HDFC BANK LTD
Form 20-F
July 29, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 20-F

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**
OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended March 31, 2013

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

OR

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of event requiring this shell company report

Commission file number 001-15216

HDFC BANK LIMITED

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant s name into English)

India

(Jurisdiction of incorporation or organization)

HDFC Bank House, Senapati Bapat Marg, Lower Parel, Mumbai 400013, India

(Address of principal executive offices)

Name: Sanjay Dongre, Executive Vice President (Legal) and Company Secretary

Telephone: 91-22-2490-2934 /or 91-22-2498-8484, Ext. 3473

Email: sanjay.dongre@hdfcbank.com

Address: 2nd floor, Process House, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai 400 013, India.

(Name, telephone, e-mail and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing three Equity Shares, Par value Rs. 2.0 per share	**The New York Stock Exchange**

Securities registered or to be registered pursuant to Section 12(g) of the Act: **Not Applicable**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **Not Applicable**

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report:

Equity Shares, as of March 31, 2013 2,379,419,030

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP x	International Financial Reporting Standards as issued by the International Accounting Standards Board ¨	Other ¨

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow: Item 17 ¨ Item 18 ¨

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

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CROSS REFERENCE SHEET

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EXCHANGE RATES AND CERTAIN DEFINED TERMS

In this document, all references to we, us, our, HDFC Bank or the Bank shall mean HDFC Bank Limited or where the context requires also t subsidiaries whose financials are consolidated for accounting purposes. References to the U.S. or United States are to the United States of America, its territories and its possessions. References to India are to the Republic of India. References to $ or US$ or dollars or U.S. dollars to the legal currency of the United States and references to Rs. or rupees or INR or Indian rupees are to the legal currency of India.

Our financial statements are presented in Indian rupees and in some cases translated into U.S. dollars. The financial statements and all other financial data included in this report, except as otherwise noted, are prepared in accordance with United States generally accepted accounting principles, or U.S. GAAP. US GAAP differs in certain material respects from accounting principles generally accepted in India, the requirements of India s Banking Regulation Act and related regulations issued by the Reserve Bank of India (RBI) (collectively Indian GAAP), which form the basis of our statutory general purpose financial statements in India. Principal differences insofar as they relate to us include: determination of the allowance for credit losses, classification and valuation of investments, accounting for deferred income taxes, stock-based compensation, employee benefits, loan origination fees, derivative financial instruments, business combinations and the presentation format and disclosures of the financial statements and related notes.

References to a particular fiscal year are to our fiscal year ended March 31 of such year.

Fluctuations in the exchange rate between the Indian rupee and the U.S. dollar will affect the U.S. dollar equivalent of the Indian rupee price of the equity shares on the Indian stock exchanges and, as a result, will affect the market price of our American Depositary Shares (ADSs) in the United States. These fluctuations will also affect the conversion into U.S. dollars by the depositary of any cash dividends paid in Indian rupees on the equity shares represented by ADSs.

During fiscal 2009, the rupee came under strong selling pressure on account of the sub-prime crisis and global risk aversion which led to a portfolio outflows. The INR managed to recover somewhat in fiscal 2010 in line with the pickup in the domestic economy and improvement in global risk appetite. In fiscal 2011, the rupee was range bound as capital flows just about managed to balance the drag from external debt servicing and import payments. However, in fiscal year 2012, the INR depreciated coming under strain amidst a widening current account deficit, thin capital inflows and rising global uncertainty spurred by lingering financial and economic instability in Europe and the USA. During fiscal 2013, the INR came under sustained selling pressure driven by growing anxiety about domestic growth prospects, concerns about the elevated current account deficit and global risk aversion (the high and low during fiscal 2013 was Rs. 57.13 per US$ and Rs. 50.64 per US$ respectively). The Indian rupee has fallen significantly against the U.S. dollar, from 54.52 rupees per U.S. dollar at March 29, 2013 to 59.37 rupees per U.S. dollar at July 19, 2013, a depreciation of 8.9%. The recent sharp decline was caused mainly by the increasing strength of the U.S. dollar, however India was particularly affected because of continued concerns about its domestic growth prospects, elevated current account deficit and global risk aversion.

The following table sets forth, for the periods indicated, information concerning the exchange rates between Indian rupees and U.S. dollars based on the noon buying rate in The City of New York:

Fiscal Year	Period End(1)	Average(1)(2)	High	Low
2009	50.87	45.84	51.96	39.73
2010	44.95	47.39	50.48	44.94
2011	44.54	45.49	47.49	43.90
2012	50.89	47.81	53.71	44.00
2013	54.52	54.36	57.13	50.64

(1) The noon buying rate at each period end and the average rate for each period differed from the exchange rates used in the preparation of our financial statements.

(2) Represents the average of the noon buying rate for all days during the period.

The following table sets forth the high and low noon buying rate for the Indian rupee for each of the previous six months:

Month	Period End	Average	High	Low
January 2013	53.32	54.23	55.20	53.21
February 2013	54.37	53.81	54.47	52.99
March 2013	54.52	54.42	54.92	54.06
April 2013	53.68	54.32	54.91	53.68
May 2013	56.50	54.98	56.50	53.65
June 2013	59.52	58.38	60.70	56.43

Although we have translated selected Indian rupee amounts in this document into U.S. dollars for convenience, this does not mean that the Indian rupee amounts referred to could have been, or could be, converted to U.S. dollars at any particular rate, the rates stated above, or at all. Unless otherwise stated, all translations from Indian rupees to U.S. dollars are based on the noon buying rate in the City of New York for cable transfers in Indian rupees at US$1.00 = Rs. 54.52 on March 29, 2013. The noon buying rate on July 19, 2013 was Rs. 59.37 per US$1.00.

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FORWARD-LOOKING STATEMENTS

We have included statements in this report which contain words or phrases, such as will , aim , believe , expect , will continue , anticipate , intend , plan , future , objective , project , should , and similar expressions or variations of these expressions, that are forward-looking stater Actual results may differ materially from those suggested by the forward-looking statements due to certain risks or uncertainties associated with our expectations with respect to, but not limited to, our ability to implement our strategy successfully, the market acceptance of and demand for various banking services, future levels of our non-performing loans, our growth and expansion, the adequacy of our allowance for credit and investment losses, technological changes, volatility in investment income, our ability to market new products, cash flow projections, the outcome of any legal, tax or regulatory proceedings in India and in other jurisdictions we are or become a party to, any penalties imposed by the RBI, the future impact of new accounting standards, our ability to pay dividends, the impact of changes in banking regulations and other regulatory changes in India and other jurisdictions on us, our ability to roll over our short-term funding sources and our exposure to market and operational risks. By their nature, certain of the market risk disclosures are only estimates and could be materially different from what may actually occur in the future. As a result, actual future gains, losses or impact on net income could materially differ from those that have been estimated. Our forward looking statements speak only as of the date on which they are made and we do not undertake any obligation, and we do not intend, to update or revise any forward looking statements to reflect events or circumstances after the date in the statement, even if our expectations or any related events or circumstances change.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this document include, but are not limited to: general economic and political conditions, instability or uncertainty in India and other countries which have an impact on our business activities or investments caused by any factor including the global financial crisis and problems in the Eurozone countries, any downgrade in India s debt rating or the debt rating of our borrowings, terrorist attacks in India, the United States or elsewhere, anti-terrorist or other attacks by the United States, a United States-led coalition or any other country, tensions between India and Pakistan related to the Kashmir region, military armament or social unrest in any part of India, the monetary and interest rate policies of the government of India, natural calamities, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in Indian and foreign laws and regulations, including tax, accounting and banking regulations, changes in competition and the pricing environment in India, and regional or general changes in asset valuations. For further discussion on the factors that could cause actual results to differ, see Risk Factors .

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BUSINESS

Overview

We are a new generation private sector bank in India. Our goal is to be the preferred provider of financial services to upper and middle income individuals and corporations in India. Our strategy is to provide a comprehensive range of financial products and services to our customers through multiple distribution channels, with what we believe is high quality service and superior execution. We have three principal business activities: retail banking, wholesale banking and treasury operations.

We have grown rapidly since commencing operations in January 1995. In the five years ended March 31, 2013, we expanded our operations from 761 branches and 1,977 Automated Teller Machines (ATMs) in 327 cities/towns to 3,062 branches and 10,743 ATMs in 1,845 cities/towns. During the same five year period, our customer base increased from 11.6 million customers to 28.7 million customers. On account of the expansion in our geographical reach and the resultant increase in market penetration, our assets have grown from Rs. 1,508.0 billion as of March 31, 2008 to Rs. 4,370.9 billion as of March 31, 2013. Our net income has increased from Rs. 13.2 billion for fiscal 2008 to Rs. 61.8 billion for fiscal 2013.

We acquired Centurion Bank of Punjab Limited (CBoP) in 2008. Our shareholders approved the acquisition on March 27, 2008, and it became effective May 23, 2008. The primary purpose of the acquisition was to realize potential synergies and growth opportunities. We acquired over two million customers, approximately Rs. 266,834.6 million in assets and assumed approximately Rs. 239,003.1 million in liabilities. The fair value of the net assets we acquired was Rs. 27,831.5 million on the date we acquired CBoP, which resulted in goodwill of Rs. 74,937.9 million.

Our financial condition and results of operations are affected by general economic conditions prevailing in India. It was a challenging year for the Indian economy with lingering concerns over global growth prospects and financial stability weighing on external demand and international funding. Further, local headwinds such as elevated inflation and policy impediments to investment exacerbated the impact of a shaky global environment on domestic growth. As a result, GDP growth decreased to 5.0% in fiscal 2013 from 6.2% in fiscal 2012 and 9.3% in fiscal 2011. While the government and the RBI have enacted policies to contain this decrease, their impact is not yet evident. In particular, the government has adopted an approach of fiscal consolidation. The RBI, on the other hand, had adopted an approach of measured policy easing in fiscal 2013 but it was forced to reverse its stance to combat the recent episode of excessive INR depreciation between May and July 2013. To temper the pace of depreciation, the RBI initiated measures aimed primarily to tighten onshore liquidity in order to push domestic money market rates higher so as to attract inflows into the bond markets and subsequently provide some support to the exchange rate. While growth is likely to remain subdued and the current account deficit is likely to reduce from 4.8% of GDP in fiscal year 2013 to 3.8% of GDP in fiscal year 2014, the RBI is unlikely to ease monetary policy at least until there is clear evidence of stability in the INR. On balance, a normal monsoon and some traction in government capital expenditure could result in only a modest improvement in GDP growth from 5.0% in fiscal year 2013 to 5.5% in fiscal year 2014.

Notwithstanding our pace of growth, we believe we have maintained a strong balance sheet and a low cost of funds. As of March 31, 2013, net non-performing customer assets (which consist of loans and credit substitutes) constituted 0.2% of net customer assets. In addition, our net customer assets represented 86.2% of our customer deposits and customer deposits represented 67.7% of our total liabilities and shareholders equity. The average non-interest bearing current accounts and low-interest bearing savings accounts represented 44.3% of total deposits for fiscal 2013. These low-cost deposits and the cash float associated with our transactional services, led to an average cost of funds including equity for fiscal 2013 of 5.2%.

We are part of the HDFC group of companies established by our principal shareholder, Housing Development Finance Corporation Limited (HDFC Limited), a listed public limited company established under the laws of India. HDFC Limited is primarily engaged in financial services, including mortgages, property-related lending and deposit services. The subsidiaries and associated companies of HDFC Limited are also largely engaged in a range of financial services, including asset management, life insurance and other insurance. HDFC Limited and its subsidiaries owned 22.8% of our outstanding equity shares as of March 31, 2013. Our Chairman and Managing Director were nominated by HDFC Limited and appointed with the approval of our shareholders and the Reserve Bank of India (RBI). Mr. Keki Mistry Vice Chairman and Chief Executive Officer of HDFC Limited, and Mrs. Renu Karnad Managing Director of HDFC Limited are members of our Board of Directors. See also Principal Shareholders . We have no agreements with HDFC Limited or any of its group companies that restrict us from competing with them. We currently distribute products of HDFC Limited and its group companies, such as home loans of HDFC Limited, life and general insurance products of HDFC Standard Life Insurance Company Limited and HDFC ERGO General Insurance Company Limited respectively and mutual funds of HDFC Asset Management Company Limited.

We had a cash outflow of approximately Rs. 5.8 billion, Rs. 7.9 billion and Rs. 10.0 billion in fiscals 2011, 2012 and 2013, respectively, principally for property, plant and equipment, including our branch network expansion and our technology and communications infrastructure. We have current plans for aggregate capital expenditures of approximately Rs. 5.8 billion in fiscal 2014. This budgeted amount includes Rs. 0.8

billion to expand our branch and back office network, Rs. 0.5 billion to expand our Electronic Data Capture terminal network and Rs. 4.3 billion to upgrade and expand our hardware, data center, network and other systems. We may use these budgeted amounts for other purposes depending on, among other factors the business environment prevailing at the time, consequently our actual capital expenditures may be higher or lower than our budgeted amounts.

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We have two subsidiaries as per local laws: HDFC Securities Limited (HSL) and HDB Financial Services Limited (HDBFSL). HSL is primarily in the business of providing brokerage services through the internet and other channels. HDBFSL is a non-deposit taking non-bank finance company (NBFC). We have consolidated the financial statements of Atlas Documentary Facilitators Company Private Ltd. (ADFC), which provides back office transaction processing services, in our U.S. GAAP financial statements.

Our principal corporate and registered office is located at HDFC Bank House, Senapati Bapat Marg, Lower Parel, Mumbai 400 013, India. Our telephone number is 91-22-6652-1000. Our agent in the United States for the 2007 ADS offering is Depositary Management Corporation, 570 Lexington Avenue, 44th Floor, New York, NY 10022 and that for the 2001 and 2005 ADS offerings and Patriot Act information gathering is CT Corporation, 111 Eighth Avenue, New York, NY 10011.

Our Competitive Strengths

We attribute our growth and continuing success to the following competitive strengths:

Our use of technology

We continue to make substantial investments in our technology platform and systems and expand our electronically linked branch network. Our Bank s direct banking platforms continue to be stable and robust, supporting increasing transaction volumes as customers adopt newer self-service technologies.

We have seamlessly upgraded our switch platform which is at the heart of the Bank s ATM, point of sale and interactive voice response networks. Many additional services have now been made available on our Bank s NetBanking platform, which will enhance usage. The NetBanking services can now be accessed on a wide variety of commonly available handheld phones and devices. With the implementation of micro-ATMs, our Bank has leveraged technology to enable business in the under-banked and unbanked areas, while addressing financial inclusion mandates.

We have initiated a program to upgrade the retail core banking system to the latest technology platform and this is expected to be completed in fiscal 2014. The new retail core banking system, deployed on a more robust and available platform, has also enabled the Bank to provide additional features to its customers and respond faster to business and market needs.

Live switch-over and switch-back drills of major IT applications have been completed, as part of our Bank s Business Continuity and Disaster Recovery management strategy, thereby enhancing our Bank s readiness in responding to emergency situations.

We deliver high quality service with superior execution

We continued to improve Service Quality (SQ) across various customer contact points, including retail branches, ATMs and phone banking. With a view to ensure comprehensive improvement, we have extended SQ initiatives to the back office support functions as well. Our SQ team s responsibilities include workplace organization, lobby management, handling of complaints, turn-around times and compliance with the Bank s internal processes as well as regulatory processes pertaining to customer service. We have also improved training and skill development programs to enable employees to deliver a higher quality of customer service. We have also integrated certain technology platforms to provide a seamless and smooth service experience to our customers, for example, the complaints management CRM system has been integrated with the core CRM system. We also plan to integrate the client service portal (online tracking mechanism of deliverables) with the core CRM system. Through intensive training of our staff and the use of our technology platform, we believe, we deliver efficient service with rapid response time. Our focus on knowledgeable and personalized service, we believe, draws customers to our products and increases existing customer loyalty.

Many of our operational processes are certified under the International Organization for Standardization (ISO) 9001:2008. This certification requires the underlying processes to be robust, effective and efficient. The ISO certification ensures that: (a) we have a set of procedures that cover key processes; (b) our processes are monitored to ensure effectiveness; (c) adequate records are maintained; and (d) outputs are monitored for any defects so that appropriate and accurate remedial actions can be undertaken.

We have taken various steps to improve the effectiveness of our grievance redressal mechanism across our delivery channels. We periodically review the effectiveness of our overall customer service initiatives and grievance handling in particular at different levels within the Bank including at the Board level.

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We offer a wide range of products to our clients in order to service their banking needs

Whether in retail or wholesale banking, we consider ourselves a one-stop shop for our customers banking needs. Our retail banking products range from retail loans to deposit products and other products and services, such as private banking, depositary accounts, foreign exchange services, distribution of third party products (such as insurance and mutual funds), bill payments and sale of precious metals (such as gold and silver). In addition we offer our customers broking accounts through our subsidiary HSL. On the wholesale banking side we offer customers working capital loans, term loans, bill collections, letters of credit and guarantees and foreign exchange and derivative products. In addition we offer a range of deposit and transaction banking services such as cash management, custodial and clearing bank services and correspondent banking. We collect taxes for the government and are bankers to issuances of equity shares and bonds to the public by companies. Our wide range of products creates multiple cross-selling opportunities for us and, we believe, improves our customer retention rates.

We have an experienced management team

Many of the members of our senior management team have been with us since our inception. They have substantial experience in banking across various countries and share our common vision of excellence in execution. We believe this team is well suited to leverage the competitive strengths we have already developed as well as to create new opportunities for our business. See also Management .

Our Business Strategy

Our business strategy emphasizes the following elements:

Increase our market share of India s expanding banking and financial services industry

In addition to benefiting from the overall growth in India s economy and financial services industry, we believe we can increase our market share by continuing to focus on our competitive strengths. We also aim to increase geographic and market penetration by expanding our branch and ATM networks and increasing our efforts to cross-sell our products.

Maintain strong asset quality through disciplined credit risk management

We have maintained high quality loan and investment portfolios through careful targeting of our customer base, and by putting in place what we believe are comprehensive risk assessment processes and diligent risk monitoring and remediation procedures. Our ratio of gross non-performing assets to customer assets was 0.8% as of March 31, 2013 and our net non-performing assets amounted to 0.2% of net customer assets. In addition, we have restructured the payment terms of certain loans. As of March 31, 2013, these represented 0.1% of our gross customer assets. We believe we can maintain strong asset quality appropriate to the loan portfolio composition, while achieving growth.

Maintain a low cost of funds

We believe we can maintain a relatively low-cost funding base as compared to our competitors, by leveraging on our strengths and expanding our base of retail savings and current deposits and increasing the free float generated by transaction services, such as cash management and stock exchange clearing. During fiscal 2013, our average cost of funds (including equity) was 5.2%.

Focus on high earnings growth with low volatility

Our net income has grown at a compounded average rate of 36.3% during the five-year period ended March 31, 2013. We intend to maintain our focus on steady earnings growth through conservative risk management techniques and low-cost funding. In addition, we aim not to rely heavily on volatile streams of income such as those from trading and other big ticket fees (such as those from investment banking) so as to maintain earnings growth.

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Our Principal Business Activities

Our principal business activities consist of retail banking, wholesale banking and treasury operations. The following table sets forth our net revenues attributable to each area for the last three years.

	Year ended March 31, 2011		2012		2013		
	(in millions, except percentages)						
Retail banking	Rs. 122,321.0	84.0%	Rs. 140,761.6	82.2%	Rs. 173,367.6	US$ 3,179.9	82.7%
Wholesale banking	21,151.9	14.5%	29,098.7	17.0%	32,100.7	588.8	15.3%
Treasury operations	2,122.9	1.5%	1,289.9	0.8%	4,097.6	75.1	2.0%
Net revenue	Rs. 145,595.8	100.0%	Rs. 171,150.2	100.0%	Rs. 209,565.9	US$ 3,843.8	100.0%

Retail Banking

Overview

We consider ourselves a one-stop shop for the financial needs of upper and middle income individuals. We provide a comprehensive range of financial products including deposit products, loans, credit cards, debit cards, third-party mutual funds and insurance products, investment advice, bill payment services and other services. Our retail banking loan products include loans to small and medium enterprises for commercial vehicles, construction equipment and other business purposes, which together account for more than a third of our total retail banking loans. We group these loans as part of our retail banking business considering, among other things, the customer profile, the nature of the product, the differing risks and returns, our organization structure and our internal business reporting mechanism. Such grouping ensures optimum utilization and deployment of specialized resources in our retail banking business. We also have specific products designed for lower income individuals through our Sustainable Livelihood Initiative (SLI). Through this initiative, we reach out to the un-banked and under-banked segments of the Indian population.

We market our services aggressively through our branches and alternate sales channels, as well as through our relationships with automobile dealers and corporate clients. We seek to establish a relationship with a retail customer and then expand it by offering more products. As part of our growth strategy we continue to expand our distribution channels so as to make it easier for the customer to do business with us. We believe this strategy, together with the general growth of the Indian economy and the Indian upper and middle classes, affords us significant opportunities for growth.

As of March 31, 2013, we had 3,062 branches and 10,743 ATMs in 1,845 cities/towns. We also provide telephone banking, internet and mobile banking to our customers. We plan to continue to expand our branch and ATM network as well as our other distribution channels, subject to regulatory guidelines/approvals.

Retail Loans and Other Asset Products

We offer a wide range of retail loans, including loans for the purchase of automobiles, personal loans, retail business banking loans, loans for the purchase of commercial vehicles and construction equipment finance, two-wheeler loans, credit cards and loans against securities. Our retail loans were 68.1 % of our gross loans of which 21.1% were unsecured as of March 31, 2013. Apart from our branches, we use our ATM screens and the internet to promote our loan products and we employ additional sales methods depending on the type of products. We perform our own credit analyses of the borrowers and the value of the collateral. See Risk Management Credit Risk Retail Credit Risk . We also buy mortgage and other asset-backed securities and invest in retail loan portfolios through assignments. In addition to taking collateral in many cases, we generally obtain post-dated checks covering all payments at the time a retail loan is made. It is a criminal offense in India to issue a bad check. We also sometimes obtain instructions to debit the customer s account directly for the making of payments. However, unsecured personal loans are still a greater credit risk for us than our secured loan portfolio because they are not supported by any collateral. We may be unable to collect in part or at all on an unsecured personal loan in the event of non-payment by the borrower. Accordingly, personal loans are granted at a higher loan yield since they carry a higher credit risk as compared to secured loans. Also see Risk Factors *Our unsecured loan portfolio is not supported by any collateral that could help ensure repayment of the loan, and in the event of non-payment by a borrower of one of these loans, we may be unable to collect the unpaid balance* .

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The following table shows the value and share of our retail credit products:

	At March 31, 2013 Value (in millions)		% of Total Value
Retail Loans:			
Auto loans	Rs. 365,974.3	US$ 6,712.7	21.1%
Personal loans / Credit Cards	289,691.1	5,313.5	16.7%
Retail business banking	399,623.1	7,329.8	23.0%
Commercial vehicle and construction equipment finance	274,074.4	5,027.0	15.8%
Housing loans	168,048.6	3,082.3	9.7%
Other Retail Loans	232,092.2	4,257.0	13.3%
Total retail loans	1,729,503.7	31,722.3	99.6%
Mortgage-backed securities	2,475.0	45.4	0.1%
Asset-backed securities	5,128.7	94.1	0.3%
Total retail assets	Rs. 1,737,107.4	US$ 31,861.8	100.0%

Note: The figures above exclude securitized-out receivables. Mortgaged-backed securities and asset-backed securities are reflected at fair values.

Auto Loans

We offer loans at fixed interest rates for financing new and used automobile purchases. In addition to our general marketing efforts for retail loans, we market this product through our relationships with car dealers, direct sales agents, corporate packages and joint promotion programs with automobile manufacturers.

Personal Loans / Credit Cards

We offer unsecured personal loans at fixed rates to specific customer segments, including salaried individuals and self-employed professionals. In addition, we offer unsecured personal loans to small businesses and individual businessmen.

We also offer credit cards from the VISA and MasterCard stable, including gold, silver, corporate, platinum, titanium, signature, infinite, regalia, superia and world credit cards. We had approximately 6.4 million cards outstanding as of March 31, 2013, as against 5.6 million as of March 31, 2012.

Retail Business Banking

We address the borrowing needs of the community of small businessmen primarily located near our bank branches by offering facilities such as credit lines, term loans for expansion or addition of facilities and discounting of receivables. We classify these business banking loans as a retail product. Such lending is typically secured with current assets as well as immovable property and fixed assets in some cases. We also offer letters of credit, guarantees and other basic trade finance products, foreign exchange and cash management services to such businesses.

Commercial Vehicles and Construction Equipment Finance

We provide secured financing for commercial vehicles and provide working capital, bank guarantees and trade advances to transport operators. In addition to funding domestic assets, we also finance imported assets for which we open foreign letters of credit and offer treasury services, such as forward exchange covers. We coordinate with manufacturers to jointly promote our financing options to their clients.

Housing Loans

We provide home loans through an arrangement with HDFC Limited. Under this arrangement we sell loans provided by HDFC Limited through our branches. HDFC Limited approves and disburses the loans, which are kept on in their books, and we receive a sourcing fee for these loans.

We have an option but not an obligation to purchase up to 70% of the fully disbursed home loans sourced under this arrangement through either the issue of mortgage backed pass through certificates (PTCs) or a direct assignment of loans. The balance will be retained by HDFC Limited.

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Other Retail Loans

Two-Wheeler Loans

We offer loans for financing the purchase of scooters and motorcycles. We market this product in ways similar to our marketing of auto loans.

Loans Against Securities

We offer loans against equity shares, mutual fund units, bonds issued by the RBI and other securities that are on our approved list. We limit our loans against equity shares to Rs. 2.0 million per retail customer in line with regulatory guidelines and limit the amount of our total exposure secured by particular securities. We lend only against shares in book-entry (dematerialized) form, which ensures that we obtain perfected and first-priority security interests. The minimum margin for lending against shares is prescribed by the RBI.

We also offer loans which primarily include overdrafts against time deposits, health care equipment financing loans, tractor loans, loans against gold and ornaments, loans to self-help groups and small loans to farmers.

Mortgage-backed Securities

We also invest in mortgage-backed securities of other originators. These mortgages are generally in India. Most of these securities also qualify towards our directed lending obligations.

After our acquisition of CBoP, the portfolio of home loans of CBoP was transferred to our loan book.

Asset-backed Securities

We invest in auto loans, two-wheeler loans, commercial vehicle loans and other asset-backed securities, represented by PTCs. These securities are normally credit-enhanced and may qualify for our directed lending requirements. These assets are generally in India.

Loan Assignments

We purchase loan portfolios, generally in India, from other banks, financial institutions and financial companies, which are similar to asset-backed securities, except that such loans are not represented by PTCs. Some of these loans also qualify toward our directed lending obligations. Such loans are included within the categories described above based on underlying exposures.

Sale/Transfer of Receivables

We enter into assignment transactions from time to time, which are similar to asset-backed securitization transactions through the special purpose entity (SPE) route, except that such portfolios of receivables are assigned directly to the purchaser and are not represented by pass-through certificates. We also securitize our retail loan receivables through independent SPEs. In respect of these transactions, recourse is in the form of our investment in subordinated securities issued by SPEs, cash collateral and other credit and liquidity enhancements. In fiscals 2012 and 2013, we did not sell any performing loans.

Sustainable Livelihood Initiative

Our SLI targets lower income individuals to finance their economic activity, and also provide skill training, credit counseling, and market linkages for better price discovery. Through this initiative we reach out to the un-banked and under-banked segments of the Indian population.

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Retail Deposit Products

Retail deposits provide us with a low cost, stable funding base and have been a key focus area for us since commencing operations. Retail deposits represented approximately 75.0% of our total deposits as of March 31, 2013. The following chart shows the number of accounts and value of our retail deposits by our various deposit products:

	At March 31, 2013				
	Value (in millions)		% of total	Number of accounts (in thousands)	% of total
Savings	Rs. 859,272.7	US$ 15,760.7	38.8%	17,574	71.5%
Current	300,952.1	5,520.0	13.6%	2,236	9.1%
Time	1,056,589.6	19,379.9	47.6%	4,763	19.4%
Total	Rs. 2,216,814.4	US$ 40,660.6	100.0%	24,573	100.0%

Our individual retail account holders have access to the benefits of a wide range of direct banking services, including debit and ATM cards, access to internet and phone banking services, access to our growing branch and ATM network, access to our other distribution channels and eligibility for utility bill payments and other services. Our retail deposit products include the following:

Savings accounts, which are demand deposits, primarily for individuals and trusts.

Current accounts, which are non-interest bearing checking accounts designed primarily for business customers. Customers have a choice of regular and premium product offerings with different minimum average quarterly account balance requirements.

Time deposits, which pay a fixed return over a predetermined time period.

We also offer special value-added accounts, which offer our customers added value and convenience. These include a time deposit account that allows for automatic transfers from a time deposit account to a savings account, as well as a time deposit account with an automatic overdraft facility.

Other Retail Services and Products

Debit Cards

We had around 15.8 million debit cards outstanding as of March 31, 2013 as compared to 14.1 million as of March 31, 2012. The cards can be used at ATMs and point-of-sales terminals in India and in other countries across the world.

Individual Depositary Accounts

We provide depositary accounts to individual retail customers for holding debt and equity instruments. Securities traded on the Indian exchanges are generally not held through a broker s account or in a street name. Instead, an individual has his own account with a depositary participant. Depositary participants, including us, provide services through the major depositaries established by the two major stock exchanges. Depositary participants record ownership details and effectuate transfers in book-entry form on behalf of the buyers and sellers of securities. We provide a complete package of services, including account opening, registration of transfers and other transactions and information reporting.

