regulations 2008 and amendments thereto. .

The Issuer also confirms that this Disclosure Document does not omit disclosure of any material fact which may make the statements made therein, in the light of the circumstances under which they are made, misleading. The Disclosure Document also does not contain any false or misleading statement.

The Issuer accepts no responsibility for the statements made otherwise than in this Disclosure Document or in any other material issued by or at the instance of the Issuer and that anyone placing reliance on any other source of information would be doing so at his own risk.

Ashish Parthasarthy
Treasurer

Place : Mumbai
Date : June 28, 2017

HDFC BANK LTD.
MUMBAI