Mutual Fund Sales

We offer our retail customers units in most of the large and reputable mutual funds in India. In some cases we earn front-end commissions for new sales and additional fees in subsequent years. We distribute mutual fund products primarily through our branches and our private banking advisors.

Insurance

We have arrangements with HDFC Standard Life Insurance Company Limited and HDFC ERGO General Insurance Company Limited to distribute their life insurance and general insurance products respectively, to our customers. We earn upfront commissions on new premiums collected as well as some trailing income in subsequent years in some cases while the policy is still in force.

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Precious Metals

We import gold and silver bars for sale to our retail customers through our branch network.

Investment Advice

We offer our customers a broad range of investment advice, including advice regarding the purchase of Indian debt, equity shares and mutual funds. We provide our high net worth private banking customers with a personal investment advisor who can consult with them on their individual investment needs.

Bill Payment Services

We offer our customers utility bill payment services for leading utility companies, including electricity, telephone and internet service providers. Customers can also review and access their bill details through our direct banking channels. We believe this is a valuable convenience that we offer our customers. We offer these services to customers through multiple distribution channels ATMs, telephone banking, internet banking and mobile telephone banking.

Corporate Salary Accounts

We offer Corporate Salary Accounts, which allow employers to make salary payments to a group of employees with a single transfer. We then transfer the funds into the employees individual accounts and offer them preferred services, such as lower minimum balance requirements. As of March 31, 2013, these accounts constituted approximately 44% of our total retail savings accounts by number and approximately 29% of our retail savings deposits by value.

Non-Resident Indian Services

Non-resident Indians are an important target market segment for us given their relative affluence and strong ties with family members in India. Our non-resident deposits amounted to Rs. 291.8 billion as of March 31, 2013.

Retail Foreign Exchange

We purchase foreign currency from and sell foreign currency to retail customers in the form of cash, traveler s checks, demand drafts, foreign exchange cards and other remittances. We also carry out foreign currency check collections.

Customers and Marketing

Our target market for our retail services is comprised of upper and middle income individuals and high net worth customers. As of March 31, 2013, around 14% of our retail deposit customers contributed approximately 71% of our retail deposits. We market our products through our branches, telemarketing and a dedicated sales staff for niche market segments. We also use third-party agents and direct sales associates to market certain products and to identify prospective new customers.

Additionally, we obtain new customers through joint marketing efforts with our wholesale banking department, such as our Corporate Salary Account package. We cross-sell many of our retail products to our customers. We also market our auto loan and two-wheeler loan products through joint efforts with relevant manufacturers and distributors.

We have programs that target other particular segments of the retail market. For example, our private and preferred banking programs provide customized financial planning to high net worth individuals in order to preserve and enhance their wealth. Private banking customers receive a personal investment advisor who serves as their single-point contact and compiles personalized portfolio tracking products, including mutual fund and equity tracking statements. Our private banking program also offers equity investment advisory products. While not as service-intensive as our private banking program, preferred banking offers similar services to a slightly broader target segment. Top revenue-generating customers of our preferred banking program are channeled into our private banking program.

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Wholesale Banking

Overview

We provide our corporate and institutional clients a wide array of commercial banking products and transactional services.

Our principal commercial banking products include a range of financing products, documentary credits (primarily letters of credit) and bank guarantees, foreign exchange and derivative products and corporate deposit products. Our financing products include loans, overdrafts, bill discounting and credit substitutes, such as commercial papers, debentures, preference shares and other funded products. Our foreign exchange and derivatives products assist corporations in managing their currency and interest rate exposures.

For our commercial banking products, our customers include companies that are part of private sector business houses, public sector enterprises and multinational corporations, as well as small and mid-sized businesses. Our customers also include suppliers and distributors of corporations to whom we provide credit facilities and with whom we thereby establish relationships as part of a supply chain initiative for both our commercial banking products and transactional services. We aim to provide our corporate customers with high quality customized service. We have relationship managers who focus on particular clients and who work with teams that specialize in providing specific products and services, such as cash management and treasury advisory services.

Loans to small and medium enterprises, which are generally in the nature of loans for commercial vehicles, construction equipment and business purposes, are included as part of our retail banking business. We group these loans as part of our retail banking business considering, among other things, the customer profile, the nature of the product, the differing risks and returns, our organization structure and our internal business reporting mechanism. Such grouping ensures optimum utilization and deployment of specialized resources in our retail banking business.

Our principal transactional services include cash management services, capital markets transactional services and correspondent banking services. We provide physical and electronic payment and collection mechanisms to a range of corporations, financial institutions and government entities. Our capital markets transactional services include custodial services for mutual funds and clearing bank services for the major Indian stock exchanges and commodity exchanges. In addition, we provide correspondent banking services, including cash management services and funds transfers, to foreign banks and co-operative banks.

Commercial Banking Products

Commercial Loan Products and Credit Substitutes

Our principal financing products are working capital facilities and term loans. Working capital facilities primarily consist of cash credit facilities and bill discounting. Cash credit facilities are revolving credits provided to our customers that are secured by working capital such as inventory and accounts receivable. Bill discounting consists of short-term loans which are secured by bills of exchange that have been accepted by our customers or drawn on another bank. In many cases, we provide a package of working capital financing that may consist of loans and a cash credit facility as well as documentary credits or bank guarantees. Term loans consist of short-term loans and medium-term loans which are typically loans of up to five years in duration. More than 90% of our loans are denominated in rupees with the balance being denominated in various foreign currencies, principally the U.S. dollar.

We also purchase credit substitutes, which are typically comprised of commercial paper and debentures issued by the same customers with whom we have a lending relationship in our wholesale banking business. Investment decisions for credit substitute securities are subject to the same credit approval processes as loans, and we bear the same customer risk as we do for loans extended to these customers. Additionally, the yield and maturity terms are generally directly negotiated by us with the issuer.

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The following table sets forth the asset allocation of our commercial loans and financing products by asset type. For accounting purposes, we classify commercial paper and debentures as credit substitutes (which in turn are classified as investments).

	As of March 31,			
	2011	2012	2013	2013
	(in millions)			
Gross commercial loans	Rs. 668,605.7	Rs. 689,314.4	Rs. 808,742.1	US$ 14,833.9
Credit substitutes:				
Commercial paper	Rs. 11,906.8	Rs. 7,791.0	Rs. 39,802.6	US$ 730.1
Non-convertible debentures	2,584.3	4,009.5	6,820.0	125.0
Total credit substitutes	Rs. 14,491.1	Rs. 11,800.5	Rs. 46,622.6	US$ 855.1
Gross commercial loans plus credit substitutes	Rs. 683,096.8	Rs. 701,114.9	Rs. 855,364.7	US$ 15,689.0

While we generally lend on a cash-flow basis, we also require collateral from a large number of our borrowers. As of March 31, 2013, approximately 72.9% of the aggregate principal amount of our gross wholesale loans was secured by collateral (approximately Rs. 219.0 billion in aggregate principal amount of loans were unsecured). However, collateral securing each individual loan may not be adequate in relation to the value of the loan. All borrowers must meet our internal credit assessment procedures, regardless of whether the loan is secured. See Risk Management Credit Risk Wholesale Credit Risk .

We price our loans based on a combination of our own cost of funds, market rates, our rating of the customer and the overall revenues from the customer. An individual loan is priced on a fixed or floating rate, the pricing is based on a margin that depends on the credit assessment of the borrower. We are required to follow the Base Rate System while pricing our loans. For a detailed discussion of these requirements, see Supervision and Regulation Regulations Relating to Making Loans .

The RBI requires banks to lend to specific sectors of the economy. For a detailed discussion of these requirements, see Supervision and Regulation Regulations Relating to Making Loans Directed Lending .

Bill Collection, Documentary Credits and Bank Guarantees

We provide bill collection, documentary credit facilities and bank guarantees for our corporate customers. Documentary credits and bank guarantees are typically provided on a revolving basis. The following table sets forth, for the periods indicated, the value of transactions processed with respect to our bill collection, documentary credits and bank guarantees:

	As of March 31,			
	2011	2012	2013	2013
	(in millions)			
Bill collection	Rs. 1,968,026.5	Rs. 3,466,005.7	Rs. 3,857,516.1	US$ 70,754.1
Documentary credits	429,856.9	653,828.7	598,307.0	10,974.1
Bank guarantees	133,783.9	199,600.1	245,625.5	4,505.2
Total	Rs. 2,531,667.3	Rs. 4,319,434.5	Rs. 4,701,448.6	US$ 86,233.4

Bill collection: We provide bill collection services for our corporate clients in which we collect bills on behalf of a corporate client from the bank of our client s customer. We do not advance funds to our client until receipt of payment.

Documentary credits: We issue documentary credit facilities on behalf of our customers for trade financing, sourcing of raw materials and capital equipment purchases.

Bank guarantees: We provide bank guarantees on behalf of our customers to guarantee their payment or performance obligations. A small part of our guarantee portfolio consists of margin guarantees to brokers issued in favor of stock exchanges.

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Foreign Exchange and Derivatives

Our foreign exchange and derivative product offering to our customers covers a range of products, including foreign exchange and interest rate transactions and hedging solutions, such as spot and forward foreign exchange contracts, forward rate agreements, currency swaps, currency options and interest rate derivatives. These transactions enable our customers to transfer, modify or reduce their foreign exchange and interest rate risks. A specified group of relationship managers from our treasury front office works on such product offerings jointly with the relationship managers from Wholesale Banking.

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 in one currency against another currency and exchange of principal amounts at maturity based on predetermined rates. Rupee interest rate swaps are commitments to exchange fixed and floating rate cash flows in rupees. A forward rate agreement gives the buyer the ability to determine the underlying rate of interest for a specified period commencing on a specified future date (the settlement date) when the settlement amount is determined being the difference between the contracted rate and the market rate on the settlement date. Currency options give the buyer, the right but not an obligation, to buy or sell specified amounts of currency at agreed rates of exchange on or before a specified future date.

The following table presents the aggregate notional principal amounts of our outstanding foreign exchange and derivative contracts with our customers as of March 31, 2011, 2012 and 2013, together with the fair values on each reporting date:

	As of March 31,							
	2011		2012		2013		2013	
	Notional	Fair Value	Notional	Fair Value	Notional	Fair Value	Notional	Fair Value
	(In millions)							
Interest rate swaps and forward rate agreements	Rs. 168,279.9	Rs. 500.0	Rs. 399,622.3	Rs. 1,496.4	Rs. 372,123.4	Rs. 381.9	US$ 6,825.4	US$ 7.0
Forward exchange contracts, currency swaps, currency options and interest rate caps and floors	Rs. 454,323.6	Rs. 1,138.4	Rs. 433,469.2	Rs. 8,346.0	Rs. 499,620.6	Rs. 4,216.5	US$ 9,164.0	US$ 77.3

Investment banking

Our investment banking group has made progress in both the debt and equity capital markets business. We added a corporate finance and advisory team during fiscal 2013. We believe we are now well positioned to offer the entire gamut of investment banking services to our clients. We also focus on loan syndication in telecommunications, roads, financial services and other sectors.

Precious Metals

We are in the business of importing gold and silver bullion to leverage our distribution and servicing strengths and cater to the domestic bullion trader segment. We generally import bullion on a consignment basis so as to minimize price risk. The imports are typically on a back-to-back basis and are priced to the customer based on the price quoted by the supplier. We earn a fee on such wholesale bullion transactions.

Wholesale Deposit Products

As of March 31, 2013, we had wholesale deposits aggregating over Rs. 743.7 billion, which represented 25.1% of our total deposits. We offer both non-interest bearing current accounts and time deposits. We are allowed to vary the interest rates on our wholesale deposits based on the size of the deposit (for deposits greater than Rs. 1.5 million) so long as the rates booked on a day are the same for all customers of that deposit size for that maturity. See Selected Statistical Information for further information about our total deposits. With effect from April 1, 2013, the RBI increased the above threshold of Rs. 1.5 million to Rs. 10.0 million.

Transactional Services

Cash Management Services

We provide cash management services in India. Our services make it easier for our corporate customers to expedite inter-city check collections, make payments to their suppliers more efficiently, optimize liquidity and reduce interest costs. In addition to benefiting from the cash float, which reduces our overall cost of funds, we may also earn commissions for these services.

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Our primary cash management service is check collection and payment. Through our electronically linked branch network, correspondent bank arrangements and centralized processing, we can effectively provide nationwide collection and disbursement systems for our corporate clients. This is especially important because there is no nationwide payment system in India, and checks must generally be returned to the city from which written, in order to be cleared. Because of mail delivery delays and the variations in city-based inter-bank clearing practices, check collections can be slow and unpredictable, and can lead to uncertainty and inefficiencies in cash management. We believe, we have a strong position in this area relative to most other participants in this market.

Our wholesale banking clients also use our cash management services. These clients include Indian private sector companies, public sector undertakings and multinational companies. We also provide these services to Indian insurance companies, mutual funds, brokers, financial institutions and various government entities.

We have also implemented a straight-through processing solution to link our wholesale banking and retail banking systems. This has led to reduced manual intervention in transferring funds between the corporate accounts which are in the wholesale banking system and beneficiary accounts residing in retail banking systems. This initiative helps reduce transaction costs. We have a large number of commercial clients using our corporate Internet banking for financial transactions with their vendors, dealers and employees who bank with us.

In 2005, the RBI introduced an inter-bank settlement system called the Real Time Gross Settlement (RTGS) system. The RTGS system facilitates real time settlements primarily between banks and therefore could have an adverse impact on our cash management services. However, we believe our cash management services offer certain advantages not present in RTGS, including the provision of greater information to our clients regarding the source and identity of payments. In addition, through our cash management services our clients receive checks from their customers, which we believe many of our clients prefer because the issuance of a bad check is a criminal offense in India. See Risk Factors Risks Relating to Our Business *The development of a well entrenched nationwide inter-bank settlement system would adversely impact our cash float and decrease fees we receive in connection with check collection* .

Clearing Bank Services for Stock and Commodity Exchanges

We serve as a cash-clearing bank for major stock and commodity exchanges in India, including the National Stock Exchange of India Limited (National Stock Exchange) and the Bombay Stock Exchange Limited or BSE Limited. As a clearing bank, we provide the exchanges or their clearing corporations with a means for collecting cash payments due to them from their members or custodians and a means of making payments to these institutions. We make payments once the broker or custodian deposits the funds with us. In addition to benefiting from the cash float, which reduces our overall cost of funds, in certain cases we also earn commissions on such services.

Custodial Services

We provide custodial services principally to Indian mutual funds, as well as to domestic and international financial institutions. These services include safekeeping of securities and collection of dividend and interest payments on securities. Most of the securities under our custody are in book-entry (dematerialized) form, although we provide custody for securities in physical form as well for our wholesale banking clients. We earn revenue from these services based on the value of assets under safekeeping and the value of transactions handled.

Correspondent Banking Services

We act as a correspondent bank for co-operative banks, co-operative societies and foreign banks. We provide cash management services, funds transfers and services, such as letters of credit, foreign exchange transactions and foreign check collection. We earn revenue on a fee-for-service basis and benefit from the cash float, which reduces our overall cost of funds.

We are well positioned to offer this service to co-operative banks and foreign banks in light of the structure of the Indian banking industry and our position within it. Co-operative banks are generally restricted to a particular state and foreign banks have limited branch networks. The customers of these banks frequently need services in other areas of the country where their own banks cannot provide. Because of our technology platforms, our geographical reach and the electronic connectivity of our branch network, we can provide these banks with the ability to provide such services to their customers.

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Tax Collections

We were the first private sector bank to be appointed by the government of India to collect direct taxes. In fiscal 2013, we collected Rs. 1,225 billion of direct taxes for the government of India. We are also appointed to collect sales, excise and service tax within certain jurisdictions in India. In fiscal 2013, we collected over Rs.583 billion of such indirect taxes for the government of India and relevant state governments. We earn a fee from each tax collection and benefit from the cash float. We hope to expand our range of transactional services by providing more services to government entities.

Treasury

Our treasury group manages our balance sheet, including our maintenance of reserve requirements and the management of market and liquidity risk. Our treasury group also provides advice and execution services to our corporate and institutional customers with respect to their foreign exchange and derivatives transactions. In addition, our treasury group seeks to optimize profits from our proprietary trading, which is principally concentrated on Indian government securities.

Our client-based activities consist primarily of advising corporate and institutional customers and transacting spot and forward foreign exchange contracts and derivatives. Our primary customers are multinational corporations, large and medium sized domestic corporations, financial institutions, banks and public sector undertakings. We also advise and enter into foreign exchange contracts with some small companies and non-resident Indians.

The following describes our activities in the foreign exchange and derivatives markets, domestic money markets and debt securities desk and equities market. See also Risk Management for a discussion of our management of market risk.

Foreign Exchange and Derivatives

We enter into forward exchange contracts, currency options, forward rate agreements, currency swaps and rupee interest rate swaps with inter-bank participants, similar to our Wholesale Banking business, where we enter into such transactions with our customers. To support our clients activities, we are an active participant in the Indian inter-bank foreign exchange market. We also trade, to a more limited extent, for our own account. We also engage in proprietary trades of rupee-based interest rate swaps and use them as part of our asset liability management. 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 in one currency against another currency and exchange of principal amounts at maturity based on predetermined rates. Rupee interest rate swaps are commitments to exchange fixed and floating rate cash flows in rupees. A forward rate agreement gives the buyer the ability to determine the underlying rate of interest for a specified period commencing on a specified future date (the settlement date) when the settlement amount is determined being the difference between the contracted rate and the market rate on the settlement date. Currency options give the buyer, the right but not an obligation, to buy or sell specified amounts of currency at agreed rates of exchange on or before a specified future date.

The following table presents the aggregate notional principal amounts of our outstanding foreign exchange and derivative inter-bank contracts as of March 31, 2011, 2012 and 2013, together with the fair values on each reporting date:

	As of March 31,							
	2011		2012		2013		2013	
	Notional	Fair Value	Notional	Fair Value	Notional	Fair Value	Notional	Fair Value
	(In millions)							
Interest rate swaps and forward rate agreements	Rs. 1,877,858.9	Rs. (2,449.3)	Rs. 1,952,713.1	Rs. (2,114.6)	Rs. 1,708,376.9	Rs. (2,274.6)	US$ 31,334.9	US$ (41.7)
Forward exchange contracts, currency swaps, currency options and interest rate caps and floors	Rs. 2,946,160.8	Rs. 2,002.7	Rs. 5,489,502.9	Rs. 2,465.8	Rs. 4,179,952.9	Rs. 1,099.5	US$ 76,668.2	US$ 20.2

Domestic Money Market and Debt Securities Desk

Our principal activity in the domestic money market and debt securities market is to ensure that we comply with our reserve requirements. These consist of a cash reserve ratio, which we meet by maintaining balances with the RBI, and a statutory liquidity ratio, which we meet by purchasing Indian government securities. See also Supervision and Regulation Legal Reserve Requirements . Our local currency desk primarily trades Indian government securities for our own account. We also participate in the inter-bank call deposit market and engage in limited trading of other debt instruments.

Equities Market

We trade a limited amount of equities of Indian companies for our own account. As of March 31, 2013, we had an internal approved limit of Rs 400 million for secondary market purchases and Rs.100 million for primary purchases of equity investments for proprietary trading and our exposure as of March 31, 2013 was within the said limits. We set limits on the amount invested in any individual company as well as stop-loss limits.

Distribution Channels

We deliver our products and services through a variety of distribution channels, including branches, ATMs, telephone and mobile telephone banking and internet banking.

Branches

As of March 31, 2013, we had an aggregate of 3,062 branches covering 1845 cities/ towns. The increase in branch network during the year included 193 micro branches which are primarily two or three member branches set up to enhance penetration in rural markets, including in unbanked areas. All of our branches are electronically linked so that our customers can access their accounts from any branch regardless of where they have their accounts.

Almost all of our branches focus exclusively on providing retail services and products, though a few also provide wholesale banking services. The range of products and services available at each branch depends in part on the size and location of the branch. We offer various banking services to our customers through our arrangements with correspondent banks and exchange houses in overseas locations.

As part of its branch licensing conditions, the RBI requires that at least 25% of all incremental branches added during the year must be located in unbanked rural areas. A rural area is defined as a center with a population of less than 10,000 (based on 2001 census conducted by the government of India). As of March 31, 2013, 504 of our branches were in rural areas. The RBI has given a general permission to Scheduled Commercial Banks to open branches in locations having a population lower than 100,000 and in the case of the north eastern states of India including the state of Sikkim without having the need to obtain prior approvals. Such banks are required to report complete details of the branches opened pursuant to such general permission. We offer various banking services to our customers through our arrangements with correspondent banks and exchange houses in overseas locations.

We have representative offices in the United Arab Emirates and Kenya and have a wholesale banking branch in Bahrain. We have a full service banking branch in Hong Kong. Through this branch, we provide services to Indian corporates and their affiliates to cater to their international banking requirements, as well as to retail customers.

Automated Teller Machines

As of March 31, 2013, we had a total of 10,743 ATMs, of which 4,344 were located at our branches or extension counters and 6,399 were located off site, including at large residential developments, or on major roads in metropolitan areas.

Customers can use our ATMs for a variety of functions, including withdrawing cash, monitoring bank balances, depositing cash / checks and paying utility bills. Customers can access their accounts from any of the HDFC Bank ATMs or non-HDFC Bank ATMs. ATM cards issued by other banks in the Plus, Cirrus and Amex networks can be used in our ATMs and we receive a fee for each transaction. Our debit cards can be used on ATMs of other banks while our ATM cards can be used on most of the ATM networks.

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Telephone Banking

We provide telephone banking services to our customers in 1,843 cities/ towns. Customers can access their accounts over the phone through our 24-hour automated voice response system and can order check books, conduct balance inquiries and order stop payments on checks. In select cities, customers can also engage in financial transactions (such as cash transfers, opening deposits and ordering demand drafts). In certain cities, we also have staff available during select hours to assist customers who want to speak directly to one of our telephone bankers.

Mobile Telephone Banking

Using our mobile banking platform, customers can perform enquiry based non-financial transactions such as balance enquiries, requests for account statements and requests for mini-statements of their transactions etc. We offer our customers the ability to carry out financial transactions from their mobile phone using ngpay . Customers can carry out financial transactions, such as transferring funds within and outside the Bank and mobile commerce using their HDFC Bank account by downloading this application on their mobile phones.

Internet Banking

Through our net banking channel, customers can access account information, track transactions, order check books, request stop check payments, transfer funds between accounts and to third parties who maintain accounts with us, open fixed deposits, give instructions for the purchase and sale of units in mutual funds, pay bills and make demand draft requests. We encourage use of our internet banking service by offering some key services for free or at a lower cost.

Risk Management

Risk is inherent in our business and sound risk management is critical to our success. The major types of risk we face are credit risk, market risk, liquidity risk, interest rate risk and operational risk. We have developed and implemented comprehensive policies and procedures to identify, assess, monitor and manage our risk.

Credit Risk

Credit risk is the possibility of loss due to the failure of any counterparty to abide by the terms and conditions of any financial contract with us. We identify and manage this risk through (a) our target market definitions, (b) our credit approval process, (c) our post-disbursement monitoring and (d) our remedial management procedures.

Wholesale Credit Risk

The wholesale credit risk team, within the Credit & Market Risk Group, is primarily responsible for implementing the credit risk strategy approved by the Board, developing procedures and systems for managing credit risk, carrying out an independent assessment of credit risk, approving individual credit exposures and ensuring portfolio composition and quality. In addition to the credit approval process, there is also an independent framework for the review and approval of credit ratings.

For our wholesale banking products, we target leading private businesses and public sector enterprises in the country, subsidiaries of multinational corporations and leaders in the Small and Medium Enterprises (SME) segment. We also have product specific offerings for entities engaged in the capital markets and commodities businesses.

We consider credit risk of counter-party comprehensively, and thus, our credit policies and procedures apply to not only credit exposures but also credit substitutes and contingent exposures. Our Credit Policies & Procedure Manual and Credit Program, (Credit Policies) are central in controlling credit risk in various activities and products. These articulate our credit risk strategy and thereby the approach for credit origination, approval and maintenance. The Credit Policies generally address such areas as target markets, portfolio mix, prudential exposure ceilings, concentration limits, price and non-price terms, structure of limits, approval authorities, exception reporting system, prudential accounting and provisioning norms. Each credit is evaluated by the business units against the credit standards prescribed in our Credit Policies. They are then subjected to a greater degree of risk analysis based on product type and customer profile by credit risk specialists in the Credit & Market Risk Group.

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We have in place a process of risk grading each borrower according to its financial health and the performance of its business and each borrower is graded on an alphanumeric rating scale of HDB 1 to HDB 10 (HDB 1 indicating the best and HDB 10 the worst rating; HDB 1 to HDB 7 are investment grade ratings while HDB 8 or worse are non-investment grade ratings). We have specific models applicable to each significant segment of wholesale credit (e.g. large corporate, SME manufacturing, SME Services and NBFCs). Each model assesses the overall risk over four major categories industry risk, business risk, management risk and financial risk. The aggregate weighted score based on the assessment under each of these four risk categories, correspond to a specific alphanumeric rating.

Based on what we believe is an adequately comprehensive risk assessment, credit exposure limits are set on individual counterparties. These limits take into account the overall potential exposure on the counterparty, be it on balance sheet or off balance sheet, across the banking book and the trading book, including foreign exchange and derivatives exposures. These are reviewed in detail at annual or more frequent intervals.

We do not extend credit on the judgment of one officer alone. Our credit approval process is based on a three approval system that combines credit approval authorities and discretionary powers. The required three approvals are provided by credit approvers who derive their authority from their credit skills and experience. The level for approval of a credit varies depending upon the grading of the borrower, the quantum of facilities required and whether we have been dealing with the customer by providing credit facilities in the past. Thus, initial approvals would typically require a higher level of approval for a borrower with the same grading and for sanctioning the same facility.

To ensure adequate diversification of risk, concentration limits have been set up in terms of:

a) *Borrower / business group*: Exposure to a borrower/business group is subject to the general ceilings established by the RBI from time to time, or specific approval by RBI. The exposure-ceiling limit for a single borrower is 15% of a bank s capital funds. This limit may be exceeded by an additional 5% (i.e. up to 20%) provided the additional credit exposure is on account of lending to infrastructure projects. The exposure-ceiling limit in the case of a borrower group is 40% of the bank s capital funds. This limit may be exceeded by an additional 10% (i.e. up to 50%) provided the additional credit exposure is on account of extensions of credit for infrastructure projects. In addition to the above exposure limit, a bank may, in exceptional circumstances, with the approval of its board, consider increasing its exposure to a borrower up to an additional 5% of its capital funds. For certain blue chip clients and reputed groups or in particular for entities whose borrowings / bonds qualify as Priority Sector Lending, a bank may approach the RBI for single/group borrower ceilings higher than the prescribed limits. Exposures (both lending and investment, including off balance sheet exposures) of a bank to a single Non-Banking Finance Company (NBFC) / NBFC Asset Financing Company (AFC) / NBFC Infrastructure Finance Company (IFC) should not exceed 10%, 15% and 15% respectively of the bank s capital funds. The bank may, however, assume exposures on a single NBFC /NBFC-AFC /NBFC-IFC, up to 15%, 20% and 20% respectively, of its capital funds, provided the exposure in excess of 10%, 15% and 15% specified earlier is on account of funds on-lent by the NBFC /NBFC-AFC / NBFC-IFC to the infrastructure sector.

b) *Industry*: Exposure to any one industry cannot exceed 12% of aggregate exposures for this purpose advances and investments as well as non-fund based exposures are aggregated. Retail advances are exempt from such ceiling. Further, exposure to banks and state sponsored financial institutions is capped at a level of 25%.

c) *Risk grading*: In addition to the alphanumeric rating scale described above, we have set quantitative ceilings on aggregate funded plus non-funded exposure (excluding retail assets) specific to each risk rating category.

While we primarily make our credit decisions on a cash flow basis, we also obtain security for a significant portion of credit facilities extended by us as a second potential remedy. This can take the form of a floating charge on the movable assets of the borrower or a (first or residual) charge on the fixed assets and properties owned by the borrower. We may also require guarantees and letters of support from the flagship companies of the group in cases where facilities are granted based on our comfort level or relationship with the parent company.

We have a process for regular monitoring of all accounts at several levels. These include periodic calls on the customer, plant visits, credit reviews and monitoring of secondary data. These are designed to detect any early warning signals of deterioration in credit quality so that we can take timely corrective action.

The RBI restricts us from lending to companies with which we have any directors in common. Also, the RBI directs a portion of our lending to certain specified sectors (Priority Sector Lending). See Supervision and Regulation Regulations Relating to Making Loans Directed Lending .

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Retail Credit Risk

We offer a range of retail products, such as auto loans, personal loans, credit cards, business banking, two-wheeler loans, loans against securities, commercial vehicle loans. Our retail credit policy and approval process are designed for the fact that we have high volumes of relatively homogeneous, small value transactions in retail loans. There are product programs for each of these products, which define the target markets, credit philosophy and process, detailed underwriting criteria for evaluating individual credits, exception reporting systems and individual loan exposure caps.

For individual customers to be eligible for a loan, minimum credit parameters, so defined, are to be met for each product. Any deviations need to be approved at the designated levels. The product parameters have been selected based on the perceived risk characteristics specific to the product. The quantitative parameters considered include income, residence stability, the nature of the employment/business, while the qualitative parameters include accessibility, contactability and profile. Our credit policies/product programs are based on a statistical analysis of our own experience and industry data, in combination with the judgment of our senior officers.

The retail credit risk team manages credit risk in retail assets and has the following constituents:

(a) Central Risk Unit: The central risk unit drives credit risk management centrally for retail assets. It is responsible for formulating policies and evaluates proposals for launch of new products and new geographies. The central risk unit also conducts periodic reviews that cover portfolio management information system (MIS), credit MIS and post-approval reviews. The product risk teams conduct detailed studies on portfolio performance in each customer segment.

(b) Retail Underwriting: This unit is primarily responsible for approving individual credit exposures and ensuring portfolio composition and quality. The unit ensures implementation of all policies/procedures, as applicable.

(c) Risk Intelligence and Control: This unit is responsible for sampling of documents to ensure prospective borrowers with fraudulent intent are prevented from availing themselves of loans. The unit initiates market reference checks to avoid recurrence of frauds and financial losses.

(d) Retail Collections Unit: This unit is responsible for remedial management of problem exposures in retail assets. The collections unit uses specific strategies for various segments and products for remedial management.

We mine data on our borrower account behavior as well as static data regularly to monitor the portfolio performance of each product segment regularly, and use these as inputs in revising our product programs, target market definitions and credit assessment criteria to meet our twin objectives of combining volume growth and maintenance of asset quality.

Our retail loans are generally secured by a charge on the asset financed (vehicle loans, property loans and loans against gold and securities). Retail business banking loans are secured with current assets as well as immovable property and fixed assets in some cases. However, collateral securing each individual loan may not be adequate in relation to the value of the loan. If the customer fails to pay, we would, as applicable, liquidate collateral and/or set off accounts. In most cases we obtain direct debit instructions or post-dated checks from the customer. It is a criminal offence in India to issue a bad check.

Market Risk

Market risk refers to the potential loss on account of adverse changes in market variables or other risk factors which affect the value of financial instruments which we hold. The financial instruments may include investment in securities and money market instruments, including equities, bonds, foreign exchange products and derivative instruments (linear as well as non-linear products).

The market variables which affect the valuation of these instruments typically include interest rates, equity prices, commodity prices, exchange rates and volatilities. Any change in the relevant market risk variable has an adverse or favorable impact on the valuation depending on the direction of the change and the type of position held (long or short). While the positions are taken with a view to earning from the upside potential, there is always a possibility of downside risk. Thus, we have to constantly review the positions to ensure that the risk on account of such positions is within our overall risk appetite. Our risk appetite is set through a pre-approved Treasury limit, Equity limit, Counterparty Exposure limit and Asset Liability Management (ALM) limit. The process for monitoring and review of risk exposure is outlined in the various risk policies.

Our Board of Directors has delegated the responsibility for ongoing balance sheet market risk management to the asset liability committee. This committee, which is chaired by the Managing Director and includes the heads of the business groups, meets every other week and more often when conditions require. The committee reviews the product pricing for deposits and assets as well as the maturity profile and mix of our assets and liabilities. It articulates the interest rate view and decides on future business strategy with respect to interest rates. It reviews and sets funding policy and also reviews developments in the markets and the economy and their impact on the balance sheet and business. Finally, it ensures adherence to ALM market risk limits and decides on the inter-segment transfer pricing policy.

The market risk department formulates procedures for portfolio risk valuation, assesses market risk factors and recommends various market risk controls and limits for the treasury portfolio. The treasury mid-office is responsible for monitoring and reporting market risks arising from the treasury desks. The financial control department is responsible for collecting data, preparing regulatory and analytical reports and monitoring whether the interest rate and other policies and limits established by the asset liability committee are being observed. Our treasury group also assists in implementing our asset liability strategy and in providing information to the asset liability committee.

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Policies and Procedures

The following sections briefly describe our policies and procedures with respect to trading risk (price risk) and asset liability management risk (interest rate risk in the banking book and liquidity risk).

I. Trading Risk

Trading risk is the risk arising from price fluctuations due to market factors, such as changes in interest rates, equity prices, commodity prices, exchange rates and the variations in their implied volatilities in respect of the trading portfolio held by the Bank. The trading portfolio includes holdings in the held-for-trading and available for-sale-portfolios, as per the RBI guidelines and comprise of positions in bonds, securities, interest rate swaps, cross currency interest rate swaps and currency options.

The trading risk is managed by putting in place a sound process for price validation and by setting various limits, such as Value at Risk (VaR), Stop Loss Trigger Limit (SLTL), Price Value per basis point (PV01) and Position Limits, namely, Intraday and Net Overnight Open Position, which are set in the Treasury Limits Package and Equity Limits Package.

The Treasury Limits and Equity Limits are recommended by management for approval to the Board of Directors. The limits are reviewed annually or more frequently depending on market conditions or the introduction of new products.

Trading risk policy sets the framework for market risk monitoring. The risk on account of semi-liquid or illiquid positions in trading is mitigated through the Non-Standard Product policy. The Non-Standard Product Policy stipulates restrictions and requires case specific evaluation of risk exposure in respect of non-standard products (that is products which are not part of the standard product list decided by Treasury and our Market Risk Department).

Price validation is conducted by the Treasury Analytics team, is reviewed by the market risk department and governed by the model validation policy approved by the Board of Directors.

II. Asset Liability Management (ALM)

Our Board of Directors has approved an ALM policy that covers all balance sheet and off-balance sheet items. The policy seeks to define liquidity and interest rate risk in the banking book, the measurement of these risks and their control. Other risks, namely currency risk, commodity price risk and equity price risk are governed by the market risk policy as approved by the Board.

We have interest rate risk and liquidity risk measurement, monitoring and control functions which are sufficiently independent from position-taking functions. Our ALM risk management process operates in the following hierarchical manner:

a) The Board of Directors

b) The Risk Policy & Monitoring Committee (RPMC)

c) The Asset Liability Committee (ALCO)

d) ALM operational groups

A. Interest Rate Risk in the Banking Book (IRRBB)

IRRBB, or non-trading interest rate risk, arises from the provision of retail and wholesale (non-trading) banking products and services, when the interest rate repricing date for assets is different from the repricing date for liabilities. This includes balance sheet items which do not have a defined maturity date and an interest rate that does not change when the base rate changes.

Interest rate risk in the banking book is measured and controlled using both income metrics (Earnings at Risk) and present value metrics (Economic Value of Equity). Earnings at Risk (EaR), measures the sensitivity of net interest income over the next 12 months. It is calculated as the difference between the estimated income using the current yield curve and the lowest estimated income following an increase/decrease in interest rates. Economic Value of Equity (EVE) calculates the change in the present value of the banking book following an upward/downward interest rate shock. This calculation is equivalent to EaR except that EVE is a present value sensitivity, while EaR is a measure of income sensitivity. We undertake periodic stress testing for our banking book based on stress scenarios. This provides a measure to assess our financial resilience from extreme but plausible interest rate fluctuations.

B. Liquidity Risk Management

We monitor our liquidity positions on a daily basis using the statement of structural liquidity prepared according to RBI s prescribed format. We assess the level and outlook of liquidity risk using early warning indicators derived from our portfolio and market data. Additionally, we conduct stress tests to assess the impact on our liquidity position under plausible stress scenarios.

We consider the full range of legal and regulatory restrictions on the availability of liquidity support. We also take into consideration the circumstances in which we may be obliged to transfer liquidity resources to other entities in our group. Our aim is to ensure that our funding sources are well diversified such that we are not prone to funding liquidity risks in the event of one or more of our funding resources being withdrawn. We maintain diversified and stable sources of funding, such as deposits, money market borrowings and bond issuances.

Operational Risk

Our operational risk framework has been reviewed by risk and control teams. Key aspects of effective operational risk management include identification, assessment, review, control and reporting of key operational risks.

Process and Measurement

Some of the key principles of our operational risk management strategy include segregation of functions, clear reporting guidelines, well defined processes, operating manuals and job cards, transaction verification and authorization, distributed processing, staff training and a strong management team with experience in diverse fields. We are in the process of implementing various principles and guidelines laid out in respect of operational risk management by the Basel Committee on Banking Supervision in the Basel II guidelines and by RBI in its circulars and guidance note on operational risk and advance measurement approach guidelines. Our operational risk management committee oversees implementation of sound operational risk management framework. We have a robust process of reporting operational losses and issues relating to operational risk, wherein the relevant areas are quickly reviewed and any gap suitably addressed. This is further being enhanced with a framework that has integrated capabilities to monitor losses, evaluate operational key risk indicators and qualitatively evaluate risk-control environments among other sound principles and practices.

We have robust information technology with disaster recovery capability for critical components apart from having an integrated Business Continuity Planning (BCP) initiative for business operations of the Bank. A BCP committee oversees strategy and implementation of our disaster and business continuity framework of the Bank. We also have an Information Security Committee which oversees strategy and implementation of information security policies and procedures for the Bank.

Risk Reporting

As a part of the Bank s overall operational risk management strategy, there is a clear line of reporting at every function which facilitates reporting and monitoring of operational risk events. Further, measurement and reporting is also achieved through various management information systems attached with each operational process which are generated and monitored regularly.

Mitigation

We manage our various operational risks by adopting, what we believe are, best practices in business processes through checks and balances, embedding monitoring and control mechanisms as a part of day-to-day operations and having an effective internal audit process. Various operational risk exposures are monitored regularly and reviewed periodically by us to ensure effective implementation. Control and mitigation guidelines are part of our various product, process operation manual and documents. We cover risk on account of natural disasters through appropriate insurance.

Operational Risk Capital

We are currently following the Basic Indicator Approach for operational risk capital assessment as mandated by the RBI.

Competition

We face strong competition in all of our principal lines of business. Our primary competitors are large public sector banks, other private sector banks, foreign banks and, in some product areas, non-banking financial institutions. In February 2013, the RBI issued guidelines for the entry of new banks in the private sector, including eligibility criteria, capital requirements, shareholding structure, business plan and corporate governance practices. The RBI has received 26 applications for new bank licenses, including some of India s largest business groups.

Retail Banking

In retail banking, our principal competitors are the large public sector banks, which have much larger deposit bases and branch networks than ours, other new generation private sector banks, old generation private sector banks, foreign banks and non-banking finance companies in the case of retail loan products. The retail deposit share of foreign banks is quite small by comparison to the public sector banks. However, some of the foreign banks have a significant presence among non-resident Indians and also compete for non-branch-based products.

In mutual fund sales and other investment related products, our principal competitors are brokers, foreign banks and new private sector banks.

Wholesale Banking

Our principal competitors in wholesale banking are public and new private sector banks as well as foreign banks. The large public sector banks have traditionally been the market leaders in commercial lending. Foreign banks have focused primarily on serving the needs of multinational companies and Indian corporations with cross-border financing requirements including trade and transactional services and foreign exchange products and derivatives, while the large public sector banks have extensive branch networks and large local currency funding capabilities.

Treasury

In our treasury advisory services for corporate clients, we compete principally with foreign banks in foreign exchange and derivatives, as well as public sector banks and new private sector banks in the foreign exchange and money markets business.

Employees

The number of our employees has increased to 69,065 as of March 31, 2013 as compared to 66,076 as of March 31, 2012. Most of our employees are located in India. We consider our relations with our employees to be good. Further to the acquisition of CBoP, a few employees of CBoP continue to be part of a labor union. These employees represent less than 1% of our total employee strength.

Our compensation structure has fixed as well as variable pay components. Our variable pay is paid out by way of sales incentives as well as performance linked bonuses.

In addition to basic compensation, employees are eligible to participate in our provident fund and other employee benefit plans. The provident fund, to which both we and our employees contribute, is a savings scheme, required by government regulation, under which the fund is required to pay to employees a minimum annual return, which at present is 8.5%. If such return is not generated internally by the fund, we are liable for the difference. Our provident fund has generated sufficient funds internally to meet the annual return requirement since inception of the fund. We have also set up a superannuation fund to which we contribute defined amounts. We also contribute specified amounts to a pension fund in respect of certain of our erstwhile CBoP employees. In addition, we contribute specified amounts to a gratuity fund set up pursuant to Indian statutory requirements.

We focus on training our employees on a continuous basis. We have a training center in Mumbai, where we conduct regular training programs for our employees. Management and executive trainees generally undergo up to eight-week training modules covering most aspects of banking. We offer courses conducted by both internal and external faculty. In addition to ongoing on-the-job training, we provide employees courses in specific areas or specialized operations on an as-needed basis.

Properties

Our registered office and corporate headquarters is located at HDFC Bank House, Senapati Bapat Marg, Lower Parel, Mumbai 400 013, India. In addition to the corporate office, we have administrative offices in most of the metros and some other major cities in India.

As of March 31, 2013, we had a network consisting of 3,062 branches and 10,743 ATMs, including 6,399 at non-branch locations. These facilities are located throughout India with the exception of two branches which are located in Bahrain and Hong Kong.

Legal Proceedings

We are involved in a number of legal proceedings in the ordinary course of our business. However, there are currently no legal proceedings, which if adversely determined, might affect our financial condition or the results of our operations materially.

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RISK FACTORS

You should carefully consider the following risk factors in evaluating us and our business.

Risks Relating to our Business

If we are unable to manage our rapid growth, our operations may suffer and our performance may decline.

Our asset growth rate has been significantly higher than India s gross domestic product (GDP) growth rate as well as the growth rate of the Indian banking industry over the last three fiscal years. For example, our total advances in the three-year period ended March 31, 2012 grew at a compounded annual growth rate of about 26%, as against slightly over 19% for the Indian banking industry for fiscal 2012. Our total advances in the three-year period ended March 31, 2013 grew at a compounded annual growth rate of about 24%.

Our rapid growth has placed, and if it continues will place, significant demands on our operational, credit, financial and other internal risk controls including:

- recruiting, training and retaining sufficient skilled personnel;
- upgrading and expanding our technology platform;
- developing and improving our products and delivery channels;
- preserving our asset quality as our geographical presence increases and customer profile changes;
- complying with regulatory requirements such as the Know Your Customer (KYC) norms; and
- maintaining high levels of customer satisfaction.

The growth in our business is partly attributable to the expansion of our branch network. As at March 31, 2008, we had a branch network comprised of 761 branches, which increased to 3,062 as at March 31, 2013. We need to seek permission from the RBI before we can open a branch in locations with a population greater than 100,000. This permission, among other factors, is dependent on the number of branches that we have opened in under-banked or un-banked areas of the country as well as in centers with a population below 100,000. Additionally, the RBI considers our performance in the areas of priority sector lending, financial inclusion and customer service. If we are unable to perform in a manner satisfactory to the RBI in any of the above areas, it may have an impact on the number of branches we will be able to open and would in turn have an impact on our future growth.

If we fail to properly manage our rapid growth, our operations would suffer and our performance as a whole would be materially adversely affected.

Our business is particularly vulnerable to interest rate risk and volatility in interest rates could adversely affect our net interest margin, the value of our fixed income portfolio, our treasury income and our financial performance.

Our results of operations depend to a great extent on our net interest revenue. During fiscal 2013, net interest revenue after allowances for credit losses represented 68.9% of our net revenue. Changes in market interest rates affect the interest rates charged on our interest-earning assets differently from the interest rates paid on our interest-bearing liabilities and also affect the value of our investments. An increase in interest rates could result in an increase in interest expense relative to interest revenue if we are not able to increase the rates charged on our loans, which would lead to a reduction in our net interest revenue and net interest margin. Further, an increase in interest rates could negatively affect demand for our loans and credit substitutes and we may not be able to achieve our volume growth, which could adversely affect our net income. A decrease in interest rates could result in a decrease in interest revenue relative to interest expense due to the repricing of our loans at a pace faster than the rates we pay on our interest-bearing liabilities. The quantum of the changes in interest rates for our assets and liabilities may also be different.

Interest rates in India have declined during fiscal 2013 as a result of the RBI s monetary policies, receding fiscal slippage and sovereign risk and further liberalization of domestic bond markets. The yield on the Indian government s ten-year bonds was 8.0%, 8.6% and 8.1% as of March 31, 2011, 2012 and 2013 respectively. While the first few months of fiscal 2014 continued to see a decline in interest rates, there was an increase in interest rates in July 2013 as a result of the RBI s monetary policy to restore stability to the Indian rupee in the foreign exchange market. As a result, we may change interest rates in the future. Any volatility in interest rates could also adversely affect our net income. See Selected Statistical Information Analysis of Changes in Interest Revenue and Interest Expense: Volume and Rate and Selected Statistical Information Yields, Spreads and Margins .

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If the level of non-performing loans in our portfolio increases, we will be required to increase our provisions, which would negatively impact our income.

Our gross non-performing loans and impaired credit substitutes represented 0.8% of our gross customer assets as of March 31, 2013. Our non-performing loans and impaired credit substitutes net of specific loan loss provisions represented 0.2% of our net customer assets portfolio as of March 31, 2013. We have restructured the payment terms of certain loans. As of March 31, 2013 these represented 0.1% of our gross customer assets. Our management of credit risk involves having appropriate credit policies, underwriting standards, approval processes, loan portfolio monitoring, remedial management and overall architecture for managing credit risk. In the case of our secured loan portfolio, the frequency of the valuation of collateral may vary based on the nature of the loan and the type of collateral. A decline in the value of collateral or an inappropriate collateral valuation increases the risk in the secured loan portfolio because of inadequate coverage of collateral. As of March 31, 2013, approximately 77% of our loan book was partially or fully secured by collateral. Our risk mitigation and risk monitoring techniques may not be accurate or appropriately implemented and we may not be able to anticipate future economic and financial events, leading to an increase in our non-performing loans. See note 10 Loans in our consolidated financial statements.

Provisions are created by a charge to expense, and represent our estimate for loan losses and risks inherent in the credit portfolio. See Selected Statistical Information Non-Performing Loans . The determination of an appropriate level of loan losses and provisions required inherently involves a degree of subjectivity and requires that we make estimates of current credit risks and future trends, all of which may undergo material changes. Our provisions may not be adequate to cover any further increase in the amount of non-performing loans or any further deterioration in our non-performing loan portfolio. In addition, we are a relatively young bank operating in a growing economy and we have yet not experienced a significant and prolonged downturn in the economy.

A number of factors outside of our control affect our ability to control and reduce non-performing loans. These factors include developments in the Indian economy, domestic or global turmoil, global competition, changes in interest rates and exchange rates and changes in regulations, including with respect to regulations requiring us to lend to certain sectors identified by the RBI, or the Government of India. These factors coupled with other factors such as volatility in commodity markets and declining business and consumer confidence and decreases in business and consumer spending could impact the operations of our customers and in turn impact their ability to fulfill their obligations under the loans granted to them by us. In addition, the expansion of our business may cause our non-performing loans to increase and the overall quality of our loan portfolio to deteriorate. If our non-performing loans increase, we will be required to increase our provisions, which would result in our net income being less than it otherwise would be and would adversely affect our financial condition.

We have high concentrations of exposures to certain customers and sectors and if any of these exposures were to become non-performing, the quality of our portfolio could be adversely affected and our ability to meet capital requirements could be jeopardized.

We calculate customer and industry exposure (i.e. the loss we will incur due to the downfall of a customer or an industry) in accordance with the policies established by RBI, computed based on our Indian GAAP financial statements. In the case of customer exposures, we aggregate the higher of the outstanding balances of, or limits on, funded and non-funded exposures. Funded exposures include loans and investments (excluding investments in government securities, units of mutual funds, deposit certificates issued by banks and equity shares). As of March 31, 2013, our largest single customer exposure was Rs. 107.1 billion, representing 23.6% of our capital funds valuation, and our ten largest customer exposures totaled Rs. 455.2 billion, representing 100.2% of our capital funds valuation, in each case computed in accordance with RBI guidelines. None of our ten largest customer exposures were classified as non-performing as on March 31, 2013. However, if any of our ten largest customer exposures were to become non-performing, our net income would decline and, due to the magnitude of the exposures, our ability to meet capital requirements could be jeopardized. See Management s Discussion and Analysis of Financial Condition and Results of Operations for a detailed discussion on customer exposures. As of March 31, 2013, our largest industry concentrations, in each case based on RBI guidelines, were as follows: banks and financial institutions 5.9%, wholesale trade 6.9% and land transport 5.1%. In addition, as of March 31, 2013, 37.5% of the concentration of our exposures was retail (except where otherwise included in the above classification). Industry-specific difficulties in these or other sectors may increase our level of non-performing customer assets. If we experience a downturn in an industry in which we have concentrated exposure, our net income will likely decline significantly and our financial condition may be materially adversely affected. As of March 31, 2013, our total non-performing loans and credit substitutes in accordance with US GAAP were concentrated in the following industries: land transport (6.2)%, NBFC/financial intermediaries (5.3%), textiles and garments (4.3%), wholesale trade (3.8%) and information technology (2.9%).

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We are required to undertake directed lending under RBI guidelines. Consequently, we may experience a higher level of non-performing assets in our directed lending portfolio, which could adversely impact the quality of our loan portfolio, our business and the price of our equity shares and ADSs. Further, in the case of any shortfall in complying with these requirements, we may be required to invest in deposits of Indian development banks as directed by the RBI. These deposits yield low returns, thereby impacting our profitability.

The RBI prescribes guidelines on priority sector lending in India. Under these guidelines banks in India are required to lend 40.0% of their adjusted net bank credit (ANBC) or the credit equivalent amount of off-balance sheet exposures (CEOBE), whichever is higher, as defined by the RBI and computed in accordance with Indian GAAP figures to certain eligible sectors categorized as priority sectors. The priority sector requirements must be met as of March 31 of the fiscal year with reference to the higher of the ANBC and the CEOBE of the previous fiscal year. Of the total priority sector advances, agricultural advances are required to be 18.0% of ANBC or CEOBE, whichever is higher, and of this, indirect lending in excess of 4.5% of ANBC or CEOBE, whichever is higher, is not taken into consideration for computing achievement of the 18.0% target. However, all agricultural loans under the categories direct and indirect are taken into consideration for computing achievement of the overall priority sector target of 40.0%. Advances to sections termed weaker by the RBI are required to be 10.0% of ANBC or CEOBE, whichever is higher. The balance of the priority sector lending requirement can be met by lending directly or indirectly to a range of sectors, including small businesses and residential mortgages satisfying certain criteria.

In the case of non-achievement of priority sector lending targets, we are required to invest in deposits of Indian development banks, such as the National Bank of Agriculture and Rural Development and the Small Industries Development Bank of India, as may be directed by the RBI. The amount to be deposited, interest rates on such deposits and periods of deposits, and other terms, are determined by the RBI from time to time. The interest rates on such deposits may be lower than the interest rates which the Bank would have obtained by investing these funds at its discretion. Additionally, as per RBI guidelines, non-achievement of priority sector targets and sub-targets will be taken into account by RBI when granting regulatory clearances/approvals for various purposes.

We may experience a higher level of non-performing assets in our directed lending portfolio, particularly in loans to the agricultural sector, small enterprises and weaker sections, where we are less able to control the portfolio quality and where economic difficulties are likely to affect our borrowers more severely. Our gross non-performing assets in the directed lending sector as a percentage to gross loans were 0.3% as of March 31, 2013 (as compared to 0.4% and 0.3% as of March 31, 2012 and March 31, 2011, respectively)

Future changes by the RBI in the directed lending norms may result in our inability to meet the priority sector lending requirements as well as require us to increase our lending to relatively more risky segments and may result in an increase in non-performing loans.

We may be unable to foreclose on collateral in a timely fashion or at all when borrowers default on their obligations to us, or the value of collateral may decrease, any of which may result in failure to recover the expected value of collateral security, increased losses and a decline in net income.

Although we typically lend on a cash-flow basis, many of our loans are secured by collateral, which consists of liens on inventory, receivables and other current assets, and in some cases, charges on fixed assets, such as property, movable assets (such as vehicles) and financial assets (such as marketable securities). As of March 31, 2013, approximately 77% of our loans were partially or fully secured by collateral. We may not be able to realize the full value of the collateral, due to, among other things, stock market volatility, changes in economic policies of the Indian government, obstacles and delays in legal proceedings, borrowers and guarantors not being traceable, the Bank s records of borrowers and guarantors addresses being ambiguous or outdated and defects in the perfection of collateral and fraudulent transfers by borrowers. In the event that a specialized regulatory agency gains jurisdiction over the borrower, creditor actions can be further delayed. In addition, the value of collateral may be less than we expect or may decline. For example, the global economic slowdown and other domestic factors had led to a downturn in real estate prices in India. If we are unable to foreclose on our collateral or realize adequate value, our losses will increase and our net income will decline. In addition, if a company becomes a sick unit (as defined under Indian law, which provides for a unit to be so categorized based on the extent of its accumulated losses relative to its stockholders equity), foreclosure and enforceability of collateral is stayed. The RBI has set forth guidelines on Corporate Debt Restructuring (CDR) via the corporate debt restructuring cell. The guidelines envisage that for debt amounts of Rs. 0.1 billion and above, 60% of the creditors by number, in addition to 75% of creditors by value, can decide to restructure the debt and such a decision would be binding on the remaining creditors. In situations where we own 20% or less of the debt of a borrower, we could be forced to agree to an extended restructuring of debt, instead of foreclosure of security or a one-time settlement, which has generally been our practice. See Management s Discussion and Analysis of Financial Condition and Results of Operations Contractual Obligations and Commercial Commitments Commercial Commitments .

Our success depends in large part upon our management team and skilled personnel and our ability to attract and retain such persons.

We are highly dependent on our management team, including the efforts of our Chairman, our Managing Director, our Executive Directors and members of our senior management. Our future performance is dependent on the continued service of these persons. We also face a continuing challenge to recruit and retain a sufficient number of skilled personnel, particularly if we continue to grow. Competition for management and other skilled personnel in our industry is intense, and we may not be able to attract and retain the personnel we need in the future. The loss of key personnel may restrict our ability to grow and consequently have a material adverse impact on our results of operations and financial position.

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Our unsecured loan portfolio is not supported by any collateral that could help ensure repayment of the loan, and in the event of non-payment by a borrower of one of these loans, we may be unable to collect the unpaid balance.

We offer unsecured personal loans and credit cards to the retail customer segment, including salaried individuals and self-employed professionals. In addition, we offer unsecured loans to small businesses and individual businessmen. Unsecured loans are a greater credit risk for us than our secured loan portfolio because they may not be supported by realizable collateral that could help ensure an adequate source of repayment for the loan. Although we normally obtain direct debit instructions or postdated checks from our customers for our unsecured loan products, we may be unable to collect in part or at all in the event of non-payment by a borrower. Further, any expansion in our unsecured loan portfolio could require us to increase our provision for credit losses, which would decrease our earnings. Also see Business Retail Banking Retail Loans and Other Asset Products .

In order to support and grow our business, we must maintain a minimum capital adequacy ratio, and a lack of access to the capital markets may prevent us from maintaining an adequate ratio.

The RBI requires a minimum capital adequacy ratio of 9% of our total risk-weighted assets. We adopted the Basel II framework as of March 31, 2009. Our capital adequacy ratio, calculated in accordance with Indian GAAP, was 16.8% as of March 31, 2013 as per Basel II (as compared to 16.5% and 16.2% as of March 31, 2012 and March 31, 2011, respectively). Our ability to support and grow our business would be limited by a declining capital adequacy ratio. While we anticipate accessing the capital markets to offset declines in our capital adequacy ratio, we may be unable to access the markets at the appropriate time or the terms of any such financing may be unattractive due to various reasons attributable to changes in the general environment, including political, legal and economic conditions.

The Basel Committee on Banking Supervision issued a comprehensive reform package entitled Basel III: A global regulatory framework for more resilient banks and banking systems in December 2010. In May 2012, the RBI released guidelines on implementation of Basel III capital regulations in India. The key items covered under these guidelines include: i) improving the quality, consistency and transparency of the capital base; ii) enhancing risk coverage; iii) graded enhancement of the total capital requirement; iv) introduction of capital conservation buffer and countercyclical buffer; and v) supplementing the risk-based capital requirement with a leverage ratio. One of the major changes proposed by the Basel III capital regulations is that the Tier 1 capital will predominantly consist of common equity of the banks which includes common shares, reserves and stock surplus. Innovative instruments and perpetual non-cumulative preference shares will not be considered a part of Common Equity Tier I capital. Basel III also defines criteria for instruments to be included in Tier 2 capital to improve their loss absorbency. The guidelines also set-out criteria for loss absorption through conversion/write-off of all non-common equity regulatory capital instruments at the point of non-viability. The point of non-viability is defined as a trigger event upon the occurrence of which non-common equity Tier 1 and Tier 2 instruments issued by banks in India may be required to be, at the option of the RBI, written off or converted into common equity. The capital requirement including the capital conservation buffer will be 11.5% (against the current requirement of 9%) once these guidelines are fully phased-in. The transitional arrangements began from April 1, 2013 and the guidelines will be fully phased-in and implemented as of March 31, 2018. Our ability to support and grow our business could be adversely affected if we are unable to meet with the revised requirements.

Material changes in Indian banking regulations may adversely affect our business and our future financial performance.

We operate in a highly regulated environment in which the RBI extensively supervises and regulates all banks. Our business could be directly affected by any changes in policies for banks in respect of directed lending, reserve requirements and other areas. For example, the RBI could change its methods of enforcing directed lending standards so as to require more lending to certain sectors, which could require us to change certain aspects of our business. In addition, we could be subject to other changes in laws and regulations, such as those affecting the extent to which we can engage in specific businesses or those that reduce our income through a cap on either fees or interest rates chargeable to our customers or those affecting foreign investment in the banking industry, as well as changes in other governmental policies and enforcement decisions, income tax laws, foreign investment laws and accounting principles. Laws and regulations governing the banking sector may change in the future and any changes may adversely affect our business, our future financial performance and the price of our equity shares and ADSs.

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Our business is highly competitive, which makes it challenging for us to offer competitive prices to retain existing customers and solicit new business, and our strategy depends on our ability to compete effectively.

We face strong competition in all areas of our business, and some of our competitors are much larger than we are. We compete directly with the large public sector banks, which generally have much larger customer, asset and deposit bases, larger branch networks and more capital than we do. These banks are becoming more competitive as they improve their customer services and technology. One of the other private sector banks in India is also larger than we are, based on such measurements. In addition, we compete directly with foreign banks, which include some of the largest multinational financial companies in the world. The economies of scale that our larger competitors benefit from, make it difficult for us to offer competitive pricing on products and services to retain existing customers and attract new customers so that we can execute our growth strategy successfully. In February 2013, the RBI issued guidelines for the entry of new banks in the private sector, including eligibility criteria, capital requirements, shareholding structure, business plan and corporate governance practices. The RBI has received 26 applications for new bank licenses including from some of the largest business groups in India. Further liberalization of the Indian financial sector could lead to a greater presence or new entries of Indian and foreign banks offering a wider range of products and services, which could adversely impact our competitive environment. Due to competitive pressures, we may be unable to successfully execute our growth strategy and offer products and services at reasonable returns and this may adversely impact our business. If we are unable to retain and attract new customers, our revenue and net income will decline, which could materially adversely affect our financial condition. See Business Competition .

Our funding is primarily short-and medium-term and if depositors do not roll over deposited funds upon maturity our net income may decrease.

Most of our funding requirements are met through short-term and medium-term funding sources, primarily in the form of retail deposits. Short-term deposits are those with a maturity not exceeding one year. Medium-term deposits are those with a maturity of greater than one year but not exceeding three years. See Selected Statistical Information Funding . However, a portion of our assets have long-term maturities, which sometimes causes funding mismatches. As of March 31, 2013, about 40% of our loans are expected to mature within the next one year and about 45% of our loans are expected to mature between the next one to three years. As of March 31, 2013, about 30% of our deposits are expected to mature within the next one year and about 43% of our deposits are expected to mature between the next one to three years. In our experience, a substantial portion of our customer deposits has been rolled over upon maturity and has been, over time, a stable source of funding. However, if a substantial number of our depositors do not roll over deposited funds upon maturity, our liquidity position will be adversely affected and we may be required to seek more expensive sources of funding to finance our operations, which would result in a decline in our net income and have a material adverse effect on our financial condition.

Any increase in interest rates would have an adverse effect on the value of our fixed income securities portfolio and could have a material adverse effect on our net income.

Any increase in interest rates would have an adverse effect on the value of our fixed income securities portfolio and could have a material adverse effect on our net revenue. Policy rates were successively increased from February 2010 to March 2012 during which the bout of interest rate tightening in India was faster than many other economies. The RBI raised key policy rates from 5.25% (repo rate) in April 2010 to 8.5% in October 2011. However, key policy rates have been eased since April 2012 from 8.0% (repo rate) to 7.25% in May 2013. In July 2013, the RBI increased the rate for borrowings under its marginal standing facility (introduced by the RBI in fiscal 2012) from 100 basis points to 300 basis points above the repo rate. As a result of certain reserve requirements of the RBI, we are more structurally exposed to interest rate risk than banks in many other countries. See Supervision and Regulation Legal Reserve Requirements . These requirements result in us maintaining (as per extant RBI guidelines currently in force) at least 23% of our liabilities (computed as per guidelines issued by the RBI) in Government issued bonds. We are also required to maintain 4% of our liabilities (computed as per guidelines issued by RBI) by way of a balance with the RBI. We could be adversely impacted by a rise in interest rates, especially if the rise were sudden or sharp. A rise in yields on fixed income securities, including government securities, will impact our profitability. The above requirements would also have a negative impact on our net interest income and net interest margins since interest earned on our investments in government issued securities is generally lower than that earned on our other interest earning assets.

The development of a well entrenched nationwide inter-bank settlement system would adversely impact our cash float and decrease fees we receive in connection with check collection.

Currently, there is no well entrenched nationwide payment system in India, and checks must generally be returned to the city from which they were written in order to be cleared. Because of mail delivery delays and the variation in city-based inter-bank clearing practices, check collections can be slow and unpredictable. Through our electronically linked branch network, correspondent bank arrangements and centralized processing, we effectively provide a nationwide collection and disbursement system for our corporate clients. We enjoy cash float and earn fees from these services. In 2005, the RBI introduced the RTGS inter-bank settlement system which facilitates real time settlements primarily between banks. The development of a robust payments system would have an adverse impact on the cash float and fees we have enjoyed from our cash management services, which could materially adversely affect our financial condition.

We could experience a decline in our revenue generated from activities on the equity markets if there is a prolonged or significant downturn on the Indian stock exchanges, or we may face difficulties in getting regulatory approvals necessary to conduct our business if we fail to meet regulatory limits on capital market exposures.

We provide a variety of services and products to participants involved with the Indian stock exchanges. These include working capital funding and margin guarantees to share brokers, personal loans secured by shares and initial public offering finance for retail customers, stock exchange clearing services, collecting bankers to various public offerings and depositary accounts. If there is a prolonged or significant downturn on the Indian stock exchanges, our revenue generated by offering these products and services may decrease, which would have a material adverse effect on our financial condition.

We are required to maintain our capital market exposures within the limits as prescribed by the RBI. Our capital market exposures are comprised primarily of investments in equity shares, loans to share brokers and financial guarantees issued to stock exchanges on behalf of share brokers.

As per RBI norms, a bank s capital market exposure is limited to 40% of its net worth under Indian GAAP, both on a consolidated and non-consolidated basis. Our capital market exposure as of March 31, 2013 was 26.4% of our net worth on a non-consolidated basis and 26.7% on a consolidated basis. See Supervision and Regulation Regulations Relating to Capital Market Exposure Limits . In the future if we fail to meet these regulatory limits, we may face difficulties in getting other regulatory approvals necessary to conduct business in the normal course, which would have a material adverse effect on our business and operations.

Significant fraud, system failure or calamities would disrupt our revenue generating activities in the short-term and could harm our reputation and adversely impact our revenue-generating capabilities.

Our business is highly dependent on our ability to efficiently and reliably process a high volume of transactions across numerous locations and delivery channels. We place heavy reliance on our technology infrastructure for processing this data and therefore ensuring system security and availability is of paramount importance. Our systemic and operational controls may not be adequate to prevent adverse impact from frauds, errors, hacking and system failures. A significant system breakdown or system failure caused due to intentional or unintentional acts would have an adverse impact on our revenue-generating activities and lead to financial loss. Our reputation could be adversely affected by fraud committed by employees, customers or outsiders, or by our perceived inability to properly manage fraud-related risks. Our inability or perceived inability to manage these risks could lead to enhanced regulatory oversight and scrutiny. We have established a geographically remote disaster recovery site to support critical applications, and we believe that we will be able to restore data and resume processing. However it may take considerable time to make the system fully operational and achieve complete business resumption using the alternate site. Therefore, in such a scenario, where the primary site is completely unavailable, there may be significant disruption to our operations, which would materially adversely affect our reputation and financial condition.

Our business and financial results could be impacted materially by adverse results in legal proceedings.

We establish reserves for legal claims when payments associated with claims become probable and the costs can be reasonably estimated. We may still incur legal costs for a matter even if we have not established a reserve. In addition, the actual cost of resolving a legal claim may be substantially higher than any amounts reserved for that matter. The ultimate resolution of any pending or future legal proceeding, depending on the remedy sought and granted, could materially adversely affect our results of operations and financial condition.

We have recently been subject to a penalty imposed by the RBI. Any regulatory investigations, fines, sanctions, and requirements relating to conduct of business and financial crime could negatively affect our business and financial results, or cause serious reputational harm.

The RBI is empowered under the Banking Regulation Act, to impose penalties on banks and their employees to enforce applicable regulatory requirements. In June 2013, the RBI imposed a penalty of Rs. 45 million on the Bank for certain irregularities and violations discovered by the RBI, namely, non-observance of certain safeguards in respect of arrangement of at par payment of checks drawn by cooperative banks, exceptions in periodic review of risk profiling of account holders, non-adherence to KYC rules for walk-in customers (non-customers) including for sale of third party products, sale of gold coins for cash in excess of Rs. 50,000 in certain cases and non-submission of proper information required by the RBI. The penalty was imposed pursuant to a scrutiny by the RBI of our books of accounts, internal control, compliance systems and processes during March and April 2013. See Supervision and Regulation Penalties . We cannot predict the initiation or outcome of any further investigations by other authorities or different investigations by the RBI. The penalty imposed by the RBI has generated adverse publicity for our business. Such adverse publicity, or any future scrutiny, investigation, inspection or audit which could result in fines, public reprimands, damage to reputation, significant time and attention from our management, costs for investigations and remediation of affected customers, may materially adversely affect our business and financial results.

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Negative publicity could damage our reputation and adversely impact our business and financial results.

Reputation risk, or the risk to our business, earnings and capital from negative publicity, is inherent in our business. The reputation of the financial services industry in general has been closely monitored as a result of the financial crisis and other matters affecting the financial services industry. Negative public opinion about the financial services industry generally or us specifically could adversely affect our ability to keep and attract customers, and expose us to litigation and regulatory action. Negative publicity can result from our actual or alleged conduct in any number of activities, including lending practices, mortgage servicing and foreclosure practices, corporate governance, regulatory compliance, mergers and acquisitions, and related disclosure, sharing or inadequate protection of customer information, and actions taken by government regulators and community organizations in response to that conduct. Although we take steps to minimize reputation risk in dealing with customers and other constituencies, we, as a large financial services organization with a high industry profile, are inherently exposed to this risk.

Cyber threats, such as phishing and trojans, could intrude into our network for data theft or to seek sensitive information, which may cause damage to our reputation and adversely impact our business and financial results.

We offer internet banking services to our customers. Our internet banking channel includes multiple services such as electronic funds transfer, bill payment services, usage of credit cards on-line, requesting account statements, and requesting check books. We are therefore exposed to cyber threats, such as phishing and trojans, targeting our customers, wherein fraudsters send unsolicited mails to our customers seeking account sensitive information, hacking, wherein hackers seek to hack into our website with the primary intention of causing a reputational damage to us, and data theft, wherein cyber criminals may intrude into our network with the intention of stealing our data or information. The level of hacking attempts continues to increase. We, as a large financial services organization with a high industry profile, are inherently exposed to this risk.

HDFC Limited controls a significant percentage of our share capital and exercises substantial influence over board decisions, which could result in HDFC Limited making decisions or foregoing opportunities to benefit HDFC Limited that restrict our growth and harm our financial condition.

HDFC Limited and its subsidiaries owned 22.8% of our equity as of March 31, 2013. So long as HDFC Limited and its subsidiaries hold at least a 20% equity stake in us, HDFC Limited is entitled to nominate two directors including our Chairman and Managing Director who are not required to retire by rotation to our board, subject to RBI approval. Our current Chairman and Managing Director were nominated by HDFC Limited and appointed with the approval of our shareholders and the RBI. Two of our other directors, Mr. Keki Mistry is the Vice Chairman and Chief Executive Officer and Mrs. Renu Karnad, is the Managing Director of HDFC Limited. Accordingly, HDFC Limited can exercise substantial influence over our board and over matters subject to a shareholder vote. Mr. D. M. Sukthankar is the father of our Executive Director, Mr. Paresh Sukthankar, and serves as an independent director on the board of HDFC Limited. Mr. D. M. Sukthankar has been on the board of HDFC Limited since 1989. Mr. Paresh Sukthankar was one of our early employees and also a part of the initial senior management team. He was appointed as our Executive Director in October 2007. Both are associated with the respective companies in their independent professional capacities and we believe that none is in a position to exercise influence over the other.

There have been reports in the Indian media suggesting that we may merge with HDFC Limited. We consider business combination opportunities as they arise. At present, we are not actively considering a business combination with HDFC Limited. Any significant business combination would involve compliance with regulatory requirements and shareholder and regulatory approvals. Were such a combination to occur, we cannot predict the impact it would have on our business, growth prospects or the prices of our equity shares and ADSs.

We may face conflicts of interest relating to our principal shareholder, HDFC Limited, which could cause us to forgo business opportunities and consequently have an adverse effect on our financial performance.

HDFC Limited is primarily engaged in financial services, including home loans, property-related lending and deposit products. The subsidiaries and associated companies of HDFC Limited are also largely engaged in a range of financial services, including asset management, life and other insurance and mutual funds. Although we have no agreements with HDFC Limited or any other HDFC group companies that restrict us from offering products and services that are offered by them, our relationship with these companies may cause us not to offer products and services that are already offered by other HDFC group companies and may effectively prevent us from taking advantage of business opportunities. See Related Party Transactions in our Annual Report on Form 20-F for fiscal 2011, 2012 and 2013 for a summary of transactions we have engaged in and strategic investments made with HDFC Limited during fiscal 2011, 2012 and 2013. Also see Note 28 Related party transactions, in our consolidated financial statements. We currently distribute products of HDFC Limited and its group companies. If we forego opportunities because of our relationship with HDFC Limited, it could have a material adverse effect on our financial performance.

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RBI guidelines relating to ownership in private banks could discourage or prevent a change of control or other business combination involving us, such as with HDFC Limited, which could restrict the growth of our business and operations.

RBI guidelines prescribe a policy framework for the ownership and governance of private sector banks. The guidelines state that no single entity or group of entities will be permitted to own or control, directly or indirectly, more than 10% of the paid-up capital of a private sector bank without RBI approval. The implementation of such a restriction could discourage or prevent a change in control, merger, consolidation, takeover or other business combination involving us, which might be beneficial to our shareholders. The RBI s acknowledgement is required for the acquisition or transfer of a bank s shares, which will increase the aggregate holding (direct and indirect, beneficial or otherwise) of an individual or a group to the equivalent of 5% or more of its total paid-up capital. The RBI, when considering whether to grant an approval, may take into account all matters that it considers relevant to the application, including ensuring that shareholders whose aggregate holdings are above specified thresholds meet fitness and propriety tests. The RBI has accorded its approval for HDFC Limited to hold more than 10% of our stock. HDFC Limited s substantial stake in us could discourage or prevent another entity from exploring the possibility of a combination with us. These obstacles to potentially synergistic business combinations could negatively impact our share price and have a material adverse effect on our ability to compete effectively with other large banks and consequently our ability to maintain and improve our financial condition.

We may face increased competition as a result of revised guidelines that relax restrictions on the presence of foreign banks in India and a proposal by the RBI to grant fresh banking licenses for the establishment of new banks in the private sector which could cause us to lose existing business or be unable to compete effectively for new business.

The Government of India regulates foreign ownership in private sector banks. Foreign ownership up to 74% of the paid-up capital is permitted in Indian private sector banks, however, under the Banking Regulation Act, a shareholder cannot exercise voting rights in excess of 10% of the total voting rights. The RBI, on February 28, 2005, released a Roadmap for Presence of Foreign Banks in India and Guidelines on ownership and Governance in Private Sector Banks (the Roadmap).

The Roadmap envisages two phases. During the first phase, between March 2005 and March 2009, foreign banks were permitted to establish their presence in India by way of setting up a wholly-owned banking subsidiary (WOS) or converting their existing branches into a WOS. The WOS must have minimum capital of Rs. 3 billion and ensure sound corporate governance.

Initially, equity participation by banks would be permitted only in the private sector banks that are identified by the RBI for restructuring. On an application made by a foreign bank for acquisition of 5% or more in any private bank, the RBI would consider the standing and reputation of the foreign bank and shall permit such acquisition only if it is satisfied that the investment by such foreign bank is in the long-term interest of all the stakeholders of the investee bank.

It was proposed that in the second phase, beginning April 2009, the RBI would allow foreign banks to acquire up to 74% of equity capital in private sector banks in India, and would also enact appropriate amendments to the Banking Regulation Act to provide for voting rights commensurate with economic ownership. However, in light of the global financial turmoil and concerns regarding financial strength of banks around the world, the RBI decided to put on hold the second phase of the Roadmap and leave unchanged its policy on the presence of foreign banks in the country. While announcing its annual policy for fiscal 2010, the RBI said that it would continue with the current policy and procedures governing the presence of foreign banks in India. A review will happen once there is greater clarity regarding stability, recovery of the global financial system, and a shared understanding on the regulatory and supervisory architecture around the world. In January 2011, the RBI released a discussion paper on the presence of foreign banks in India, seeking comments and suggestions. Any growth in the presence of foreign banks or in foreign investments in Indian banks may increase the competition that we face and as a result have a material adverse effect on our business. See Restrictions on Foreign Ownership of Indian Securities .

In February 2013, the RBI released guidelines for licensing of new banks in the private sector. The key items covered under these guidelines include: i) promoters eligible to apply for banking licenses; ii) corporate structure; iii) minimum capital requirements for new banks; iv) foreign shareholding cap; v) corporate governance; and vi) business plan. The RBI has permitted private sector entities owned and controlled by Indian residents and entities in the public sector in India to apply to the RBI for a license to operate a bank through a wholly owned non-operative financial holding company route, subject to compliance with certain specified criteria. Such a non-operative financial holding company is permitted to be the holding company of the bank as well as any other financial services entity, with the objective that the holding company ring fences the regulated financial services entities in the group, including the bank from other activities of the group. The RBI specified July 1, 2013 as the deadline for submission of applications for setting up new banks in the private sector, subsequent to which the RBI shall review the applications and provide an in-principle approval. The validity of an in-principle approval issued by RBI will be 18 months from the date of its issue, after which it will lapse automatically. The new bank will therefore have to be set up within this 18-month period. The RBI has received 26 applications for new bank licenses, including from some of the largest business groups in India. If the number of banks in the country increases, we will face increased competition in the businesses we operate in. This could have a material adverse effect on our business and financial results.

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Delays in obtaining prior RBI approval for opening new branches to increase our infrastructure and expand our reach into different geographical segments will restrict our expansion plans and have a negative impact on our future financial performance by preventing us from realizing anticipated revenue from the new branches.

The RBI issued a master circular on July 1, 2009, incorporating the instructions and guidelines issued to banks on branch authorization. Pursuant to the master circular, the process by which the RBI authorized the opening of individual branches on a case-by-case basis was replaced by a system of aggregated approvals on an annual basis. While processing authorization requests, the RBI gives importance to the nature and scope of banking services, particularly in under-banked areas, actual credit flow to priority sectors, pricing of products, overall efforts to promote financial inclusion, the need to induce enhanced competition in the banking sector, the bank s regulatory compliance, quality of corporate governance, risk management and relationships with subsidiaries and affiliates.

We have applied for branches under the policy in the past and obtained approvals for opening branches under the policy. See Supervision and Regulation Regulation Relating to the Opening of Branches . However, we may not receive licenses promptly or at all, and any prolonged delay in the receipt of such licenses will adversely affect our financial performance by preventing us from realizing anticipated revenue from the new branches.

If the goodwill recorded in connection with our recent acquisitions becomes impaired, we may be required to record impairment charges, which would decrease our net income and total assets.

In accordance with US GAAP, we have accounted for our acquisitions using the purchase method of accounting. We recorded the excess of the purchase price over the fair value of the assets and liabilities of the acquired companies as goodwill. US GAAP requires us to test goodwill for impairment at least annually, or more frequently if events or changes in circumstances indicate that goodwill may be impaired. Goodwill is tested by initially estimating fair value of the reporting unit and then comparing it against the carrying amount including goodwill. If the carrying amount of a reporting unit exceeds its estimated fair value, we are required to record an impairment loss. The amount of impairment and the remaining amount of goodwill, if any, is determined by comparing the fair value of the reporting unit as of the test date against the fair value of the assets and liabilities of that reporting unit as of the same date. See Note 2u- Business Combination , in our consolidated financial statements.

Many of our branches have been recently added to our branch network and are not operating with the same efficiency as compared to the rest of our existing branches, which adversely affects our profitability.

As at March 31, 2010, we had 1,725 branches, which included more than 400 branches acquired pursuant to the merger of Centurion Bank of Punjab with HDFC Bank Limited effective May 23, 2008. We have continued to grow organically by commissioning new branches. As at March 31, 2013, we had 3,062 branches, a significant increase in the number of branches. Some of the newly added branches are currently operating at a lower efficiency level as compared with our established branches. While we believe that the newly added branches will achieve the productivity benchmark set for our entire network over time, the success in achieving our benchmark level of efficiency and productivity will depend on various internal and external factors, some of which are not under our control. The sub-optimal performance of the newly added branches, if continued over an extended period of time, would have a material adverse effect on our profitability.

Deficiencies in accuracy and completeness of information about customers and counterparties may adversely impact us.

We rely on accuracy and completeness of information about customers and counterparties while carrying out transactions with them or on their behalf. We may also rely on representations as to the accuracy and completeness of such information. For example, we may rely on reports of independent auditors with respect to financial statements, and decide to extend credit based on the assumption that the customer s audited financial statements conform to generally accepted accounting principles and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer. Our financial condition and results of operations could be negatively impacted by such reliance on information that is inaccurate or materially misleading. The nationwide credit bureau has only recently become operational in India. This may affect the quality of information available to us about the credit history of our borrowers, especially individuals and small businesses. As a consequence, our ability to effectively manage our credit risk may be adversely affected.

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Risks Relating to Investments in Indian Companies

A slowdown in economic growth in India would cause us to experience slower growth in our asset portfolio and deterioration in the quality of our assets.

Our performance and the quality and growth of our assets are necessarily dependent on the health of the overall Indian economy. The global slowdown of the financial market and economies had contributed and may continue to cause a slowdown in the Indian financial and economic environment, with attendant higher unemployment rates and decreases in purchasing power. While the domestic economy started witnessing an overall improvement in the general financial and economic conditions, we have begun to witness a reversal on account of high inflation and turbulence in interest rates. These conditions, including global financial crisis and problems in the Eurozone countries, could result in a prolonged slowdown in the Indian economy, which would adversely affect our business, including our ability to grow our asset portfolio, the quality of our assets and our ability to implement our strategy. In particular, because India depends significantly on imported oil for its energy needs, the Indian economy is adversely affected by volatile oil prices, consequent inflation and weather conditions adversely affecting agriculture or other factors. In addition, the Indian economy is in a state of transition. The share of the services sector of the economy is rising, while that of the industrial, manufacturing and agricultural sectors is declining. Finally, India faces major challenges in sustaining its growth, which include the need for substantial infrastructure development and improving access to healthcare and education. If the Indian economy deteriorates, our asset base may erode, which would result in a material decrease in our net income and total assets.

Any adverse change in India s credit rating by an international rating agency could adversely affect our business and profitability.

In May 2013, Standard & Poor s, an international rating agency, reiterated its negative outlook on India s credit rating. It identified India s high fiscal deficit and heavy government borrowing as the most significant constraints on its ratings, and recommended the implementation of reforms and containment of deficits. In June 2013, Fitch, another international rating agency, returned India s sovereign outlook to stable from negative a year after its initial downgrade stating that the authorities had been successful in containing the upward pressure on the central government budget deficit in the face of a weaker-than-expected economy and that the authorities had also begun to address structural factors that have weakened the investment climate and growth prospects. Any adverse change in India s credit ratings by international rating agencies may adversely impact our business and limit our access to capital markets.

The Bank s long term unsecured, subordinated (tier II) bonds are rated CARE AAA by CARE and AAA (ind) (with the outlook on the rating as stable) by Fitch Ratings India Private Limited. The Bank s tier I perpetual bonds and upper tier II bonds are rated CARE AAA by CARE and AAA / Stable by CRISIL Ltd. Any downgrade from the current credit rating of our borrowings may result in an increase in interest rates or require us to prepay such borrowings, thereby impacting our cost of borrowing and liquidity.

Any volatility in the exchange rate may lead to a decline in India s foreign exchange reserves and may affect liquidity and interest rates in the Indian economy, which could adversely impact us.

Capital inflows into India have suffered as a result of the domestic economic slowdown, volatility in global capital markets and global risk aversion. Meanwhile, the country s current account gap has widened reflecting a rapid increase in the import of oil and gold. The balance of payments has, as a result, come under pressure. This has led to a sharp depreciation of the Indian rupee compared to the U.S. dollar and could keep the domestic currency unit under selling pressure amidst an uncertain global financial environment. The high and low during fiscal 2013 was Rs. 57.13 per US$ and Rs. 50.64 per US$, respectively. The Indian rupee continues to remain under pressure given the possibility of the phasing out of the quantitative easing program by the U.S. Federal Reserve that may result in global fund flows moving to the U.S. markets and anxiety about the Indian political climate ahead of the general elections scheduled to be held in 2014. Any increased intervention by the RBI in the foreign exchange market to control the volatility of the exchange rate may result in a decline in India s foreign exchange reserves and reduced liquidity and higher interest rates in the Indian economy. Further, increased volatility in capital flows may also affect monetary policy decisions, leading to volatility in inflation and interest rates in India, which could adversely impact our business and profitability.

Political instability or changes in the government in India could delay the liberalization of the Indian economy and adversely affect economic conditions in India generally, which would impact our financial results and prospects.

Since 1991, successive Indian governments have pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. Nevertheless, the roles of the Indian central and state governments in the Indian economy as producers, consumers and regulators have remained significant. The leadership of India has changed many times since 1996. The current coalition-led central government, which came to power in May 2009, has announced policies and taken initiatives that support the economic liberalization policies that have been pursued by previous central governments. However, these liberalization policies may not continue in the future. The rate of economic liberalization is subject to change and specific laws and policies affecting banking and finance companies, foreign investment, currency exchange and other matters affecting investment in our securities are continuously evolving as well. Any significant change in India s economic liberalization and deregulation policies would adversely affect business and economic conditions in India generally and our business in particular.

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Terrorist attacks, civil unrest and other acts of violence or war involving India and other countries would negatively affect the Indian market where our shares trade and lead to a loss of confidence and impair travel, which could reduce our customers appetite for our products and services.

Terrorist attacks, such as those in Mumbai in November 2008, and other acts of violence or war may negatively affect the Indian markets on which our equity shares trade and also adversely affect the worldwide financial markets. These acts may also result in a loss of business confidence, make travel and other services more difficult and as a result ultimately adversely affect our business. In addition, any deterioration in relations between India and Pakistan might result in investor concern about stability in the region, which could adversely affect the price of our equity shares and ADSs.

India has also witnessed civil disturbances in recent years and future civil unrest as well as other adverse social, economic and political events in India could have an adverse impact on us. Such incidents also create a greater perception that investment in Indian companies involves a higher degree of risk, which could have an adverse impact on our business and the price of our equity shares and ADSs.

Risks Relating to the ADSs and Equity Shares

Historically, our ADSs have traded at a premium to the trading prices of our underlying equity shares, a situation which may not continue.

Historically, our ADSs have traded on the New York Stock Exchange (the NYSE) at a premium to the trading prices of our underlying equity shares on the Indian stock exchanges. See Price Range of Our American Depositary Shares and Equity Shares for the underlying data. We believe that this price premium has resulted from the relatively small portion of our market capitalization previously represented by ADSs, restrictions imposed by Indian law on the conversion of equity shares into ADSs, and an apparent preference for investors to trade dollar-denominated securities. Over time, some of the restrictions on issuance of ADSs imposed by Indian law have been relaxed and we expect that other restrictions may be relaxed in the future. It is possible that in the future our ADSs will not trade at any premium to our equity shares and could even trade at a discount to our equity shares.

Investors in ADSs will not be able to vote.

Investors in ADSs will have no voting rights, unlike holders of the equity shares. Under the deposit agreement, the depositary will abstain from voting the equity shares represented by the ADSs. If you wish, you may withdraw the equity shares underlying the ADSs and seek to vote (subject to Indian restrictions on foreign ownership) the equity shares you obtain upon withdrawal. However, this withdrawal process may be subject to delays, additional costs and you may not be able to redeposit the equity shares. For a discussion of the legal restrictions triggered by a withdrawal of the equity shares from the depositary facility upon surrender of ADSs, see Restrictions on Foreign Ownership of Indian Securities and Description of American Depository Shares Voting Rights .

Your ability to withdraw equity shares from the depositary facility is uncertain and may be subject to delays.

India s restrictions on foreign ownership of Indian companies limit the number of equity shares that may be owned by foreign investors and generally require government approval for foreign investments. Investors who withdraw equity shares from the ADS depositary facility for the purpose of selling such equity shares will be subject to Indian regulatory restrictions on foreign ownership upon withdrawal. The withdrawal process may be subject to delays. For a discussion of the legal restrictions triggered by a withdrawal of equity shares from the depositary facility upon surrender of ADSs, see Restrictions on Foreign Ownership of Indian Securities .

There is a limited market for the ADSs.

Although our ADSs are listed and traded on the NYSE, any trading market for our ADSs may not be sustained, and there is no assurance that the present price of our ADSs will correspond to the future price at which our ADSs will trade in the public market. Indian legal restrictions may also limit the supply of ADSs. The only way to add to the supply of ADSs would be through an additional issuance. We cannot guarantee that a market for the ADSs will continue.

Conditions in the Indian securities market may affect the price or liquidity of our equity shares and ADSs.

The Indian securities markets are smaller and more volatile than securities markets in more developed economies. The Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities. Currently prices of securities listed on Indian exchanges are displaying signs of volatility linked among other factors to the uncertainty in the global markets and the rising inflationary and interest rate pressures domestically. The governing bodies of the Indian stock exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Future fluctuations could have a material adverse effect on the price of our equity shares and ADSs.

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Settlement of trades of equity shares on Indian stock exchanges may be subject to delays.

The equity shares represented by our ADSs are listed on the National Stock Exchange of India Limited and Bombay Stock Exchange Limited. Settlement on these stock exchanges may be subject to delays and an investor in equity shares withdrawn from the depositary facility upon surrender of ADSs may not be able to settle trades on these stock exchanges in a timely manner.

You may be subject to Indian taxes arising out of capital gains

Generally, capital gains, whether short-term or long-term, arising on the sale of the underlying equity shares in India is subject to Indian capital gains tax. Investors are advised to consult their own tax advisers and to carefully consider the potential tax consequences of an investment in ADSs. See also Taxation .

You may be unable to exercise preemptive rights available to other shareholders.

A company incorporated in India must offer its holders of equity shares preemptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages prior to the issuance of any new equity shares, unless these rights have been waived by at least 75.0% of the company s shareholders present and voting at a shareholders general meeting. U.S. investors in our ADSs may be unable to exercise preemptive rights for our equity shares underlying our ADSs unless a registration statement under the Securities Act of 1933 (the Securities Act) is effective with respect to those rights or an exemption from the registration requirements of the Securities Act is available. Our decision to file a registration statement will depend on the costs and potential liabilities associated with any registration statement as well as the perceived benefits of enabling U.S. investors in our ADSs to exercise their preemptive rights and any other factors we consider appropriate at the time. We do not commit to filing a registration statement under those circumstances. If we issue any securities in the future, these securities may be issued to the depositary, which may sell these securities in the securities markets in India for the benefit of the investors in our ADSs. There can be no assurance as to the value, if any, the depositary would receive upon the sale of these securities. To the extent that investors in our ADSs are unable to exercise preemptive rights, their proportional interests in us would be reduced.

Because the equity shares underlying our ADSs are quoted in rupees in India, you may be subject to potential losses arising out of exchange rate risk on the Indian rupee and risks associated with the conversion of rupee proceeds into foreign currency.

Fluctuations in the exchange rate between the U.S. dollar and the Indian rupee may affect the value of your investment in our ADSs. Specifically, if the relative value of the Indian rupee to the U.S. dollar declines, each of the following values will also decline:

- the U.S. dollar equivalent of the Indian rupee trading price of our equity shares in India and, indirectly, the U.S. dollar trading price of our ADSs in the United States;

- the U.S. dollar equivalent of the proceeds that you would receive upon the sale in India of any equity shares that you withdraw from the depositary; and

- the U.S. dollar equivalent of cash dividends, if any, paid in Indian rupees on the equity shares represented by our ADSs.

You may not be able to enforce a judgment of a foreign court against us.

We are a limited liability company incorporated under the laws of India. All our directors and members of our senior management and some of the experts named in this report are residents of India and almost all of our assets and the assets of these persons are located in India. It may not be possible for investors in our ADSs to effect service of process outside India upon us or our directors and members of our senior management and experts named in the report that are residents of India or to enforce judgments obtained against us or these persons in foreign courts predicated upon the liability provisions of foreign countries, including the civil liability provisions of the federal securities laws of the United States. Moreover, it is unlikely that a court in India would award damages on the same basis as a foreign court if an action were brought in India or that an Indian court would enforce foreign judgments if it viewed the amount of damages as excessive or inconsistent with Indian practice.

There may be less company information available on Indian securities markets than securities markets in developed countries.

There is a difference between the level of regulation and monitoring of the Indian securities markets and the activities of investors, brokers and other participants and that of markets in the United States and other developed economies. SEBI and the stock exchanges are responsible for improving disclosure and other regulatory standards for the Indian securities markets. SEBI has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in developed economies.

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PRICE RANGE OF OUR AMERICAN DEPOSITARY SHARES AND EQUITY SHARES

Our ADSs, each representing three equity shares, par value Rs. 2.0 per share, are listed on the NYSE under the symbol HDB . Our equity shares, including those underlying the ADSs, are listed on the National Stock Exchange under the symbol HDFCBANK and the Bombay Stock Exchange Limited under the code 500180. Our fiscal quarters end on June 30 of each year for the first quarter, September 30 for the second quarter, December 31 for the third quarter and March 31 for the fourth quarter.

Trading Prices of Our ADSs on the NYSE

The following table shows:

- the reported high and low prices for our ADSs in U.S. dollars on the NYSE; and
- the average daily trading volume for our ADSs on the NYSE.

Fiscal	Price per ADS High	Price per ADS Low	Average daily ADS trading volume (Number of ADSs)
2009	US$ 23.9	US$ 9.0	3,459,043
2010	28.2	11.9	1,915,617
2011	38.3	25.3	1,387,241
2012			
First Quarter	35.6	30.6	1,044,357
Second Quarter	36.8	27.5	1,037,488
Third Quarter	32.7	24.5	1,102,389
Fourth Quarter	35.9	26.6	939,853
2013			
First Quarter	35.2	27.3	772,802
Second Quarter	37.8	31.9	602,990
Third Quarter	43.0	36.1	659,050
Fourth Quarter	42.1	36.2	762,960
Most Recent Six Months			
January 2013	42.1	39.2	811,771
February 2013	41.2	37.6	761,521
March 2013	40.4	36.2	713,075
April 2013	42.6	35.8	795,036
May 2013	43.8	40.0	544,468
June 2013	40.6	33.9	757,025
July 1, 2013 to July 19, 2013	38.1	35.1	779,621

Our shareholders at the Annual General Meeting held on July 6, 2011 approved the subdivision of our one equity share having a nominal value of Rs. 10.0 each into 5 (five) equity shares having a nominal value of Rs. 2.0 each. Necessary instructions were issued to JP Morgan Chase Bank, the Depository, for the American Depository Shares (ADSs) to effect the split in the ADSs so as to ensure that the ratio between the ADSs and the underlying equity shares remains 1:3 as on the date prior to the subdivision.

The closing price for our ADSs on the NYSE was US$ 37.8 per ADS on July 19, 2013.

Trading Prices of Our Equity Shares on the National Stock Exchange

The following table shows:

the reported high and low market prices for our equity shares in rupees on the National Stock Exchange;

the imputed high and low closing sales prices for our equity shares translated into U.S. dollars; and

the average daily trading volume for our equity shares on the National Stock Exchange.

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	Price per equity share High	Price per equity share Low	Price per equity share High	Price per equity share Low	Average daily equity share trading volume
Fiscal Year					
2009	Rs. 309.6	Rs. 159.7	US$ 5.7	US$ 2.9	7,736,578
2010	393.1	200.0	7.2	3.7	5,339,359
2011	500.2	360.8	9.2	6.6	3,911,427
2012					
First Quarter	505.0	441.6	9.3	8.1	3,729,841
Second Quarter	519.0	436.2	9.5	8.0	3,310,964
Third Quarter	497.0	400.3	9.1	7.3	3,726,123
Fourth Quarter	539.9	419.5	9.9	7.7	2,941,348
2013					
First Quarter	564.9	482.2	10.4	8.8	2,769,939
Second Quarter	638.9	560.0	11.7	10.3	2,529,868
Third Quarter	705.5	505.1	12.9	9.3	2,269,182
Fourth Quarter	690.0	602.6	12.7	11.1	3,065,430
Most Recent Six Months					
January 2013	690.0	640.1	12.7	11.7	2,502,504
February 2013	680.9	619.4	12.5	11.4	2,990,307
March 2013	660.0	602.6	12.1	11.1	3,825,944
April 2013	702.0	613.4	12.9	11.3	3,456,262
May 2013	727.3	670.0	13.3	12.3	2,295,508
June 2013	701.4	620.0	12.9	11.4	3,051,016
July 1, 2013 to July 19, 2013	698.1	643.6	12.8	11.8	2,800,678

Our shareholders, by a special resolution on July 6, 2011, approved a stock split resulting in a reduction in the par value of each equity share from Rs.10.0 to Rs. 2.0 effective as of July 16, 2011.

The closing price for our equity shares on the National Stock Exchange was Rs. 680.0 per share on July 19, 2013.

As of March 31, 2013, there were 440,853 holders of record of our equity shares, including the shares underlying ADSs and GDRs, of which 190 had registered addresses in the United States and held an aggregate of 633,881 equity shares representing 0.04% of our shareholders. In our books only, the depositories, J.P. Morgan Chase Bank and Deutsche Bank Trust Company Americas, are the shareholders with respect to equity shares underlying ADSs and GDRs.

Upon our acquisition of CBoP in 2008, CBoP had global depository receipts (GDRs) outstanding, representing the right to receive shares in CBoP, which, upon the consummation of the acquisition, converted into our GDRs, representing the right to receive our shares. As of March 31, 2013, there were 22,891,290 GDRs outstanding, representing 11,445,645 shares of the Bank (in the aggregate 0.5% of our paid-up capital).

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DESCRIPTION OF EQUITY SHARES

The Company

We are registered under Corporate Identity Number (CIN) L65920MH1994PLC080618 with the Registrar of Companies, Maharashtra State, India. Our Memorandum of Association permits us to engage in a wide variety of activities, including all the activities in which we currently engage or intend to engage, as well as other activities in which we currently have no intention of engaging.

Dividends

Under Indian law, a company pays dividends upon a recommendation by its board of directors and approval by a majority of its shareholders at the annual general meeting of shareholders held within six months of the end of each fiscal year. The shareholders have the right to decrease but not increase the dividend amount recommended by the board of directors. Dividends are generally declared as a percentage of par value (on per share basis) and distributed and paid to shareholders. The Companies Act provides that shares of a company of the same class must receive equal dividend treatment.

These distributions and payments are required to be deposited into a separate bank account and paid to shareholders within 30 days of the annual general meeting where the resolution for declaration of dividends is approved.

The Companies Act states that any dividends that remain unpaid or unclaimed after that period are to be transferred to a special bank account. Any money that remains unclaimed for seven years from the date of the transfer is to be transferred by us to a fund created by the Government of India. No claims for the payment of dividends unpaid or unclaimed for a period of seven years shall lie against the fund of the Government of India or against us.

Our Articles authorize our board of directors to declare interim dividends, the amount of which must be deposited in a separate bank account within five days and paid to the shareholders within 30 days of the declaration.

Under the Companies Act, final dividends payable can be paid only in cash to the registered shareholder at a record date fixed prior to the relevant annual general meeting, to his order or to the order of his banker.

Before paying any dividend on our shares, we are required under the Indian Banking Regulation Act to write off all capitalized expenses (including preliminary expenses, organization expenses, share-selling commission, brokerage, amounts of losses incurred or any other item of expenditure not represented by tangible assets). We are permitted to declare dividends of up to 35.0% of net profit calculated under Indian GAAP without prior RBI approval subject to compliance with certain prescribed requirements. Further, upon compliance with the prescribed requirements, we are also permitted to declare interim dividends subject to the above-mentioned cap computed for the relevant accounting period.

Dividends may only be paid out of our profits for the relevant year and in certain contingencies out of the reserves of the company. Before declaring dividends, we are required, under the Indian Banking Regulation Act, to transfer 25% of the balance of profits of each year to a reserve fund.

Bonus Shares

In addition to permitting dividends to be paid out of current or retained earnings calculated under Indian GAAP, the Companies Act permits our board of directors, subject to the approval of our shareholders, to distribute to the shareholders, in the form of fully paid-up bonus equity shares, an amount transferred from the capital surplus reserve or legal reserve to stated capital. Bonus equity shares can be distributed only with the prior approval of the RBI. These bonus equity shares must be distributed to shareholders in proportion to the number of equity shares owned by them.

Preemptive Rights and Issue of Additional Shares

The Companies Act gives shareholders the right to subscribe for new shares in proportion to their existing shareholdings unless otherwise determined by a resolution passed by three-fourths of the shareholders present and voting at a general meeting. Under the Companies Act and our Articles, in the event of an issuance of securities, subject to the limitations set forth above, we must first offer the new shares to the holders of equity shares on a fixed record date. The offer, required to be made by notice, must include:

- the right, exercisable by the shareholders of record, to renounce the shares offered in favor of any other person;

- the number of shares offered; and

- the period of the offer, which may not be less than 15 days from the date of the offer. If the offer is not accepted, it is deemed to have been declined.

Our board of directors is permitted to distribute equity shares not accepted by existing shareholders in the manner it deems beneficial for us in accordance with our Articles. Holders of ADSs may not be able to participate in any such offer. See Description of American Depositary Shares Share Dividends and Other Distributions .

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General Meetings of Shareholders

There are two types of general meetings of shareholders: annual general meetings and extraordinary general meetings. We are required to convene our annual general meeting within six months after the end of each fiscal year. We may convene an extraordinary general meeting when necessary or at the request of a shareholder or shareholders holding on the date of the request at least 10% of our paid up capital. A general meeting is generally convened by our company secretary in accordance with a resolution of the board of directors. Written notice stating the agenda of the meeting must be given at least 21 days prior to the date set for the general meeting to the shareholders whose names are in the register at the record date. Those shareholders who are not registered at the record date do not receive notice of this meeting and are not entitled to attend or vote at this meeting.

The annual general meeting is held in Mumbai, the city in which our registered office is located. General meetings other than the annual general meeting may be held at any location if so determined by a resolution of our board of directors.

Voting Rights

A shareholder has one vote for each equity share and voting may be by a show of hands or on a poll. However, under the Indian Banking Regulation Act, on poll, a shareholder cannot exercise voting rights in excess of 10% of the total voting rights of all shareholders. The Banking Regulation Act, 1949 has been amended with effect from January 18, 2013 to provide that the RBI would have the power to increase, the limit on voting rights from 10% to 26% in a phased manner. Unless a poll is demanded by a shareholder, resolutions are adopted at a general meeting by a majority of the shareholders having voting rights present or represented. The quorum for a general meeting is five members personally present. Generally, resolutions may be passed by simple majority of the shareholders present and voting at any general meeting. However, resolutions such as an amendment to the organizational documents, commencement of a new line of business, an issue of additional equity shares without preemptive rights and reductions of share capital, require that the votes cast in favor of the resolution (whether by show of hands or on a poll) are not less than three times the number of votes, if any, cast against the resolution. As provided in our Articles, a shareholder may exercise his voting rights by proxy to be given in the form prescribed by us. This proxy, however, is required to be lodged with us at least 48 hours before the time of the relevant meeting. A shareholder may, by a single power of attorney, grant general power of representation covering several general meetings. A corporate shareholder is also entitled to nominate a representative to attend and vote on its behalf at all general meetings. The Companies Act provides for the passing of resolutions in relation to certain matters specified by the Government of India, by means of a postal ballot. ADS holders have no voting rights with respect to the deposited shares. See Description of American Depositary Shares Voting Rights .

Annual Report

At least 21 days before an annual general meeting, we must circulate either a detailed or abridged version of our Indian GAAP audited financial accounts, together with the Directors Report and the Auditor s Report, to the shareholders along with a notice convening the annual general meeting. We are also required under the Companies Act to make available upon the request of any shareholder our complete balance sheet and profit and loss account. Under the Companies Act, we must file with the Registrar of Companies our Indian GAAP balance sheet and profit and loss account within 30 days of the conclusion of the annual general meeting and our annual return within 60 days of the conclusion of that meeting.

Register of Shareholders, Record Dates and Transfer of Shares

The equity shares are in registered form. We maintain a register of our shareholders in Mumbai. We register transfers of equity shares on the register of shareholders upon presentation of certificates in respect of the transfer of equity shares held in physical form together with a transfer deed duly executed by the transferor and transferee. These transfer deeds are subject to stamp duty, which has been fixed at 0.25% of the transfer price.

For the purpose of determining equity shares entitled to annual dividends, the register of shareholders is closed for a period prior to the annual general meeting. The Companies Act and our listing agreements with the stock exchanges permit us, pursuant to a resolution of our board of directors and upon at least 7 days advance notice to the stock exchanges, to set the record date and close the register of shareholders after seven days public notice for not more than 30 days at a time, and for not more than 45 days in a year, in order for us to determine which shareholders are entitled to certain rights pertaining to the equity shares. Trading of equity shares and delivery of certificates in respect of the equity shares may, however, continue after the register of shareholders is closed.

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Transfer of Shares

Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with the regulations laid down by the Securities and Exchange Board of India (SEBI). These regulations provide the regime for the functioning of the depositories and the participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. Transfers of beneficial ownership of shares held through a depositary are exempt from stamp duty.

SEBI requires that our equity shares for trading and settlement purposes be in book-entry form for all investors, except for transactions that are not made on a stock exchange and transactions that are not required to be reported to the stock exchange. Transfers of equity shares in book-entry form require both the seller and the purchaser of the equity shares to establish accounts with depositary participants appointed by depositories established under the Depositaries Act, 1996. Charges for opening an account with a depositary participant, transaction charges for each trade and custodian charges for securities held in each account vary depending upon the practice of each depositary participant. Upon delivery, the equity shares shall be registered in the name of the relevant depositary on our books and this depositary shall enter the name of the investor in its records as the beneficial owner. The transfer of beneficial ownership shall be effected through the records of the depositary. The beneficial owner shall be entitled to all rights and benefits and subject to all liabilities in respect of his securities held by a depositary.

The requirement to hold the equity shares in book-entry form will apply to the ADS holders when the equity shares are withdrawn from the depositary facility upon surrender of the ADSs. In order to trade the equity shares in the Indian market, the withdrawing ADS holder will be required to comply with the procedures described above.

Our equity shares are freely transferable, subject only to the provisions of the Companies Act under which, if a transfer of equity shares contravenes the Securities and Exchange Board of India Act, 1992 or the regulations issued under it or the Sick Industrial Companies (Special Provisions) Act, 1985, or any other similar law, the Indian Company Law Board may, on application made by us, a depositary incorporated in India, an investor, SEBI or certain other parties, direct a rectification of the register of records. It is a condition of our listing that we transfer equity shares and deliver share certificates duly endorsed for the transfer within 15 days of the date of lodgment of transfer. If a company without sufficient cause refuses to register a transfer of equity shares within two months from the date on which the instrument of transfer is delivered to the company, the transferee may appeal to the Indian Company Law Board seeking to register the transfer of equity shares. The Indian Company Law Board may, in its discretion, issue an interim order suspending the voting rights attached to the relevant equity shares before completing its investigation of the alleged contravention. Our Articles provide for certain restrictions on the transfer of equity shares, including granting power to the board of directors in certain circumstances, to refuse to register or acknowledge transfer of equity shares or other securities issued by us. Furthermore, the RBI requires us to obtain its approval before registering a transfer of equity shares in favor of a person which together with equity shares already held by him represent more than 5.0% of our share capital.

Our transfer agent, Datamatics Financial Services Limited, is located in Mumbai. Certain foreign exchange control and security regulations apply to the transfer of equity shares by a non-resident or a foreigner. See Restrictions on Foreign Ownership of Indian Securities .

Disclosure of Ownership Interest

The provisions of the Companies Act generally require beneficial owners of equity shares of Indian companies that are not holders of record to declare to the company details of the holder of record and holders of record to declare details of the beneficial owner. While it is unclear whether these provisions apply to holders of an Indian company s ADSs, investors who exchange ADSs for equity shares are subject to this provision. Failure to comply with these provisions would not affect the obligation of a company to register a transfer of equity shares or to pay any dividends to the registered holder of any equity shares in respect of which this declaration has not been made, but any person who fails to make the required declaration may be liable for a fine of up to Rs. 1,000 for each day this failure continues. However, under the Banking Regulation Act, a registered holder of any equity shares, except in certain conditions, shall not be liable to any suit or proceeding on the ground that the title to those equity shares vests in another person.

Acquisition by the Issuer of Its Own Shares

The Companies Act permits a company to acquire its own equity shares and reduce its capital under certain circumstances. Such reduction of capital requires compliance with buy-back provisions specified in the Companies Act and by SEBI.

ADS holders will be eligible to participate in a buy-back in certain cases. An ADS holder may acquire equity shares by withdrawing them from the depositary facility and then sell those equity shares back to us. ADS holders should note that equity shares withdrawn from the depositary facility may only be redeposited into the depositary facility under certain circumstances. See Description of American Depositary Shares Deposit, Withdrawal and Cancellation.

There can be no assurance that the equity shares offered by an ADS investor in any buy-back of shares by us will be accepted by us. The position regarding regulatory approvals required for ADS holders to participate in a buy-back is not clear. ADS investors are advised to consult their Indian legal advisers prior to participating in any buy-back by us, including in relation to any regulatory approvals and tax issues relating to the buy-back.

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Liquidation Rights

Subject to the rights of depositors, creditors and employees, in the event of our winding up, the holders of the equity shares are entitled to be repaid the amounts of capital paid up or credited as paid up on these equity shares. All surplus assets remaining belong to the holders of the equity shares in proportion to the amount paid up or credited as paid up on these equity shares, respectively, at the commencement of the winding up.

Acquisition of the Undertaking by the Government

Under the Banking Regulation Act, the government may, after consultation with the RBI, in the interest of our depositors or banking policy or better provision of credit generally or to a particular community or area, acquire our banking business. The RBI may acquire our business if it is satisfied that we have failed to comply with the directions given to us by the RBI or that our business is being managed in a manner detrimental to the interest of our depositors. Similarly, the Government of India may also acquire our business based on a report by the RBI.

Takeover Code and Listing Agreements

Under the Securities and Exchange Board of India (Substantial Acquisitions of Shares & Takeovers) Regulations, 2011, as amended (the Takeover Code), upon the acquisition of shares which taken together with the shares/voting rights already held aggregates 5% or more of the outstanding shares or voting rights of a publicly listed Indian company, a purchaser is required to notify the company and all the stock exchanges on which the shares of such company are listed. Such notification is also required when a person holds 5% or more of the outstanding shares or voting rights in a target company and there is a change in his holding either due to purchase or disposal of shares of 2% or more of the outstanding shares/voting rights in the target company.

No acquisition of shares/voting rights by an acquirer in a target company which entitles the acquirer to 25% or more of such shares or voting rights is permissible unless the acquirer makes a public announcement of an open offer for acquiring the shares of the target company in the manner provided in the Takeover Code. The public announcement of an open offer is also mandatory where an acquirer who holds 25% of the shares/voting rights in the target company seeks to acquire an additional 5% or more of the shares/voting rights in the target company during any fiscal year. However, the Takeover Code applies only to shares or securities convertible into shares which carry a voting right. This provision will apply to an ADS holder only once he or she converts the ADSs into the underlying equity shares.

We have entered into listing agreements with each of the Indian stock exchanges on which our equity shares are listed. Each of the listing agreements provides that the acquirer or holder of shares/voting rights in a target company shall in terms of the Continual Disclosure requirements disclose to the target company and the stock exchanges the details of holdings of equity shares/voting rights if such holding of shares/voting rights is 25% or more of the outstanding shares/aggregate voting rights as at March 31 every year. The promoter of every target company shall disclose the detail of holding of equity shares/voting rights in a target company as at March 31 every year. The promoter of every company must also disclose details of shares encumbered by him in a target company as well as details of invocation of encumbered shares or any release of such encumbrance.

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DESCRIPTION OF AMERICAN DEPOSITARY SHARES

American Depositary Shares

JPMorgan Chase Bank, N.A., as depositary, issued the American Depositary Shares, or ADSs. Each ADS represents an ownership interest in three equity shares, which we have deposited with the custodian, as agent of the depositary, under the deposit agreement among ourselves, the depositary and each ADR holder. In the future, each ADS will also represent any securities, cash or other property deposited with the depositary but which it has not distributed directly to an ADR holder. The ADSs are evidenced by what is known as American Depositary Receipts or ADRs. The shareholders of the Bank at the 17 th Annual General Meeting held on July 6, 2011 approved the sub division of one (1) equity share of the Bank having a nominal value of Rs. 10.0 each into five (5) equity shares with a nominal value of Rs. 2.0 each. As a result of the same, the Bank issued additional proportionate ADSs and each ADSs represents three (3) underlying equity shares of the Bank.

The depositary s office is located at 1 Chase Manhattan Plaza, Floor 58, New York, NY 10005.

Investors may hold ADSs either directly or indirectly through their broker or other financial institution. If an investor holds ADSs directly, by having an ADS registered in his name on the books of the depositary, he is an ADR holder. This description assumes that the investor holds his ADSs directly. If an investor holds the ADSs through his broker or financial institution nominee, he must rely on the procedures of such broker or financial institution to assert the rights of an ADR holder described in this section. Investors should consult with their broker or financial institution to find out what these procedures are.

Because the depositary s nominee will actually be the registered owner of the shares, investors must rely on it to exercise the rights of a shareholder on their behalf. The obligations of the depositary and its agents are set out in the deposit agreement. The deposit agreement and the ADSs are governed by New York law.

The following is a summary of the material terms of the deposit agreement. Because it is a summary, it does not contain all the information that may be important to investors. For more complete information, investors should read the entire deposit agreement and the form of ADR which contains the terms of the ADSs. Investors can read a copy of the deposit agreement which was filed as an exhibit to the registration statement on Form F-1 we filed on July 12, 2001. Investors may also obtain a copy of the deposit agreement at the Securities and Exchange Commission Office, Public Reference Room, which is located at 100 F Street, N.E., Washington, D.C. 20549. Investors may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

Share Dividends and Other Distributions

We may make various types of distributions with respect to our securities. The depositary has agreed to pay to the investor the cash dividends or other distributions it or the custodian receives on shares or other deposited securities, after deducting its expenses. The investor will receive these distributions in proportion to the number of underlying shares that the investor s ADSs represent. To the extent the depositary is legally permitted, the depositary will deliver such distributions to ADR holders in proportion to their interests in the following manner:

Cash

The depositary will distribute any U.S. dollars available to it resulting from a cash dividend or other cash distribution if this is practicable and can be done in a reasonable manner. The depositary will attempt to distribute this cash in a practicable manner, and may deduct any taxes required to be withheld, any expenses of converting foreign currency and transferring funds to the United States and other expenses and adjustments. If exchange rates fluctuate during a time when the depositary cannot convert a foreign currency, investors may lose some or all of the value of the distribution.

Shares

In the case of a distribution in shares, the depositary will issue additional ADRs to evidence the number of ADSs representing such shares. Only whole ADSs will be issued. The depositary will sell any shares which would result in fractional ADSs and distribute the net proceeds to the ADR holders entitled to them.

Rights to Receive Additional Shares

In the case of a distribution of rights to subscribe for additional shares or other rights, if we provide satisfactory evidence that the depositary may lawfully distribute the rights, the depositary may arrange for ADR holders to instruct the depositary as to the exercise of the rights. However, if we do not furnish that evidence or if the depositary determines it is not practical to distribute the rights, the depositary may:

- sell the rights, if practicable, and distribute the net proceeds as cash, or

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allow the rights to lapse, in which case ADR holders will receive nothing.

We have no obligation to file a registration statement under the Securities Act in order to make any rights available to ADR holders.

Other Distributions

In the case of a distribution of securities or property other than those described above, the depositary may either:

distribute such securities or property in any manner it deems equitable and practicable,

to the extent the depositary deems distribution of such securities or property not to be equitable and practicable, sell such securities or property and distribute any net proceeds in the same way it distributes cash, or

hold the distributed property, in which case the ADSs will also represent the distributed property.

Any U.S. dollars will be distributed by checks drawn on a bank in the United States for whole dollars and cents (fractional cents will be withheld without liability for interest and added to future cash distributions).

The depositary may choose any practical method of distribution for any specific ADR holder, including the distribution of foreign currency, securities or property, or it may retain those items, without paying interest on or investing them, on behalf of the ADR holder as deposited securities.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADR holders.

We cannot assure investors that the depositary will be able to convert any currency at a specified exchange rate or sell any property, rights, shares or other securities at a specified price, or that any of such transactions can be completed within a specified time period.

Deposit, Withdrawal and Cancellation

The depositary issues ADSs upon the deposit of shares or evidence of rights to receive shares with the custodian.

Except for shares that we deposit, no shares may be deposited by persons located in India, residents of India or for, or on the account of, such persons. Under current Indian laws and regulations, the depositary cannot accept deposits of outstanding shares and issue ADRs evidencing ADSs representing such shares without prior approval of the Government of India. However, an investor who surrenders an ADS and withdraws shares may be permitted to redeposit those shares in the depositary facility in exchange for ADSs and the depositary may accept deposits of outstanding shares purchased by a non-resident of India on the local stock exchange and issue ADSs representing those shares. However, in each case, the number of shares re-deposited or deposited cannot exceed the number represented by ADSs converted into underlying shares.

Shares deposited in the future with the custodian must be accompanied by certain documents, including instruments showing that such shares have been properly transferred or endorsed to the person on whose behalf the deposit is being made. Only the following may be deposited with the depositary or custodian:

shares issued as a free distribution in respect of deposited securities;

shares subscribed for or acquired by holders from us through the exercise of rights distributed by us to such persons in respect of shares; and securities issued by us as a result of any change in par value, subdivision, consolidation and other reclassification of deposited securities or otherwise.

We will inform the depositary if any of the shares permitted to be deposited do not rank *pari passu* with the shares issued in any offering and the depositary will arrange for the ADSs issuable with respect to such shares to be differentiated from those issued in such offering until such time as they rank *pari passu* with the shares issued in such offering.

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The custodian will hold all deposited shares for the account of the depositary. ADR holders thus have no direct ownership interest in the shares and only have such rights as are contained in the deposit agreement. The custodian will also hold any additional securities, property and cash received on or in substitution for the deposited shares. The deposited shares and any such additional items are referred to as deposited securities.

Upon each deposit of shares, receipt of related delivery documentation and compliance with the other provisions of the deposit agreement, including the payment of the fees and charges of the depositary and any taxes or other fees or charges owing, the depositary will issue an ADR or ADRs in the name of the person entitled thereto evidencing the number of ADSs to which such person is entitled. Certificated ADRs will be delivered at the depositary s principal New York office or any other location that it may designate as its transfer office.

When an investor turns in his ADRs at the depositary s office, the depositary will, upon payment of certain applicable fees, charges and taxes, and upon receipt of proper instructions, deliver the underlying shares in dematerialized form, for which the ADS holder will be required to open an account with a depositary participant of the National Securities Depositary Limited or Central Depositary Services (India) Limited to hold and sell the shares in dematerialized form upon payment of customary fees and expenses. See Description of Equity Shares Transfer of Shares.

The depositary may only restrict the withdrawal of deposited securities in connection with:

- temporary delays caused by closing the Bank s transfer books or those of the depositary or the deposit of shares in connection with voting at a shareholders meeting, or the payment of dividends;
- the payment of fees, taxes and similar charges; or
- compliance with any U.S. or foreign laws or governmental regulations relating to the ADRs or to the withdrawal of deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

Voting Rights

Investors who hold ADRs have no voting rights with respect to the deposited equity shares. The depositary will abstain from exercising the voting rights of the deposited equity shares. The RBI examined the matter relating to the exercise of voting rights by the depositary and issued a circular dated February 5, 2007 pursuant to which the Bank furnished to the RBI a copy of its agreement with the depository. We have given an undertaking to the RBI stating that we will not recognize voting by the depositary if the vote given by the depositary is in contravention of its agreement with us and that we or the depositary will not bring about any change in our depository agreement without the prior approval of the RBI.

Equity shares which have been withdrawn from the depositary facility and transferred on our register of shareholders to a person other than the depositary or its nominee may be voted by that person. However, such shareholders may not receive sufficient advance notice of shareholder meetings to enable them to withdraw the underlying shares and vote at such meetings.

Record Dates

The depositary may fix record dates for the determination of the ADR holders who will be entitled to receive a dividend, distribution or rights, subject to the provisions of the deposit agreement.

Reports and Other Communications

The depositary will make available for inspection by ADR holders any written communications from us which are both received by the custodian or its nominee as a holder of deposited securities and made generally available to the holders of deposited securities. We will furnish these communications in English.

Additionally, if we make any written communications generally available to holders of our shares, including the depositary or the custodian, and the depositary or the custodian actually receives those written communications, the depositary will mail copies of them, or, at its option, summaries of them to ADR holders.

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Fees and Charges for Holders of American Depositary Shares

J.P. Morgan Chase Bank, N.A., as the depositary for our ADSs, collects fees for the issuance and cancellation of ADSs from the holders of our ADSs, or intermediaries acting on their behalf, against the deposit or withdrawal of ordinary shares in the custodian account. The depositary also collects the following fees from holders of ADRs or intermediaries acting on their behalf:

Category	Depositary actions	Associated fee
(a) Depositing or substituting the underlying shares	Issuing ADSs upon deposits of shares, including deposits and issuances in respect of share distributions, stock splits, rights, mergers, exchanges of securities or any other transaction or event or other distribution affecting the ADSs or the deposited shares.	US$5.00 for each 100 ADSs (or portion thereof) evidenced by the new shares deposited.
(b) Receiving or distributing dividends	Distribution of dividends.	US$0.02 or less per ADS (US$2.00 per 100 ADSs).
(c) Selling or exercising rights	Distribution or sale of securities.	US$5.00 for each 100 ADSs (or portion thereof), the fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities.
(d) Withdrawing an underlying security	Acceptance of ADSs surrendered for withdrawal of deposited shares.	US$5.00 for each 100 ADSs (or portion thereof) evidenced by the shares withdrawn.
(e) Transferring, splitting or grouping receipts	Transferring, combining or grouping of depositary receipts.	US$1.50 per ADS.
(f) General depositary services, particularly those charged on an annual basis.	Other services performed by the depositary in administering the ADSs.	US$0.01 per ADS (or portion thereof) not more than once each calendar year.
(g) Other	Expenses incurred on behalf of holders in connection with: compliance with foreign exchange control regulations or any law or regulation relating to foreign investment; the depositary s or its custodian s compliance with applicable law, rule or regulation; stock transfer or other taxes and other governmental charges; cable, telex, facsimile transmission/delivery; expenses of the depositary in connection with the conversion of foreign currency into U.S. dollars (which are paid out of such foreign currency); or any other charge payable by depositary or its agents.	The amount of such expenses incurred by the Depositary.

As provided in the Deposit Agreement, the Depositary may charge fees for making cash and other distributions to holders by deducting fees from distributable amounts or by selling a portion of the distributable property. The Depositary may generally refuse to provide services until its fees for those services are paid.

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Fees Paid by the Depositary to us

Direct Payments

The depositary has agreed to reimburse certain reasonable expenses related to our ADS program incurred by us in connection with the program. Under certain circumstances, including termination of our ADS program prior to June 14, 2016, we may be required to repay to the depositary amounts reimbursed in prior periods.

The table below sets forth the expenses that the Depository reimbursed to us during fiscal 2013

Category	Amount reimbursed
Legal, accounting fees and other expenses incurred in connection with our ADS program	US$ 1,562,739.0

Payment of Taxes

ADR holders must pay any tax or other governmental charge payable by the custodian or the depositary on any ADS or ADR, deposited security or distribution. If an ADR holder owes any tax or other governmental charge, the depositary may:

- deduct the amount thereof from any cash distributions, or
- sell deposited securities and deduct the amount owing from the net proceeds of such sale.

In either case the ADR holder remains liable for any shortfall. Additionally, if any tax or governmental charge is unpaid, the depositary may also refuse to effect any registration, registration of transfer, split-up or combination of deposited securities or withdrawal of deposited securities (except under limited circumstances mandated by securities regulations). If any tax or governmental charge is required to be withheld on any non-cash distribution, the depositary may sell the distributed property or securities to pay such taxes and distribute any remaining net proceeds to the ADR holders entitled to them.

Reclassifications, Recapitalizations and Mergers

If we take certain actions that affect the deposited securities, including (1) any change in par value, split-up, consolidation, cancellation or other reclassification of deposited securities or (2) any recapitalization, reorganization, merger, consolidation, liquidation, receivership, bankruptcy or sale of all or substantially all of our assets, then the depositary may choose to:

- amend the form of ADR;
- distribute additional or amended ADRs;
- distribute cash, securities or other property it has received in connection with such actions;
- sell any securities or property received and distribute the proceeds as cash; or

take no action.

If the depositary does not choose any of the above options, any of the cash, securities or other property it receives will constitute part of the deposited securities and each ADS will then represent a proportionate interest in such property.

Amendment and Termination

We may agree with the depositary to amend the deposit agreement and the ADSs without the consent of ADR holders for any reason. ADR holders must be given at least 30 days notice of any amendment that imposes or increases any fees or charges (other than stock transfer or other taxes and other governmental charges, transfer or registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or affects any substantial existing right of ADR holders. If an ADR holder continues to hold an ADR or ADRs after being notified of these changes, the ADR holder is deemed to agree to such amendment. Notwithstanding the foregoing, an amendment can become effective before notice is given if this is necessary to ensure compliance with a new law, rule or regulation.

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No amendment will impair an ADR holder s right to surrender its ADSs and receive the underlying securities. If a governmental body adopts new laws or rules which require the deposit agreement or the ADS to be amended, the Bank and the depositary may make the necessary amendments, which could take effect before an ADR holder receives notice thereof.

The depositary may terminate the deposit agreement by giving the ADR holders at least 30 days prior notice, and it must do so at our request. After termination, the depositary s only responsibility will be (i) to deliver deposited securities to ADR holders who surrender their ADRs, and (ii) to hold or sell distributions received on deposited securities. As soon as practicable after the expiration of six months from the termination date, the depositary will sell the deposited securities which remain and hold the net proceeds of such sales, without liability for interest, in trust for the ADR holders who have not yet surrendered their ADRs. After making those sales, the depositary shall have no obligations except to account for such proceeds and other cash. The depositary will not be required to invest such proceeds or pay interest on them.

Limitations on Obligations and Liability to ADR Holders

The deposit agreement expressly limits the obligations and liability of the depositary, ourselves and our respective agents. Neither we nor the depositary nor any such agent will be liable if:

- a change in law or regulation governing any deposited securities, act of God, war or other circumstance beyond its control shall prevent, delay or subject to any civil or criminal penalty any act which the deposit agreement or the ADRs provide shall be done or performed by it;
- it exercises or fails to exercise discretion under the deposit agreement or the ADR;
- it takes any action or inaction in reliance upon the advice of or information from legal counsel, accountants, any person presenting shares for deposit, any registered holder of ADRs, or any other person believed by it to be competent to give such advice or information;
- it performs its obligations without gross negligence or bad faith; or
- it relies upon any written notice, request, direction or other document believed by it to be genuine and to have been signed or presented by the proper party or parties.

Neither the depositary nor its agents have any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the ADRs. We and our agents shall only be obligated to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the ADRs, which in our opinion may involve us in expense or liability, if indemnity satisfactory to us against all expense (including fees and disbursements of counsel) and liability is furnished as often as we require.

The depositary will not be responsible for failing to carry out instructions to vote the deposited securities or for the manner in which the deposited securities are voted or the effect of the vote.

The depositary may own and deal in deposited securities and ADSs.

Disclosure of Interest in ADSs

From time to time we may request ADR holders and beneficial owners of ADSs to provide information as to:

- the capacity in which they own or owned ADSs;

- the identity of any other persons then or previously interested in such ADSs; and

- the nature of such interest and various other matters.

Investors in ADSs agree to provide any information requested by us or the depositary pursuant to the deposit agreement. The depositary has agreed to use reasonable efforts to comply with written instructions received from us requesting that it forward any such requests to investors in ADSs and other holders and beneficial owners and to forward to us any responses to such requests to the extent permitted by applicable law.

We may restrict transfers of the shares where any such transfer might result in ownership of shares in contravention of, or exceeding the limits under, the governmental approval which we received from the Indian government in connection with any offering, applicable law or our organizational documents. We may also instruct ADR holders that we are restricting the transfers of ADSs where such a transfer may result in the total number of shares represented by the ADSs beneficially owned by ADR holders contravening or exceeding the limits under the applicable law or our organizational documents. We reserve the right to instruct ADR holders to deliver their ADSs for cancellation and withdrawal of the shares underlying such ADSs.

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Requirements for Depositary Actions

We, the depositary or the custodian may refuse to:

- issue, register or transfer an ADR or ADRs;
- effect a split-up or combination of ADRs;
- deliver distributions on any such ADRs; or
- permit the withdrawal of deposited securities (unless the deposit agreement provides otherwise), until the following conditions have been met:
  - the holder has paid all taxes, governmental charges and fees and expenses as required in the deposit agreement;
  - the holder has provided the depositary with any information it may deem necessary or proper, including, without limitation, proof of identity and the genuineness of any signature; and
  - the holder has complied with such regulations as the depositary may establish under the deposit agreement.

The depositary may also suspend the issuance of ADSs, the deposit of shares, the registration, transfer, split-up or combination of ADRs, or the withdrawal of deposited securities (unless the deposit agreement provides otherwise), if the register for ADRs or any deposited securities is closed or if we or the depositary decide it is advisable to do so.

Books of Depositary

The depositary or its agent will maintain a register for the registration, registration of transfer, combination and split-up of ADRs. ADR holders may inspect the depositary s designated records at its office during regular business hours.

The depositary will maintain facilities to record and process the registration, registration of transfer, combination and split of ADRs. These facilities may be closed from time to time, to the extent not prohibited by law.

Pre-release of ADSs

The depositary may issue ADSs prior to the deposit with the custodian of shares (or rights to receive shares). This is called a pre-release of the ADSs. A pre-release is closed out as soon as the underlying shares (or other ADSs) are delivered to the depositary. The depositary may pre-release ADSs only if:

- the depositary has received collateral for the full market value of the pre-released ADSs; and
- each recipient of pre-released ADSs agrees in writing that he or she:

owns the underlying shares;

assigns all rights in such shares to the depositary;

holds such shares for the account of the depositary; and

will deliver such shares to the custodian as soon as practicable, and promptly if the depositary so demands.

In general, the number of pre-released ADSs will not evidence more than 30% of all ADSs outstanding at any given time (excluding those evidenced by pre-released ADSs). However, the depositary may change or disregard such limit from time to time as it deems appropriate. The depositary may retain for its own account any earnings on collateral for pre-released ADSs and its charges for issuance thereof.

The Depositary

JPMorgan Chase Bank, N.A., a national banking association organized under the laws of the United States, is a commercial bank offering a wide range of banking and trust services to its customers in the New York metropolitan area, throughout the United States and around the world.

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DIVIDEND POLICY

We have paid dividends every year since fiscal 1997. The following table sets forth, for the periods indicated, the dividend per equity share and the total amount of dividends declared on the equity shares, both exclusive of dividend tax. All dividends were paid in rupees.

	Dividend per equity share		Total amount of dividends declared[1] (in millions)	
Relating to Fiscal Year				
2009	Rs. 2.00	US$ 0.037	Rs. 4,253.8	US$ 78.0
2010	2.40	0.044	5,492.9	100.8
2011	3.30	0.061	7,676.2	140.8
2012	4.30	0.079	10,090.8	185.1
2013	5.50	0.101	13,090.8	240.1

(1) Includes dividends declared on shares held by the Employees Welfare Trust.

By a special resolution on July 6, 2011, the shareholders of the Bank had approved a stock split resulting in a reduction in the par value of each equity share from Rs.10.0 to Rs. 2.0 per equity share effective as of July 16, 2011. All share/ADS and per share/ADS data have been retroactively restated to reflect the effect of stock split. One ADS continues to represent three equity shares.

Our dividends are generally declared and paid in the fiscal year following the year to which they relate. Under Indian law, a company pays dividends upon a recommendation by its board of directors and approval by a majority of the shareholders at the annual general meeting of shareholders held within six months of the end of each fiscal year. The shareholders have the right to decrease but not to increase the dividend amount recommended by the board of directors.

We pay a 15.0% direct tax in respect of dividends paid by us. In addition, we pay a 5.0% surcharge (which has been increased to 10% with effect from fiscal 2014) on 15.0% direct tax and an add-on education cess at the rate of 3.0% of the total dividend distribution tax and surcharge. These are direct taxes paid by us; these taxes are not payable by shareholders and are not withheld or deducted from the dividend payments set forth above. The tax rates imposed on us in respect of dividends paid in prior periods varied.

Future dividends will depend on our revenues, cash flows, financial condition (including capital position) and other factors. ADS holders will be entitled to receive dividends payable in respect of the equity shares represented by ADSs. Cash dividends in respect of the equity shares represented by ADSs will be paid to the depositary in Indian rupees and, except in certain instances, will be converted by the depositary into U.S. dollars. The depositary will distribute these proceeds to ADS holders. The equity shares represented by ADSs will rank equally with all other equity shares in respect of dividends.

For a description of regulation of dividends, see Supervision and Regulation Special Provisions of the Banking Regulation Act Restrictions on Payment of Dividends .

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SELECTED FINANCIAL AND OTHER DATA

The following table sets forth our selected financial and operating data. Our selected income statement data for the fiscal years ended March 31, 2011, 2012 and 2013 and the selected balance sheet data as of March 31, 2012 and 2013 are derived from our audited financial statements included in this report together with the report of Deloitte Haskins & Sells, independent registered public accounting firm. Our selected balance sheet data as of March 31, 2009, March 31, 2010, March 31, 2011 and selected income data for the fiscal years ended March 31, 2009 and March 31, 2010 are derived from our audited financial statements not included in this report. For the convenience of the reader, the selected financial data as of and for the year ended March 31, 2013 have been translated into U.S. dollars at the rate on such date of Rs. 54.52 per US$1.00.

By a special resolution on July 6, 2011, the shareholders of the Bank approved a stock split resulting in a reduction in the par value of each equity share from Rs.10.0 to Rs. 2.0 per equity share effective as of July 16, 2011. All share/ADS and per share/ADS data have been retroactively restated to reflect the effect of stock split. One ADS continues to represent three shares.

You should read the following data with the more detailed information contained in Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements. Footnotes to the following data appear below the final table. We acquired Centurion Bank of Punjab effective May 23, 2008. The selected financial and other data is presented accordingly.

	Year ended March 31,					
	2009	2010	2011	2012	2013	2013
	(in millions, except per equity share data and ADS data)					
Selected income statement data:						
Interest and dividend revenue	Rs. 158,996.8	Rs. 158,651.3	Rs. 202,252.0	Rs. 277,540.0	Rs. 353,878.5	US$ 6,490.8
Interest expense	86,114.9	77,720.0	93,849.7	151,148.0	196,802.0	3,609.6
Net interest revenue	72,881.9	80,931.3	108,402.3	126,392.0	157,076.5	2,881.2
Provisions for credit losses	20,394.9	18,193.9	9,621.9	7,837.3	12,688.0	232.7
Net interest revenue after provisions for credit losses	52,487.0	62,737.4	98,780.4	118,554.7	144,388.5	2,648.5
Non-interest revenue, net	33,603.0	42,899.7	46,815.4	52,595.5	65,177.4	1,195.3
Net revenue	86,090.0	105,637.1	145,595.8	171,150.2	209,565.9	3,843.8
Non-interest expense	63,154.9	68,410.9	82,370.2	97,313.5	117,591.1	2,156.8
Income before income tax expense	22,935.1	37,226.2	63,225.6	73,836.7	91,974.8	1,687.0
Income tax expense	7,737.4	12,338.4	21,698.3	23,828.7	29,840.1	547.3
Net income before noncontrolling interest	15,197.7	24,887.8	41,527.3	50,008.0	62,134.7	1,139.7
Less: Net income attributable to noncontrolling interest	93.4	317.1	330.4	224.6	315.3	5.8
Net income attributable to HDFC Bank Limited	Rs. 15,104.3	Rs. 24,570.7	Rs. 41,196.9	Rs. 49,783.4	Rs. 61,819.4	US$ 1,133.9
Per equity share data:						
Earnings per equity share, basic	Rs. 7.28	Rs. 11.26	Rs. 17.84	Rs. 21.30	Rs. 26.18	US$ 0.48
Earnings per equity share, diluted	7.24	11.12	17.59	21.12	25.91	0.47
Dividends per share	2.00	2.40	3.30	4.30	5.50	0.10
Book value(1)	117.30	133.52	148.96	168.34	196.89	3.61
Equity share data:						
Equity shares outstanding at end of period	2,126.9	2,288.7	2,326.1	2,346.7	2,379.4	2,379.4
Weighted average equity shares outstanding basic	2,075.0	2,182.0	2,309.0	2,336.7	2,361.0	2,361.0
Weighted average equity shares outstanding diluted	2,085.5	2,209.0	2,341.9	2,357.3	2,386.1	2,386.1
ADS data (where one ADS represents three shares):						
Earnings per ADS basic	21.84	33.78	53.52	63.90	78.54	1.44
Earnings per ADS diluted	21.72	33.36	52.77	63.36	77.73	1.41

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	As of March 31,					
	2009	2010	2011	2012	2013	2013
	(in millions)					
Selected balance sheet data:						
Cash and cash equivalents	Rs. 171,224.4	Rs. 297,558.5	Rs. 288,902.1	Rs. 188,043.0	Rs. 218,740.2	US$ 4,012.1
Term placements[2]	34,473.2	58,166.3	102,049.4	150,096.5	199,265.7	3,654.9
Loans, net of allowance	986,495.0	1,297,180.4	1,622,856.0	2,006,374.3	2,504,551.6	45,938.2
Investments:						
Investments held for trading	35,386.2	28,158.8	38,216.9	77,043.4	87,383.5	1,602.8
Investments available for sale	508,106.3	481,398.8	628,704.9	807,080.4	1,018,071.5	18,673.4
Investments held to maturity[3]						
Total	543,492.5	509,557.6	666,921.8	884,123.8	1,105,455.0	20,276.2
Total assets	Rs. 2,020,744.8	Rs. 2,416,520.4	Rs. 2,920,236.3	Rs. 3,571,155.7	Rs. 4,370,906.1	US$ 80,170.8
Long-term debt	68,452.2	75,854.4	93,287.2	178,366.6	295,219.7	5,414.9
Short-term borrowings	26,383.6	98,165.0	76,686.7	112,642.8	145,617.2	2,670.9
Total deposits	1,426,288.6	1,672,400.3	2,082,129.0	2,465,049.6	2,960,533.9	54,301.8
Of which:						
Interest-bearing deposits	1,142,281.9	1,301,046.0	1,619,283.6	2,012,057.9	2,438,262.0	44,722.3
Non-interest bearing deposits	284,006.7	371,354.3	462,845.4	452,991.7	522,271.9	9,579.5
Total liabilities	1,770,691.7	2,110,066.2	2,572,406.5	3,174,563.0	3,900,528.2	71,543.1
Noncontrolling interest	555.4	872.5	1,338.1	1,537.5	1,903.6	34.9
HDFC Bank Limited shareholders equity	249,497.7	305,581.7	346,491.7	395,055.2	468,474.3	8,592.8
Total liabilities and shareholders equity	Rs. 2,020,744.8	Rs. 2,416,520.4	Rs. 2,920,236.3	Rs. 3,571,155.7	Rs. 4,370,906.1	US$ 80,170.8

	Year ended March 31,					
	2009	2010	2011	2012	2013	2013
	(in millions)					
Period average[4]						
Interest-earning assets	Rs. 1,579,423.9	Rs. 1,756,963.3	Rs. 2,237,281.0	Rs. 2,746,339.2	Rs. 3,403,617.4	US$ 62,428.8
Loans, net of allowance	992,040.0	1,106,474.4	1,507,942.8	1,854,364.2	2,328,320.6	42,705.8
Total assets	1,917,502.6	2,095,543.0	2,585,236.0	3,097,162.6	3,774,632.3	69,233.9
Interest-bearing deposits	1,114,880.3	1,202,813.6	1,504,552.3	1,825,018.8	2,245,452.4	41,185.8
Non-interest bearing deposits	248,822.0	295,675.6	361,184.3	390,682.9	414,590.2	7,604.4
Total deposits	1,363,702.3	1,498,489.2	1,865,736.6	2,215,701.7	2,660,042.6	48,790.2
Interest-bearing liabilities	1,253,236.8	1,325,841.7	1,707,823.0	2,168,714.2	2,721,847.0	49,923.8
Long-term debt	43,493.5	72,433.5	101,241.4	148,201.6	234,489.1	4,301.0
Short-term borrowings	94,863.0	50,594.6	102,029.3	195,493.8	241,905.5	4,437.0
Total liabilities	1,696,255.7	1,825,399.3	2,265,574.5	2,722,648.3	3,338,592.5	61,236.1
Total shareholders equity	221,246.9	270,143.7	319,661.5	374,514.3	436,039.8	7,997.8

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	As of or for the year ended March 31,				
	2009	2010	2011	2012	2013
	(in percentage)				
Profitability:					
Net income attributable to HDFC Bank Limited as a percentage of:					
Average total assets	0.8	1.2	1.6	1.6	1.6
Average total shareholders equity	6.8	9.1	12.9	13.3	14.2
Dividend payout ratio(5)	28.2	22.4	18.6	20.3	21.2
Spread(6)	4.3	4.2	4.5	4.2	4.1
Net interest margin(7)	4.6	4.6	4.8	4.6	4.6
Cost-to-net revenue ratio(8)	73.4	64.8	56.6	56.9	56.1
Cost-to-average assets ratio(9)	3.3	3.3	3.2	3.1	3.1
Capital:					
Total capital adequacy ratio(10)	15.69	17.44	16.22	16.52	16.80
Tier 1 capital adequacy ratio(10)	10.58	13.26	12.23	11.60	11.08
Tier 2 capital adequacy ratio(10)	5.11	4.18	3.99	4.92	5.72
Average total shareholders equity as a percentage of average total assets	11.6	12.9	12.4	12.1	11.6
Asset quality:					
Gross non-performing customer assets as a percentage of gross customer assets(11)	1.9	1.5	1.2	0.9	0.8
Net non-performing customer assets as a percentage of net customer assets(11)	0.6	0.4	0.3	0.2	0.2
Total allowance for credit losses as a percentage of gross non-performing credit assets	125.5	123.3	125.3	146.6	159.4

1) Represents the difference between total assets and total liabilities, excluding noncontrolling interests in subsidiaries, divided by the number of shares outstanding at the end of each reporting period.
2) Includes placements with banks and financial institutions with original maturities of greater than three months.
3) Under Indian GAAP, a transfer from an HTM portfolio to an AFS portfolio is permitted by RBI regulations once every year and the Bank has made transfers in accordance with these regulations. However, the Bank has not established an HTM portfolio under US GAAP.
4) Average balances are the average of daily outstanding amounts. Average figures are unaudited.
5) Represents the ratio of total dividends payable on equity shares relating to each fiscal year, excluding the dividend distribution tax, as a percentage of net income of that year. Dividends declared each year are typically paid in the following fiscal year. See Dividend Policy.
6) Represents the difference between yield on average interest-earning assets and cost of average interest-bearing liabilities. Yield on average interest-earning assets is the ratio of interest revenue to average interest-earning assets. Cost of average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities. For purposes of calculating spread, interest-bearing liabilities includes non-interest bearing current accounts.
7) Represents the ratio of net interest revenue to average interest-earning assets. The difference in net interest margin and spread arises due to the difference in the amount of average interest-earning assets and average interest-bearing liabilities. If average interest-earning assets exceed average interest-bearing liabilities, the net interest margin is greater than the spread. If average interest-bearing liabilities exceed average interest-earning assets, the net interest margin is less than the spread.
8) Represents the ratio of non-interest expense to the sum of net interest revenue after provision for credit losses and non-interest revenue.
9) Represents the ratio of non-interest expense to average total assets.
10) Tier 1 and Tier 2 capital adequacy ratios are computed as per Basel II guidelines. See Supervision and Regulation.
11) Customer assets consist of loans and credit substitutes.

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SELECTED STATISTICAL INFORMATION

The following information should be read together with our financial statements included in this report as well as Management s Discussion and Analysis of Financial Condition and Results of Operations. All amounts presented in this section are in accordance with U.S. GAAP, other than capital adequacy ratios, and are audited, except for average amounts. Footnotes appear at the end of each related section of tables.

Average Balance Sheet

The table below presents the average balances for interest-earning assets and interest-bearing liabilities together with the related interest revenue and expense amounts, resulting in the presentation of the average yields and cost for each period. The average balance is the daily average of balances outstanding. The average yield on average interest-earning assets is the ratio of interest revenue to average interest-earning assets. The average cost on average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities. The average balances of loans include non-performing loans and are net of allowance for credit losses. We have not recalculated tax-exempt income on a tax-equivalent basis.

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	Year ended March 31, 2011 Average balance	2011 Interest revenue/ expense	2011 Average yield/ cost	2012 Average balance	2012 Interest revenue/ expense	2012 Average yield/ cost	2013 Average balance	2013 Interest revenue/ expense	2013 Average yield/ cost
	(in millions, except percentages)								
Assets:									
Interest-earning assets:									
Cash equivalents	Rs. 26,126.2	Rs. 1,247.4	4.8%	Rs. 11,730.2	Rs. 576.7	4.9%	Rs. 20,848.9	Rs. 1,222.3	5.9%
Term placements	73,259.0	3,531.3	4.8	119,812.5	5,970.4	5.0	160,690.5	8,591.5	5.3
Investments available for sale:									
Tax free[1]	2,634.5	176.0	6.7	6,986.6	1,930.7	27.6	17,747.3	1,338.3	7.5
Taxable	566,631.7	40,563.8	7.2	704,231.2	54,690.3	7.8	815,225.5	65,215.9	8.0
Investments held to maturity									
Investments held for trading	60,686.8	3,013.8	5.0	49,214.5	4,056.2	8.2	60,784.6	5,780.0	9.5
Loans, net:									
Retail loans	798,519.8	97,085.0	12.2	1,094,555.1	140,535.9	12.8	1,499,163.5	189,571.3	12.6
Wholesale loans	709,423.0	56,634.7	8.0	759,809.1	69,779.8	9.2	829,157.1	82,159.2	9.9
Total interest-earning assets:	Rs. 2,237,281.0	Rs. 202,252.0	9.0%	Rs. 2,746,339.2	Rs. 277,540.0	10.1%	Rs. 3,403,617.4	Rs. 353,878.5	10.4%
Non-interest-earning assets:									
Cash	154,829.0			182,544.0			174,638.0		
Property and equipment	22,431.5			23,068.4			26,365.1		
Other assets	170,694.5			145,211.0			170,011.8		
Total non-interest earning assets	347,955.0			350,823.4			371,014.9		
Total assets	Rs. 2,585,236.0	Rs. 202,252.0	7.8%	Rs. 3,097,162.6	Rs. 277,540.0	9.0%	Rs. 3,774,632.3	Rs. 353,878.5	9.4%
Liabilities:									
Interest-bearing liabilities:									
Savings account deposits	Rs. 562,258.1	Rs. 19,662.0	3.5%	Rs. 657,063.0	Rs. 26,024.6	4.0%	Rs. 764,180.0	Rs. 30,432.0	4.0%
Time deposits	942,294.2	60,554.3	6.4	1,167,955.8	100,758.5	8.6	1,481,272.4	132,660.7	9.0
Short-term borrowings[2]	102,029.3	5,408.5	5.3	195,493.8	12,376.4	6.3	241,905.5	14,152.4	5.9
Long-term debt	101,241.4	8,224.9	8.1	148,201.6	11,988.5	8.1	234,489.1	19,556.9	8.3
Total interest-bearing liabilities	Rs. 1,707,823.0	Rs. 93,849.7	5.5%	Rs. 2,168,714.2	Rs. 151,148.0	7.0%	Rs. 2,721,847.0	Rs. 196,802.0	7.2%
Non-interest-bearing liabilities:									
Non-interest-bearing deposits	361,184.3			390,682.9			414,590.2		
Other liabilities	196,567.2			163,251.2			202,155.3		
Total non-interest-bearing liabilities	557,751.5			553,934.1			616,745.5		
Total liabilities	Rs. 2,265,574.5	Rs. 93,849.7	4.1%	Rs. 2,722,648.3	Rs. 151,148.0	5.6%	Rs. 3,338,592.5	Rs. 196,802.0	5.9%
Total shareholders equity	319,661.5			374,514.3			436,039.8		
Total liabilities and shareholders equity	Rs. 2,585,236.0	Rs. 93,849.7	3.6%	Rs. 3,097,162.6	Rs. 151,148.0	4.9%	Rs. 3,774,632.3	Rs. 196,802.0	5.2%

1) Yields on tax free securities are not on a tax equivalent basis.
2) Includes securities sold under repurchase agreements.

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Analysis of Changes in Interest Revenue and Interest Expense: Volume and Rate

The following table sets forth, for the periods indicated, the allocation of the changes in our interest revenue and interest expense between average volume and average rate.

	Fiscal 2012 vs. Fiscal 2011 Increase (decrease)[(1)] due to			Fiscal 2013 vs. Fiscal 2012 Increase (decrease)[(1)] due to		
	Net change	Change in Average volume	Change in average rate	Net change	Change in Average volume	Change in average rate
	(in millions)					
Interest revenue:						
Cash equivalents	Rs. (670.7)	Rs. (687.3)	Rs. 16.6	Rs. 645.6	Rs. 448.3	Rs. 197.3
Term placements	2,439.1	2,244.0	195.1	2,621.1	2,037.0	584.1
Investments available for sale:						
Tax free	1,754.7	290.7	1,464.0	(592.4)	2,973.7	(3,566.1)
Taxable	14,126.5	9,850.4	4,276.1	10,525.6	8,619.8	1,905.8
Investments held to maturity						
Investments held for trading	1,042.4	(569.7)	1,612.1	1,723.8	953.6	770.2
Loans, net:						
Retail loans	43,450.9	35,992.3	7,458.6	49,035.4	51,949.9	(2,914.5)
Wholesale loans	13,145.1	4,022.4	9,122.7	12,379.4	6,368.8	6,010.6
Total interest-earning assets	Rs.75,288.0	Rs.51,142.8	Rs. 24,145.2	Rs.76,338.5	Rs.73,351.1	Rs. 2,987.4
Interest expense:						
Savings account deposits	Rs. 6,362.6	Rs. 3,315.3	Rs. 3,047.3	Rs. 4,407.4	Rs. 4,242.6	Rs. 164.8
Time deposits	40,204.2	14,501.6	25,702.6	31,902.2	27,029.5	4,872.7
Short-term borrowings	6,967.9	4,954.5	2,013.4	1,776.0	2,938.3	(1,162.3)
Long-term debt	3,763.6	3,815.1	(51.5)	7,568.4	6,980.1	588.3
Total interest-bearing liabilities	Rs.57,298.3	Rs.26,586.5	Rs. 30,711.8	Rs.45,654.0	Rs.41,190.5	Rs. 4,463.5
Net interest revenue	Rs.17,989.7	Rs.24,556.3	Rs. (6,566.6)	Rs.30,684.5	Rs.32,160.6	Rs.(1,476.1)

1) The changes in net interest revenue between periods have been reflected as attributed either to volume or rate changes. For purposes of this table, changes which are due to both volume and rate have been allocated solely to changes in rate.

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Yields, Spreads and Margins

The following table sets forth, for the periods indicated, the yields, spreads and interest margins on our interest-earning assets.

	Year ended March 31, 2011	2012	2013
	(in millions, except percentages)		
Interest revenue	Rs. 202,252.0	Rs. 277,540.0	Rs. 353,878.5
Average interest-earning assets	2,237,281.0	2,746,339.2	3,403,617.4
Interest expense	93,849.7	151,148.0	196,802.0
Average interest-bearing liabilities	1,707,823.0	2,168,714.2	2,721,847.0
Average total assets	2,585,236.0	3,097,162.6	3,774,632.3
Average interest-earning assets as a percentage of average total assets	86.5%	88.7%	90.2%
Average interest-bearing liabilities as a percentage of average total assets	66.1%	70.0%	72.1%
Average interest-earning assets as a percentage of average interest-bearing liabilities	131.0%	126.6%	125.0%
Yield	9.0%	10.1%	10.4%
Cost of funds[1]	4.1%	5.6%	5.9%
Spread[2]	4.5%	4.2%	4.1%
Net interest margin[3]	4.8%	4.6%	4.6%

1) Excludes total shareholders equity.
2) Represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities. The yield on average interest-earning assets is the ratio of interest revenue to average interest-earning assets. The cost of average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities. For purposes of calculating spread, interest-bearing liabilities include non-interest bearing current accounts.
3) The net interest margin is the ratio of net interest revenue to average interest-earning assets. The difference in the net interest margin and spread arises due to the difference in the amount of average interest-earning assets and average interest-bearing liabilities. If average interest-earning assets exceed average interest-bearing liabilities, the net interest margin is greater than the spread. If average interest-bearing liabilities exceed average interest-earning assets, the net interest margin is less than the spread.

Returns on Equity and Assets

The following table presents selected financial ratios for the periods indicated.

	Year ended March 31, 2011	2012	2013
	(in millions, except percentages)		
Net income	Rs. 41,196.9	Rs. 49,783.4	Rs. 61,819.4
Average total assets	2,585,236.0	3,097,162.6	3,774,632.3
Average total shareholders equity	319,661.5	374,514.3	436,039.8
Net income as a percentage of average total assets	1.6%	1.6%	1.6%
Net income as a percentage of average total shareholders equity	12.9%	13.3%	14.2%
Average total shareholders equity as a percentage of average total assets	12.4%	12.1%	11.6%
Dividend payout-ratio	18.6%	20.3%	21.2%

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Investment Portfolio

Available for Sale Investments

The following tables set forth, as of the dates indicated, information related to our investments available for sale.

	At March 31, 2011				2012				2013			
	Amortized Cost	Gross unrealized gain	Gross unrealized loss	Fair value	Amortized cost	Gross unrealized gain	Gross unrealized loss (in millions)	Fair value	Amortized cost	Gross unrealized gain	Gross unrealized Loss	Fair V
ent	Rs. 587,670.4	Rs. 114.9	Rs. 8,773.1	Rs. 579,012.2	Rs. 764,519.0	Rs. 505.2	Rs. 12,433.9	Rs. 752,590.3	Rs. 924,935.5	Rs. 2,665.6	Rs. 3,539.1	Rs. 92
t	43,394.0	151.2	111.3	43,433.9	40,376.1	106.3	108.6	40,373.8	69,015.1	181.6	27.2	6
t (1)	Rs. 631,064.4	Rs. 266.1	Rs. 8,884.4	Rs. 622,446.1	Rs. 804,895.1	Rs. 611.5	Rs. 12,542.5	Rs. 792,964.1	Rs. 993,950.6	Rs. 2,847.2	Rs. 3,566.3	Rs. 99
(2)	5,982.7	288.4	12.3	6,258.8	13,137.3	985.3	6.3	14,116.3	23,837.4	1,148.8	146.2	2
	Rs. 637,047.1	Rs. 554.5	Rs. 8,896.7	Rs. 628,704.9	Rs. 818,032.4	Rs. 1,596.8	Rs. 12,548.8	Rs. 807,080.4	Rs. 1,017,788.0	Rs. 3,996.0	Rs. 3,712.5	Rs. 1,01

(1) Excludes asset and mortgage-backed securities.
(2) Includes asset and mortgage-backed securities.

Held to Maturity Investments

As of March 31, 2011, 2012 and 2013, the Bank had no investments held to maturity.

Held for Trading Investments

The following table sets forth, as of the dates indicated, information related to our investments held for trading:

	At March 31, 2011				2012				2013			
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value	Amortized cost	Gross unrealized gain	Gross unrealized loss (in millions)	Fair value	Amortized cost	Gross unrealized gain	Gross Unrealized loss	Fair value
Government securities	Rs. 14,222.6	Rs. 63.5	Rs. 0.3	Rs. 14,285.8	Rs. 51,194.4	Rs. 18.2	Rs. 195.2	Rs. 51,017.4	Rs. 63,468.6	Rs. 134.7	Rs. 58.5	Rs. 63,544.8
Other debt securities	23,856.8	71.5	0.1	23,928.2	25,987.0	46.9	7.9	26,026.0	13,856.2	11.7	59.1	13,808.8
Total debt securities	Rs. 38,079.4	Rs. 135.0	Rs. 0.4	Rs. 38,214.0	Rs. 77,181.4	Rs. 65.1	Rs. 203.1	Rs. 77,043.4	Rs. 77,324.8	Rs. 146.4	Rs. 117.6	Rs. 77,353.6
Non-debt securities	3.0		0.1	2.9					10,029.9			10,029.9
Total	Rs. 38,082.4	Rs. 135.0	Rs. 0.5	Rs. 38,216.9	Rs. 77,181.4	Rs. 65.1	Rs. 203.1	Rs. 77,043.4	Rs. 87,354.7	Rs. 146.4	Rs. 117.6	Rs. 87,383.5

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Residual Maturity Profile

The following table sets forth, for the periods indicated, an analysis of the residual maturity profile of our investments in government and corporate debt securities classified as available-for-sale securities and their market yields.

	At March 31, 2013							
	Up to one year		One to five years		Five to ten years		More than ten years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(in millions, except percentages)							
Government securities	Rs. 307,010.1	7.9%	Rs. 392,244.1	7.8%	Rs. 183,873.2	8.0%	Rs. 40,934.6	8.1%
Other debt securities	61,898.9	9.2	7,270.6	6.1				
Total debt securities, fair value	Rs. 368,909.0	8.2%	Rs. 399,514.7	7.8%	Rs. 183,873.2	8.0%	Rs. 40,934.6	8.1%
Total amortized cost	Rs. 368,984.1		Rs. 401,486.7		Rs. 182,689.6		Rs. 40,790.2	

Funding

Our funding operations are designed to ensure stability, low cost of funding and effective liquidity management. The primary source of funding is deposits raised from retail customers, which were approximately 75% of total deposits as of March 31, 2013 as compared to 72% as of March 31, 2012. Wholesale banking deposits represented approximately 25% of total deposits as of March 31, 2013 and 28% March 31, 2012.

Total Deposits

The following table sets forth, for the periods indicated, our average outstanding deposits and the percentage composition by each category of deposits. The average cost (interest expense divided by the average of the daily balance for the relevant period) of savings deposits was 3.5% in fiscal 2011, 4.0% in fiscal 2012 and 4.0% in fiscal 2013. The average cost of time deposits was 6.4% in fiscal 2011, 8.6% in fiscal 2012 and 9.0% in fiscal 2013. The average deposits for the periods set forth are as follows:

	Year ended March 31,					
	2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions, except percentages)					
Current deposits	Rs. 361,184.3	19.4%	Rs. 390,682.9	17.6%	Rs. 414,590.2	15.6%
Savings deposits	562,258.1	30.1	657,063.0	29.7	764,180.0	28.7
Time deposits	942,294.2	50.5	1,167,955.8	52.7	1,481,272.4	55.7
Total	Rs. 1,865,736.6	100.0%	Rs. 2,215,701.7	100.0%	Rs. 2,660,042.6	100.0%

As of March 31, 2013, individual time deposits in excess of Rs. 0.1 million had a balance to maturity profile as follows:

	At March 31, 2013			
	Up to three months	Three to six months	Six to twelve months	More than one year
	(in millions)			
Balance to maturity for time deposits exceeding Rs. 0.1 million each	Rs. 481,880.0	Rs. 279,011.1	Rs. 367,244.4	Rs. 314,450.1

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Short-term Borrowings

The following table sets forth, for the periods indicated, information related to our short-term borrowings, which are comprised primarily of money-market borrowings. Short-term borrowings include securities sold under repurchase agreements.

	Years ended March 31,		
	2011	2012	2013
	(in millions, except percentages)		
Period end	Rs. 136,686.7	Rs.182,642.8	Rs.350,617.2
Average balance during the period	Rs. 102,029.3	Rs.195,493.8	Rs.241,905.5
Maximum outstanding	Rs. 255,927.6	Rs.402,246.2	Rs.508,131.8
Average interest rate during the period(1)	5.3%	6.3%	5.9%
Average interest rate at period end(2)	5.5%	6.1%	6.6%

1) Represents the ratio of interest expense on short-term borrowings to the average of daily balances of short-term borrowings.
2) Represents the weighted average rate of short-term borrowings outstanding as of March 31, 2011, 2012 and 2013.

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Subordinated Debt

We also obtain funds from the issuance of unsecured non-convertible subordinated debt securities, which qualify as Tier 1 or Tier 2 risk-based capital under the RBI s guidelines for assessing capital adequacy. Subordinated debt (Lower Tier 2 capital), Upper Tier 2 capital and Innovative Perpetual Debt Instruments outstanding as on March 31, 2013 are Rs. 130.28 billion (previous year: Rs. 69.81 billion), Rs. 39.59 billion (previous year: Rs. 39.25 billion), and Rs. 2.00 billion (previous year: Rs. 2.00 billion), respectively. The breakup of the same is shown hereunder:

Type	Currency	Year of issue	Year of maturity	Average tenor (years)	Interest rate (%)	Year of call	Step-up rate (%)	Face value (Rupees in billions)
Lower Tier II	INR	2003-04	2017-18	13.3	6.00			0.05
Lower Tier II	INR	2003-04	2014-15	10.3	5.90			3.95
Lower Tier II	INR	2004-05	2014-15	9.9	7.05			0.15
Lower Tier II	INR	2004-05	2014-15	9.3	8.75			0.04
Lower Tier II	INR	2005-06	2015-16	9.5	7.50			4.14
Lower Tier II	INR	2005-06	2015-16	9.3	7.75			2.31
Lower Tier II	INR	2005-06	2015-16	9.7	8.25			2.57
Lower Tier II	INR	2005-06	2015-16	9.9	8.60			3.00
Lower Tier II	INR	2006-07	2016-17	10.0	8.45			1.69
Lower Tier II	INR	2006-07	2016-17	10.0	9.10			2.41
Lower Tier II	INR	2008-09	2018-19	10.0	10.70			11.50
Lower Tier II	INR	2008-09	2018-19	10.0	9.75			1.50
Lower Tier II	INR	2011-12	2026-27	15.0	9.48	2021-22		36.50
Lower Tier II	INR	2012-13	2022-23	10.0	8.95	2017-18		5.65
Lower Tier II	INR	2012-13	2022-23	10.0	9.10	2017-18		14.05
Lower Tier II	INR	2012-13	2022-23	10.0	10.20			2.50
Lower Tier II	INR	2012-13	2022-23	10.0	9.70			1.50
Lower Tier II	INR	2012-13	2022-23	10.0	9.60			2.00
Lower Tier II	INR	2012-13	2027-28	15.0	9.45	2022-23		34.77
Upper Tier II	INR	2006-07	2021-22	15.0	8.80	2016-17	9.55	3.00
Upper Tier II	INR	2006-07	2021-22	15.0	9.20	2016-17	9.95	3.00
Upper Tier II	INR	2006-07	2021-22	15.0	8.95	2016-17	9.70	0.36
Upper Tier II	USD	2006-07	2021-22	15.1	LIBOR+1.2	2016-17	LIBOR+2.2	5.43
Upper Tier II	INR	2007-08	2022-23	15.0	10.84	2017-18	5 Year GSec Yield+3.5	1.00
Upper Tier II	INR	2008-09	2023-24	15.0	10.85	2018-19	11.35	5.78
Upper Tier II	INR	2008-09	2023-24	15.0	9.95	2018-19	10.45	2.00
Upper Tier II	INR	2008-09	2023-24	15.0	9.85	2018-19	10.35	7.97
Upper Tier II	INR	2010-11	2025-26	15.0	8.70	2020-21	9.20	11.05
Perpetual Bond	INR	2006-07			9.92	2016-17	10.92	2.00

The Upper Tier II U.S. dollar debt depicted in the table above is for an amount of US $100 million raised during fiscal 2007 carrying an interest rate of Libor + 1.20%. In the table above, the rupee equivalent is based on the translation rate of Rs. 54.285 = US $1.00. We have a right to redeem certain of the issuances as noted above under year of call. If not called, the interest rate increases to the step-up rate.

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Asset Liability Gap

The following table sets forth, for the periods indicated, our asset-liability gap position:

	As of March 31, 2013[1]								
	0-28 Days	29-90 days	91-180 days	6-12 months	Total within one year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
	(in millions, except percentages)								
Cash and cash equivalents[2][3]	98,823.6	6,209.4	10,860.6	7,279.0	123,172.6	56,985.2	1,838.5	36,743.9	218,740.2
Term placements	1,932.4	7,632.1	21,514.5	41,240.8	72,319.8	47,021.5	36,263.9	43,660.5	199,265.7
Investments held for trading[4]	53,847.0	33,033.1	293.5	89.6	87,263.2		120.3		87,383.5
Investments available for sale[5][6]	325,829.7	41,739.2	70,393.7	57,674.0	495,636.6	293,262.8	19,761.1	209,411.0	1,018,071.5
Securities purchased under agreement to resell	67,000.0				67,000.0				67,000.0
Loans, net[7][8]	216,602.9	266,002.5	240,519.8	276,099.2	999,224.4	1,125,423.3	195,597.8	184,306.1	2,504,551.6
Accrued interest receivable	34,370.9				34,370.9				34,370.9
Other assets	13,483.3	5,476.5			18,959.8	104,219.6			123,179.4
Total financial assets	811,889.8	360,092.8	343,582.1	382,382.6	1,897,947.3	1,626,912.4	253,581.6	474,121.5	4,252,562.8
Deposits[9][10]	299,773.2	189,464.4	208,361.7	179,142.4	876,741.7	1,264,966.9	52,243.3	766,582.0	2,960,533.9
Debt[11]	27,466.4	69,048.7	53,068.4	20,153.9	169,737.4	71,544.4	73,779.4	125,775.7	440,836.9
Securities sold under repurchase agreements	205,000.0				205,000.0				205,000.0
Other Liabilities[12]	106,864.7	26,773.8	31,519.2		165,157.7	128,999.7			294,157.4
Total financial liabilities	639,104.3	285,286.9	292,949.3	199,296.3	1,416,636.8	1,465,511.0	126,022.7	892,357.7	3,900,528.2
Asset/liability gap	172,785.5	74,805.9	50,632.8	183,086.3	481,310.5	161,401.4	127,558.9	(418,236.2)	352,034.6
Cumulative gap	172,785.5	247,591.3	298,224.2	481,310.5	481,310.5	642,711.9	770,270.8	352,034.6	352,034.6
Cumulative gap as a percentage of total financial assets	21.3%	21.1%	19.7%	25.4%	25.4%	18.2%	20.4%	8.3%	8.3%

1) Assets and liabilities are classified into the applicable maturity categories based on residual maturity unless specifically mentioned.
2) Cash on hand is classified in the 0-28 days category.
3) Cash and cash equivalents include balances with the RBI to satisfy its cash reserve ratio requirements. These balances are held in the form of overnight cash deposits but we classify these balances as part of the applicable maturity categories on a basis proportionate to the classification of related deposits.
4) Securities in the trading book are classified based on the expected time of realization for such investments. Units of open ended mutual funds are classified in 0-28 days category.
5) Securities held towards satisfying the statutory liquidity requirement prescribed by the RBI are classified based on the applicable maturity categories on a basis proportionate to the classification of related deposits.
6) Shares in the available-for-sale investment portfolio are classified in the over 5 years category. Units of open ended mutual funds are classified in 0-28 days category.
7) Includes net non-performing loans which are classified in the Over 3 years to 5 years and Over 5 years categories.
8) Ambiguous maturity overdrafts are classified under various maturity categories based on a historical behavioral analysis that we have performed to determine the appropriate maturity categorization of such advances.
9) Non-maturity deposits are classified under various maturity categories based on a historical behavioral analysis that we have performed to determine the appropriate maturity categorization of such deposits.

10) Time deposits under Rs. 50 million are classified under various maturity categories based on the historical behavioral analysis that we have performed to determine the appropriate maturity categorization of such deposits taking into account rollovers and premature withdrawals. The rest have been classified under various maturity categories based on the residual maturity.
11) Includes short-term borrowings and long-term debt.
12) Cash floats are classified under various maturity categories based on the historical behavioral analysis that we have performed to determine the appropriate maturity categorization of such floats.

For further information on how we manage our asset liability risk, see Business Market Risk.

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Loan Portfolio and Credit Substitutes

As of March 31, 2013, our gross loan portfolio amounted to Rs. 2,538.2 billion. As of that date, our gross credit substitutes outstanding were Rs. 46.6 billion and represented credit substitutes outstanding. Almost all our gross loans and credit substitutes are to borrowers in India and over 90% are denominated in rupees. For a description of our retail and wholesale loan products, see Business Retail Banking Retail Loans and Other Asset Products and Business Wholesale Banking Commercial Banking Products Commercial Loan Products and Credit Substitutes.

The following table sets forth, for the periods indicated, our gross loan portfolio classified by product group:

	At March 31,				
	2009	2010	2011	2012	2013
			(in millions)		
Retail loans	Rs. 620,393.9	Rs. 732,984.2	Rs. 980,144.6	Rs. 1,344,966.8	Rs. 1,729,503.7
Wholesale loans	390,652.0	587,956.8	668,605.7	689,314.4	808,742.1
Gross loans	Rs. 1,011,045.9	Rs. 1,320,941.0	Rs. 1,648,750.3	Rs. 2,034,281.2	Rs. 2,538,245.8
Credit substitutes (at fair value)	4,252.3	2,476.3	14,491.1	11,800.5	46,622.6
Gross loans plus credit substitutes	Rs. 1,015,298.2	Rs. 1,323,417.3	Rs. 1,663,241.4	Rs. 2,046,081.7	Rs. 2,584,868.4

Maturity and Interest Rate Sensitivity of Loans and Credit Substitutes

The following tables set forth, for the periods indicated, the maturity and interest rate sensitivity of our loans and credit substitutes:

	At March 31, 2013		
	Due in one year or less	Due in one to five years	Due after five years
		(in millions)	
Retail loans	Rs. 541,093.1	Rs. 1,028,807.2	Rs.159,603.4
Wholesale loans	458,131.3	297,660.2	52,950.6
Gross loans	Rs. 999,224.4	Rs. 1,326,467.4	Rs.212,554.0
Credit substitutes (at fair value)	41,568.1	5,054.5	
Gross loans plus credit substitutes	Rs. 1,040,792.5	Rs. 1,331,521.9	Rs.212,554.0

	At March 31, 2013		
	Due in one year or less	Due in one to five years	Due after five years
		(in millions)	
Interest rate classification of loans by maturity:			
Variable rates	Rs. 122,377.4	Rs. 552,109.2	Rs. 184,952.9
Fixed rates	876,847.0	774,358.2	27,601.1
Gross loans	Rs. 999,224.4	Rs. 1,326,467.4	Rs. 212,554.0
Interest rate classification of credit substitutes by maturity:			
Variable rates	Rs.	Rs.	Rs.
Fixed rates	41,568.1	5,054.5	
Gross credit substitutes	Rs. 41,568.1	Rs. 5,054.5	Rs.
Interest rate classification of loans and credit substitutes by maturity:			
Variable rates	Rs. 122,377.4	Rs. 552,109.2	Rs. 184,952.9
Fixed rates	918,415.1	779,412.7	27,601.1
Gross loans and credit substitutes	Rs. 1,040,792.5	Rs. 1,331,521.9	Rs. 212,554.0

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Concentration of Loans and Credit Substitutes

Pursuant to the guidelines of the RBI, our exposure to individual borrowers is limited to 15% of our capital funds (as defined by RBI and calculated under Indian GAAP), and our exposure to a group of companies under the same management is limited to 40% of our capital funds. In the case of infrastructure projects, such as power, telecommunications, road and port projects, an additional exposure of up to 5% of capital funds is allowed in respect of individual borrowers and up to 10% in respect of group borrowers. We may, in exceptional circumstances, with the approval of our board of directors, consider enhancement of exposure to a borrower by a further 5% of capital funds. See Supervision and Regulation Credit Exposure Limits.

The following table sets forth, for the periods indicated, our gross loans and fair value of credit substitutes outstanding by the borrower s industry or economic activity and as a percentage of our gross loans and fair value of credit substitutes (where such percentage exceeds 2.0% of the total). We do not consider retail loans a specific industry for this purpose. However, retail business banking loans are classified in the appropriate categories below and loans to commercial vehicle operators are included in land transport below.

	At March 31,									
	2009		2010		2011		2012		2013	
	(in millions, except percentages)									
Wholesale Trade	Rs.	%	Rs. 46,003.6	3.5%	Rs. 68,948.3	4.1%	Rs. 110,828.9	5.4%	Rs. 178,552.2	6.9%
Land transport	53,270.5	5.3	59,080.3	4.5	91,140.0	5.5	129,736.4	6.3	157,938.8	6.1
Automobile & Auto Ancillary	38,991.6	3.8	73,833.6	5.6	79,226.6	4.8	70,175.3	3.4	109,667.7	4.2
Services									73,757.3	2.9
Retail trade	22,356.2	2.2			38,203.9	2.3	52,373.5	2.6	71,102.3	2.8
Food & Beverage					34,458.0	2.1	46,444.1	2.3	70,405.2	2.7
Non-Banking Financial Companies /Financial Intermediaries	40,681.5	4.0	53,802.5	4.1	56,852.9	3.3	52,596.5	2.6	58,346.2	2.3
Iron & Steel					39,203.3	2.4			53,229.3	2.1
Real Estate & Property Services			27,051.3	2.0	39,964.8	2.4	47,422.1	2.3		
Activities allied to agriculture	32,492.8	3.2	31,493.6	2.4	49,024.3	2.9	45,591.8	2.2		
Power					36,646.8	2.2	44,135.9	2.2		
Banks and Financial Institutions			37,590.1	2.8	45,070.1	2.7				
Fertilizers	27,445.3	2.7	54,830.1	4.1	34,157.5	2.1				
Housing Finance Companies			35,697.6	2.7						
Petroleum & Petroleum Products	26,437.3	2.6								
Others (including unclassified retail)	773,623.0	76.2	904,034.6	68.3	1,050,344.9	63.2	1,446,777.2	70.7	1,811,869.4	70.0
Total	Rs. 1,015,298.20	100.0%	Rs. 1,323,417.3	100.0%	Rs. 1,663,241.4	100.0%	Rs. 2,046,081.7	100.0%	Rs. 2,584,868.4	100.0%

As of March 31, 2013, our 10 largest exposures totaled approximately Rs. 455.2 billion and represented 100.2% of our capital funds as per RBI guidelines. The largest group of companies under the same management control accounted for 34.6% of our capital funds as on March 31, 2013 as per RBI guidelines.

Directed Lending

The RBI has established guidelines requiring Indian banks to lend 40% of their adjusted net bank credit (ANBC), as computed in accordance with RBI guidelines, or the credit equivalent amount of off balance sheet exposures, whichever is higher, as of March 31 of the previous fiscal, to certain sectors called priority sectors. Priority sectors are broadly comprised of agriculture, micro and small enterprises (MSEs), including retail trade, micro credit, education and housing, subject to certain limits.

We are required to comply with the priority sector lending requirements as of March 31 of each fiscal year. Until fiscal 2012, the priority sector lending was reckoned as of the last reporting Friday of each fiscal year, a date specified by the RBI for reporting. We have met our overall priority sector lending targets of 40%. However, agricultural loans made under the direct category were 12.6% of ANBC, against the requirement of 13.5%, with a shortfall of Rs.16.8 billion, and advances to sections termed weaker by the RBI were 6.0% against the requirement of 10.0%, with a shortfall of Rs. 72.3 billion. We may be required by the RBI to deposit with the Indian Development Banks certain amounts as specified by the RBI in the coming year due to the shortfall in certain sub-categories of priority sector lending targets. As of March 31, 2013, our total investments as directed by RBI in such deposits were Rs. 142.7 billion yielding returns ranging from 3% to 7%.

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The following table sets forth, for the periods indicated, our directed lending broken down by sector:

	2009	2010	As of March 31, 2011 (in millions)	2012	2013
Directed lending:					
Agriculture	Rs.105,459.5	Rs.155,383.0	Rs.204,506.2	Rs.246,506.4	Rs.291,689.2
Micro and small enterprises	108,932.2	181,739.6	222,933.8	248,497.9	296,012.3
Other	85,736.7	107,206.0	123,550.0	148,296.9	184,872.3
Total directed lending	Rs.300,128.4	Rs.444,328.6	Rs.550,990.0	Rs.643,301.2	Rs.772,573.8

Non-Performing Loans

The following discussion of non-performing loans is based on U.S. GAAP. For classification of non-performing loans under Indian regulatory requirements, see Supervision and Regulation.

As of March 31, 2013, our gross non-performing loans as a percentage of gross loan assets were 0.8 % and our gross non-performing loans net of specific valuation allowances as a percentage of net loan assets were 0.2%. As of March 31, 2013, 15.2% of non-performing loans were unsecured and unsecured non-performing loans were 0.6% of gross unsecured loans. Our valuation allowances, excluding unallocated allowances were 77.9% of gross non-performing loans. These allowances are based on the expected realization of cash flows from these assets and from the underlying collateral. All of our non-performing loans are rupee-denominated. Non-performing loans to the directed lending sector were 0.3% of gross loans.

The following table sets forth, for the periods indicated, information about our gross non-performing loan portfolio:

	2009	2010	As of March 31, 2011 (in millions, except percentages)	2012	2013
Non-performing loans:					
Retail loans	Rs. 14,957.7	Rs. 13,038.0	Rs. 11,159.5	Rs. 11,311.3	Rs. 14,579.1
Wholesale loans	4,599.8	6,224.9	9,502.9	7,723.6	6,553.0
Gross non-performing loans	Rs. 19,557.5	Rs. 19,262.9	Rs. 20,662.4	Rs. 19,034.9	Rs. 21,132.1
Specific valuation allowances	Rs. 13,220.6	Rs. 13,820.3	Rs. 16,089.8	Rs. 15,316.7	Rs. 16,466.9
Unallocated valuation allowances	11,330.3	9,940.3	9,804.5	12,590.2	17,227.3
Non-performing loans net of specific valuation allowance	6,336.9	5,442.6	4,572.6	3,718.2	4,665.2
Gross loan assets	1,011,045.9	1,320,941.0	1,648,750.3	2,034,281.2	2,538,245.8
Net loan assets	Rs. 986,495.0	Rs. 1,297,180.4	Rs. 1,622,856.0	Rs. 2,006,374.3	Rs. 2,504,551.6
Gross non-performing loans as a percentage of gross loans	1.9%	1.5%	1.3%	0.9%	0.8%
Gross unsecured non-performing loans as a percentage of gross non-performing loans	32.0%	25.5%	16.0%	14.4%	15.2%
Unsecured non-performing loans as a percentage of gross unsecured loans.	2.7%	1.4%	0.9%	0.6%	0.6%
Non-performing loans net of specific valuation allowance as a percentage of net loan assets	0.6%	0.4%	0.3%	0.2%	0.2%
Specific valuation allowance as a percentage of gross non-performing loans	67.6%	71.7%	77.9%	80.5%	77.9%
Total valuation allowance as a percentage of gross non-performing loans	125.5%	123.3%	125.3%	146.6%	159.4%

Recognition of Non-Performing Loans

We classify our loan portfolio into loans that are performing and loans that are non-performing or impaired. We have categorized our gross loans based on their performance status as follows:

	At March 31,				
	2009	2010	2011	2012	2013
			(in millions)		
Performing	Rs. 991,488.4	Rs.1,301,678.1	Rs.1,628,087.9	Rs.2,015,246.3	Rs.2,517,113.7
Non-performing or impaired:					
On accrual status		1,078.5	3,938.0	624.4	253.3
On non-accrual status	19,557.5	18,184.4	16,724.4	18,410.5	20,878.8
Total non-performing or impaired	19,557.5	19,262.9	20,662.4	19,034.9	21,132.1
Total	Rs. 1,011,045.9	Rs.1,320,941.0	Rs.1,648,750.3	Rs.2,034,281.2	Rs.2,538,245.8

We consider a loan to be performing when no principal or interest payment is one quarter or more past due and where we expect to recover all amounts due to us. In the case of wholesale loans, we also identify loans as non-performing or impaired even when principal or interest payments are less than one quarter past due but where we believe recovery of all principal and interest amounts is doubtful. Interest income from loans is recognized on an accrual basis using effective interest method when earned except in respect of loans placed on non-accrual status, for which interest income is recognized when received. Loans are placed on non-accrual status when interest or principal payments are one quarter past due.

Our methodology for determining specific and unallocated allowances is discussed separately below for each category of loans.

Retail

Our retail loan loss allowance consists of specific and unallocated allowances.

We establish a specific allowance on our retail loan portfolio based on factors such as the nature of the product, delinquency levels or the number of days the loan is past due and the nature of the security available. Additionally we monitor loan to value ratios for loans against securities. The loans are charged off against allowances typically when the account becomes 150 to 1,083 days past due depending on the type of loans. The defined delinquency levels at which major loan types are charged off are 150 days past due for personal loans and credit card receivables, 180 days past due for auto loans, commercial vehicle and construction equipment finance, 720 days past due for housing loans and on a customer by customer basis in respect of retail business banking when we believe that any future cash flows from these loans are remote, including realization of collateral, if applicable, and where any restructuring or any other settlement arrangements are not feasible.

We also record unallocated allowances for retail loans by product type. Our retail loan portfolio is comprised of groups of large numbers of small value homogeneous loans. We establish an unallocated allowance for loans in each product group based on our estimate of the overall portfolio quality, asset growth, economic conditions and other risk factors. We estimate unallocated allowance for retail loans based on an internal credit slippage matrix, which measures our historic losses for our standard loan portfolio. Subsequent recoveries, if any, against write off cases are adjusted to provision for credit losses in the consolidated statement of income.

Wholesale

The allowance for wholesale loans consists of specific and unallocated components. The allowance for such credit losses is evaluated on a regular basis by us and is based upon our view of the probability of recovery of loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower s ability to repay, the estimated value of any underlying collateral, factors affecting the industry which the loan exposure relates to and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. Loans are charged off against the allowance when management believes that the loan balance cannot be recovered. Subsequent recoveries, if any, against write off cases are adjusted to provision for credit losses in the consolidated statement of income.

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We grade our wholesale loan accounts considering both qualitative and quantitative criteria. Wholesale loans are considered impaired when, based on current information and events, it is probable that we will be unable to collect scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by us in determining impairment include payment status, the financial condition of the borrower, the value of collateral held, and the probability of collecting scheduled principal and interest payments when due.

We establish specific allowances for each impaired wholesale loan customer in the aggregate for all facilities, including term loans, cash credits, bills discounted and lease finance, based on either the present value of expected future cash flows discounted at the loan s effective interest rate or the net realizable value of the collateral if the loan is collateral dependent.

Wholesale loans that experience insignificant payment delays and payment shortfalls are generally not classified as impaired but are placed on a surveillance watch list and closely monitored for deterioration. We determine the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower s prior payment record, market information, and the amount of the shortfall in relation to the principal and interest owed.

In light of the significant growth in the size and diversity of our wholesale loan portfolio, we have also established an unallocated allowance for wholesale standard loans based on the overall portfolio quality, asset growth, economic conditions and other risk factors. We estimate our wholesale unallocated allowance based on an internal credit slippage matrix, which measures our historic losses for our standard loan portfolio.

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Analysis of Non-Performing Loans by Industry Sector

The following table sets forth, for the periods indicated, our non-performing loans by borrowers industry or economic activity in each of the respective periods and as a percentage of our loans in the respective industry or economic activity sector. These figures do not include credit substitutes, which we include for purposes of calculating our industry concentration for RBI reporting. See Risk Factors We have high concentrations of exposures to certain customers and sectors and if any of these exposures were to become non-performing, the quality of our portfolio could be adversely affected and our ability to meet capital requirements could be jeopardized.

	2009			2010			2011			2012			2013	
	Gross Loans	Non performing loans	% of loans in industry	Gross Loans	Non performing loans	% of loans in industry	Gross Loans	Non performing loans	% of loans in industry	Gross Loans	Non performing loans	% of loans in industry	Gross Loans	Non perform loans
	(Rupees in millions, except percentages)													
	Rs. 4,700.8	Rs. 14.0	0.3%	Rs.	Rs.	%	Rs.		%	Rs. 11,004.0	529.5	4.8%	Rs. 9,955.8	604
				4,254.5	1.3		7,963.0	505.7	6.4	13,865.0	505.7	3.6	11,103.0	504
	11,773.3	448.3	3.8	13,836.8	788.6	5.7	17,285.3	1,410.0	8.2	17,931.2	1,430.5	8.0	28,010.3	918
es	40,425.2	11.2					54,241.0	2,147.1	4.0	47,563.0	1,782.7	3.7	35,588.9	1,124
	17,529.4	17.8	0.1	21,106.9	118.1	0.6	23,846.4	224.3	0.9	33,487.0	212.3	0.6	42,721.6	557
ces e	507,274.0	13,789.6	2.7	557,204.8	12,179.3	2.2	751,084.6	10,267.8	1.4	996,118.1	10,543.5	1.1	1,170,409.1	13,215
	12,462.9	179.8	1.4	20,337.2	165.4	0.8	39,203.3	207.6	0.5	40,755.1	57.7	0.1	53,229.3	492
ort	53,270.5	1,182.3	2.2	59,080.3	858.7	1.5	91,140.0	891.7	1.0	129,736.4	770.4	0.6	157,938.8	1,316
	18,808.9	783.5	4.2	23,567.9	801.6	3.4	34,458.0	878.2	2.5	46,444.1	829.9	1.8	69,213.0	571
				2,396.8	189.5	7.9				6,324.2	76.7	1.2	9,479.8	76
rade	9,587.6			46,003.6	365.7	0.8	68,948.3	728.6	1.1	110,828.9	638.5	0.6	178,552.2	805
lied e	32,492.8	165.2	0.5	31,493.6	262.1	0.8	49,024.3	256.6	0.5	45,591.8	166.9	0.4	51,213.7	205
	10,377.8	620.2	6.0	6,376.5	59.2	0.9	14,564.7	59.2	0.4	19,053.5	77.0	0.4	17,239.0	66
				10,455.0	129.1	1.2							27,095.7	74
us	40,999.8	92.1	0.2	46,379.9	115.2	0.2	33,930.2	178.7	0.5	12,242.2	78.5	0.6	38,076.9	97
& ary				73,784.3	9.4		76,336.1	266.9	0.3	70,078.3	281.8	0.4	105,073.6	254
	22,308.7	1,741.1	7.8	24,882.5	1,887.1	7.6	38,203.9	1,888.0	4.9	52,373.5	269.0	0.5	71,102.3	147
													3,716.0	5
				2,302.1	9.2	0.4							8,898.3	9
										44,135.9	48.6	0.1	49,453.9	48
er	3,707.4	67.8	1.8	7,210.8	165.3	2.3	6,083.7	156.7	2.6				12,054.3	8
ce	16,675.0	99.3	0.6	35,697.6	73.3	0.2	21,160.6	50.5	0.2	12,167.8	30.1	0.2	14,175.2	5
	9,109.4	146.7	1.6				32,409.1	21.7	0.1	38,967.0	16.3		73,335.2	16
elry	7,922.7	129.0	1.6	11,369.0	129.1	1.1	14,714.9	129.1	0.9	28,992.4	134.7	0.5	41,809.8	5
	27,445.3	0.1					34,157.5	2.4		18,764.1	1.9		17,431.6	1
cals				14,725.3	383.5	2.6	10,756.5	373.2	3.5	11,878.3	365.2	3.1		
ss										5,105.8	138.4	2.7		
										14,519.3	49.1	0.3		

ket es &				27,051.3	18.4	0.1	39,964.8	18.4		
n				8,980.0	553.8	6.2				
e of cts	6,716.6	69.5	1.0							
		19,557.5			**19,262.9**			**20,662.4**	**19,034.9**	**21,132**
or		13,220.6			13,820.3			16,089.8	15,316.7	16,466
ming		**6,336.9**			**5,442.6**			**4,572.6**	**3,718.2**	**4,665**

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As of March 31, 2013, our gross non-performing loan as a percentage of gross loans in the respective industries was the highest in Information Technology, Mining & Minerals and Textiles & Garments.

Information Technology

Due to lower industrial growth in the western countries and reduction of information technology (IT) budgets, the order inflow for the Indian IT companies has been slack, thereby affecting their revenues and margins. In relation to us, the problem exposure mainly pertains to a single company which was affected by high leverage and a decrease in margins. The sector is expected to benefit from the depreciation of the Rupee during the forthcoming year.

Mining & Minerals

The mining sector in India has been adversely affected by lower international demand for raw materials like iron ore and bauxite, as well as closure of several mines ordered by statutory authorities due to environmental concerns. Our exposure pertains to a single company active in bauxite mining, which is expected to stage a recovery during the forthcoming year.

Textiles & Garments

The textile industry in India depends a lot on export sales. Due to recessionary conditions in overseas markets and competition from low cost countries like Bangladesh, Sri Lanka and Vietnam there was an increase in the mortality rates in this sector.

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Top Ten Non-Performing Loans

As of March 31, 2013, we had 117 wholesale non-performing loans outstanding. Our top ten non-performing loans represented 19.0% of our gross non-performing loans and 0.2% of our gross loan portfolio.

The following table sets forth information regarding our ten largest non-performing loans. The table also sets forth our share of collateral value. We periodically obtain details of collateral from borrowers and external valuation reports and carry out certain procedures for updating and assessing fair values of collateral, however these procedures may not be conclusive to determine the precise net realizable values of any such collateral, which may be substantially less. Only in respect of borrower 1 is the loan collateral dependent (i.e. the borrower has no means of repaying the impaired loan other than the collateral) and as of March 31, 2013 the fair value of the collateral and our share thereof exceeds the loan amount outstanding net of allowance for credit losses. Interest payments not being serviced as of fiscal 2013 for all other loans is because of specific factors which have temporarily resulted in inadequate cash flows. The fair value of the collateral and our share thereof and the present value of expected future cash flows from these loans are adequate to cover the principal outstanding net of allowances for credit losses.

	As of March 31, 2013					
	Industry	Type of banking arrangement	Gross principal outstanding (in millions)	Principal outstanding net of allowance for credit losses	Our share in collateral value	Currently servicing all interest payments
Borrower 1	Wholesale Trade	Consortium	Rs. 590.3	Rs. 145.3	Rs. 161.3	No
Borrower 2	Mining & Minerals	Multiple	504.4			No
Borrower 3	Food & Beverage	Consortium	485.9	273.6	355.6	No
Borrower 4	Iron & Steel	Multiple	476.2			No
Borrower 5	NBFC / Financial Intermediaries	Multiple	421.2	25.8	32.4	Yes
Borrower 6	Information Technology	Multiple	400.0			No
Borrower 7	Textiles & Garments	Multiple	341.6	11.9	15.2	No
Borrower 8	NBFC / Financial Intermediaries	Multiple	330.0	18.9	23.7	Yes
Borrower 9	Automobile & Auto Ancillary	Multiple	238.9	109.1	134.8	Yes
Borrower 10	Engineering	Consortium	233.5	9.6	12.4	No
			Rs. 4,022.0	Rs. 594.2		

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Restructuring of Non-Performing Loans

Our non-performing loans are restructured on a case-by-case basis after our management has determined that restructuring is the best means of maximizing realization of the loan. These loans continue to be on a non-accrual basis and are reclassified as performing loans only after sustained performance under the loan s renegotiated terms for a period of at least one year.

Pursuant to recently enacted regulations creating a system of Corporate Debt Restructuring, we may also be involuntarily required to restructure loans if decided by at least 60% of the number of lenders, holding at least 75% of the debt, in a consortium in which we participate.

The following table sets forth, as of the dates indicated, our non-performing loans that have been restructured through rescheduling of principal repayments and deferral or waiver of interest:

	At March 31, 2009	2010	2011	2012	2013
	(in millions, except percentages)				
Gross restructured loans	Rs. 685.7	Rs. 1,810.0	Rs. 2,123.0	Rs. 4,353.2	Rs. 3,638.5
Allowance for credit losses	685.7	742.2	1,061.9	3,332.0	3,126.0
Net restructured loan	Rs.	Rs. 1,067.8	Rs. 1,061.1	Rs. 1,021.2	Rs. 512.5
Gross restructured loans as a percentage of gross non-performing loans	3.5%	9.4%	10.3%	22.9%	17.2%
Net restructured loans as a percentage of net non-performing loans		19.6%	23.2%	27.5%	11.0%

If there is a failure to meet payment or other terms of a restructured loan, it may be considered a failed restructuring, in which case it is no longer classified as a restructured loan.

Non-Performing Loan Strategy

Our non-performing loan strategy is focused on early problem recognition and active remedial management efforts. Because we are involved primarily in working capital finance with respect to wholesale loans, we track our borrowers performance and liquidity on an ongoing basis. This enables us to define remedial strategies proactively and manage our exposures to industries or customers that we believe are displaying deteriorating credit trends. Relationship managers lead the recovery effort together with strong support from the credit group in the corporate office in Mumbai. Recovery is pursued, among others, through legal process, enforcement of collateral, negotiated one-time settlements and other similar strategies. The particular strategy pursued depends upon the level of cooperation of the borrower, our assessment of the borrower s management integrity and long-term viability, the credit structure and the role of other creditors.

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Allowance for Credit Losses on Loans

The following table sets forth, for the periods indicated, movements in our allowance for credit losses:

	For the years ended March 31, 2009	2010	2011	2012	2013
	(in millions)				
Specific allowance for credit losses at the beginning of the period	Rs. 5,841.6	Rs. 13,220.6	Rs. 13,820.3	Rs. 16,089.8	Rs. 15,316.7
Net allowance for credit losses for the period including on acquisition of CBoP:					
Retail	21,063.6	18,147.6	10,480.4	7,781.9	12,710.3
Wholesale	5,567.2	1,436.3	3,634.9	1,674.6	315.9
Less allowances no longer required on account of write-offs	(19,251.8)	(18,984.2)	(11,845.8)	(10,229.6)	(11,876.0)
Specific allowance for credit losses at the end of period	Rs. 13,220.6	Rs. 13,820.3	Rs. 16,089.8	Rs. 15,316.7	Rs. 16,466.9
Unallocated allowance for credit losses at the beginning of the period	Rs. 6,894.4	Rs. 11,330.3	Rs. 9,940.3	Rs. 9,804.5	Rs. 12,590.2
Additions during the period	4,435.9	(1,390.0)	(135.8)	2,785.7	4,637.1
Unallocated allowance for credit losses at the end of the period	Rs. 11,330.3	Rs. 9,940.3	Rs. 9,804.5	Rs. 12,590.2	Rs. 17,227.3
Total allowance for credit losses at the beginning of the period	Rs. 12,736.0	Rs. 24,550.9	Rs. 23,760.6	Rs. 25,894.3	Rs. 27,906.9
Allowance no longer required on account of write-offs	(19,251.8)	(18,984.2)	(11,845.8)	(10,229.6)	(11,876.0)
Net addition to total allowance for the period charged to expense	31,066.7	18,193.9	13,979.5	12,242.2	17,663.3
Total allowance for credit losses at the end of the period	Rs. 24,550.9	Rs. 23,760.6	Rs. 25,894.3	Rs. 27,906.9	Rs. 33,694.2

Movements in our allowances for credit losses charged to expense do not include recoveries against write off cases amounting to Rs. 4,404.9 million and Rs. 4,975.3 million for fiscals 2012 and 2013, respectively. Allowances for credit losses for the periods presented have been disclosed net of recoveries.

The following table sets forth, for the periods indicated, the allocation of the total allowance for credit losses:

	As of March 31, 2009	2010	2011	2012	2013
	(in millions)				
Wholesale					
Allocated	Rs. 3,806.1	Rs. 4,610.8	Rs. 7,577.5	Rs. 6,433.7	Rs. 5,754.5
Unallocated	814.0	985.4	1,447.5	1,207.7	2,495.7
Subtotal	Rs. 4,620.1	Rs. 5,596.2	Rs. 9,025.0	Rs. 7,641.4	Rs. 8,250.2
Retail					
Allocated	9,414.5	9,209.5	8,512.3	8,883.0	10,712.4
Unallocated	10,516.3	8,954.9	8,357.0	11,382.5	14,731.6
Subtotal	Rs. 19,930.8	Rs. 18,164.4	Rs. 16,869.3	Rs. 20,265.5	Rs. 25,444.0
Allowance for credit losses	Rs. 24,550.9	Rs. 23,760.6	Rs. 25,894.3	Rs. 27,906.9	Rs. 33,694.2

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our audited financial statements included in this report. The following discussion is based on our audited financial statements, which have been prepared in accordance with U.S. GAAP, and on information publicly available from the RBI and other sources.

Introduction

Overview

We are a new generation private sector bank in India. Our principal business activities are retail banking, wholesale banking and treasury services. Our retail banking division provides various products such as deposit products, loans, credit cards, debit cards, third-party mutual funds and insurance products, investment advice, bill payment services and other services. Through our wholesale banking operations we provide products such as loans, deposit products, documentary credits, guarantees, bullion trading, debt syndication services and foreign exchange and derivative products. We also provide cash management services, clearing and settlement services for stock and commodity exchanges, tax and other collections for the government, custody services and correspondent banking services. Our treasury services segment undertakes trading operations on the proprietary account (including investments in government securities), foreign exchange operations and derivatives trading both on the proprietary account and customer flows and borrowings.

Our revenue consists of interest and dividend revenue as well as non-interest revenue. Our interest and dividend revenue is primarily generated by interest on loans, dividends from securities and other activities. We offer a range of loans to retail customers and working capital and term loans to corporate customers. The primary components of our securities portfolio are statutory liquidity ratio investments, credit substitutes and other investments. Statutory liquidity ratio investments principally consist of Government of India treasury securities. Credit substitute securities typically consist of commercial paper and debentures issued by the same customers with whom we have a lending relationship in our wholesale banking business. Other investments include asset-backed securities, mortgage-backed securities, deposit certificates issued by banks as well as equity securities and units of mutual funds. Interest revenue from other activities consists primarily of interest on our placements made to comply with the extant Reserve Bank of India guidelines on shortfalls in directed lending sub-limits and interest from inter-bank placements.

Two important measures of our results of operations are net interest revenue, which is equal to our interest and dividend revenue net of interest expense, and net interest revenue after allowance for credit losses. Interest expense includes interest on deposits as well as on borrowings. Our interest revenue and expense are affected by fluctuations in interest rates as well as volume of activity. Our interest expense is also affected by the extent to which we fund our activities with low-interest and non-interest bearing deposits, and the extent to which we rely on borrowings. Our allowance for credit losses is comprised of specific and unallocated allowances for loan loss. Impairments of credit substitutes are not included in our loan loss provision, but are reflected under Non-interest revenue other than temporary losses on available for sale securities in our consolidated statements of income.

We also use net interest margin and spread to measure our results. Net interest margin represents the ratio of net interest revenue to average interest-earning assets. Spread represents the difference between yield on average interest-earning assets and the cost of average interest-bearing liabilities, including current accounts which are non-interest bearing.

Our non-interest revenue includes fee and commission income, realized gains and losses on sales of securities and spread from foreign exchange and derivative transactions and income from affiliates. Our principal sources of fee and commission revenue are retail banking services, retail asset fees and charges, credit card fees, home loan sourcing commissions, cash management services, documentary credits and bank guarantees, distribution of third party mutual funds and insurance products and capital market services.

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Our non-interest expense includes expenses for salaries and staff benefits, premises and equipment maintenance, depreciation and amortization, administrative and other expenses and amortization of intangible assets. The costs of outsourcing back office and other functions are included in administrative and other expenses.

Our financial condition and results of operations are affected by general economic conditions prevailing in India. It was a challenging year for the Indian economy with lingering concerns over global growth prospects and financial stability weighing on external demand and international funding. Further, local headwinds such as inflation and policy impediments exacerbated the impact of a shaky global environment on domestic growth. The lagged effect of aggressive monetary tightening between January 2010 and March 2012 curtailed leveraged spending while a weak monsoon created a drag on rural demand pulling private consumption growth lower from 5.5% for fiscal 2012 to 3.3% for fiscal 2013. Further, policy hurdles such as land acquisition problems and environmental clearances continued to dampen investment momentum dragging investment growth lower to 3.0% from 5.3% a year ago despite efforts by the Government to clear these roadblocks. The intensification of the debt crisis in Europe, fiscal worries in the United States as well as a moderation in emerging markets across the globe pulled down export growth sharply to 5.0% from close to 15.3%, weakening a vital support to the GDP growth in fiscal 2012.

Unlike last year when the drag from local and global dampeners was largely concentrated on the industrial sector, the slowdown in growth was more broad-based in fiscal 2013. While industrial growth remained weak slowing from 3.5% in fiscal 2012 to 3.0% in fiscal 2013, service sector growth also fell sharply from 8.2% in fiscal 2012 to 6.6% in fiscal 2013. The industrial slowdown had an impact on private services such as trade, transportation, communication, finance, insurance, and real estate, and a fiscal compression drive pulled public services such as community, social and personal services lower. The slowdown in both industry and services was exacerbated by a weak monsoon that is likely to have dragged agricultural growth lower to 2.0% from 3.6% a year ago. As a result, GDP growth for fiscal 2013 slowed to 5.0% from 6.2% in fiscal 2012.

Despite a slowdown in growth over fiscal 2013, India has continued to outperform the global economy. With world output growth likely to remain relatively feeble at 3.5% in 2013 against 3.0% in 2012, structural supports from a rapidly expanding rural and semi-urban economy, favorable demographics and low product penetration are likely to continue to keep domestic growth higher than world growth.

Critical Accounting Policies

We have set forth below some of our critical accounting policies under U. S. GAAP. Investors should keep in mind that we prepare our general purpose financial statements in accordance with Indian GAAP and also report to the RBI and the Indian stock exchanges in accordance with Indian GAAP. In certain circumstances, we may take action that is required or permitted by Indian banking regulations which may have consequences under Indian GAAP that may be different from those under U.S. GAAP.

Allowance for Loan Losses

We provide an allowance for credit losses based on management s best estimate of losses inherent in the loan portfolio which includes troubled debt restructuring. The allowance for credit losses consists of allowances for retail loans and wholesale loans.

Retail

Our retail loan loss allowance consists of specific and unallocated allowances.

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We establish a specific allowance on the retail loan portfolio based on factors such as the nature of the product, delinquency levels or the number of days the loan is past due and the nature of the security available. Additionally we monitor loan to value ratios for loan against securities. The loans are charged off against allowances typically when the account becomes 150 to 1,083 days past due depending on the type of loans. The defined delinquency levels at which major loan types are charged off are 150 days past due for personal loans and credit card receivables, 180 days past due for auto loans, commercial vehicle and construction equipment finance, 720 days past due for housing loans and on a customer by customer basis in respect of retail business banking when management believes that any future cash flows from these loans are remote including realization of collateral, if applicable, and where any restructuring or any other settlement arrangements are not feasible.

We also record unallocated allowances for retail loans by product type. Our retail loan portfolio is comprised of groups of several small value homogeneous loans. We establish an unallocated allowance for loans in each product group based on our estimate of the overall portfolio quality, asset growth, economic conditions and other risk factors. We estimate our unallocated allowance for retail loans based on an internal credit slippage matrix, which measures our historic losses for our standard loan portfolio. Subsequent recoveries, if any, against write-off cases, are adjusted to provision for credit losses in the consolidated statement of income.

Wholesale

The allowance for wholesale loans consists of specific and unallocated components. The allowance for such credit losses is evaluated on a regular basis by management and is based upon management s view of the probability of recovery of loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower s ability to repay, the estimated value of any underlying collateral, factors affecting the industry to which the loan exposure relates and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. Loans are charged off against the allowance when management believes that the loan balance cannot be recovered. Subsequent recoveries, if any, against write-off cases, are adjusted to provision for credit losses in the consolidated statement of income.

We grade our wholesale loan accounts considering both qualitative and quantitative criteria. Wholesale loans are considered impaired when, based on current information and events, it is probable that we will be unable to collect scheduled payments of principal or interest when due according to the terms of the loan agreement. Factors considered by management in determining impairment include payment status, the financial condition of the borrower, the value of collateral held, and the probability of collecting scheduled principal and interest payments when due.

We establish specific allowances for each impaired wholesale loan customer in the aggregate for all facilities, including term loans, cash credits, bills discounted and lease finance, based on either the present value of expected future cash flows discounted at the loan s effective interest rate or the net realizable value of the collateral if the loan is collateral dependent.

Wholesale loans that experience insignificant payment delays and payment shortfalls are generally not classified as impaired but are placed on a surveillance watch list and closely monitored for deterioration. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower s prior payment record, market information, and the amount of the shortfall in relation to the principal and interest owed.

In light of the significant growth in the size and diversity of our wholesale loan portfolio, we have also established an unallocated allowance for wholesale standard loans based on the overall portfolio quality, asset growth, economic conditions and other risk factors. We estimate our wholesale unallocated allowance based on an internal credit slippage matrix, which measures our historic losses for our standard loan portfolio.

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Revenue Recognition

Interest income from loans and from investments is recognized on an accrual basis using effective interest method when earned except in respect of loans or investments placed on non-accrual status, where it is recognized when received. We generally do not charge upfront loan origination fees. Nominal application fees are charged which offset the related costs incurred. Customer acquisition costs are deferred and amortized as a yield adjustment over the life of the loan. Fees and commissions from guarantees issued are amortized over the contractual period of the commitment, provided the amounts are collectible. Dividends from investments are recognized when declared. Realized gains and losses on sale of securities are recorded on the trade date and are determined using the weighted average cost method. Other fees and income are recognized when earned, which is when the service that results in the income has been provided. We amortize the annual fees on credit cards over the contractual period of the fees.

Investments in Securities

Investments consist of securities purchased as part of our treasury operations, such as government securities and other debt and equity securities, investments purchased as part of our wholesale banking operations, such as credit substitute securities issued by our wholesale banking customers. Credit substitute securities typically consist of commercial paper and debentures issued by the same customers with whom we have a lending relationship in our wholesale banking business.

Securities that are held principally for resale in the near term are classified as held for trading (HFT), with changes in fair value recorded in earnings. Debt securities that management has the positive intent and ability to hold to maturity are classified as held to maturity (HTM).

Equity securities with readily determinable fair values and debt securities that are not classified as held to maturity or held for trading are classified as available for sale (AFS). Unrealized gains and losses on such securities, net of applicable taxes, are reported in accumulated other comprehensive income (loss), a separate component of shareholders equity.

We generally report our investments in debt and equity securities at fair value, except for debt securities classified as HTM securities, which are reported at amortized cost. Fair values are based on market quotations where a market quotation is available and otherwise based on present values at current interest rates for such investments.

Declines in the fair values of held to maturity and available for sale securities below their carrying value that are other than temporary are reflected in earnings as realized losses, based on management s best estimate of the fair value of the investment. We identify other than temporary declines based on an evaluation of all significant factors, including the length of time and extent to which fair value is less than carrying value and the financial condition and economic prospects of the issuer. Estimates of any declines in the fair values of credit substitute securities that are other than temporary are measured on a case-by-case basis together with loans to those customers. We do not recognize impairment for debt securities if the cause of the decline is related solely to interest rate increase and we do not intend to sell the security and it is not more likely than not that we will be required to sell the security before recovery of its amortized cost basis. Additional disclosures have been provided on impairment status in Note 6 and Note 8 and on concentrations of credit risk in Note 12 of the Financial Statements.

Business Combination

We account for acquired businesses using the purchase method of accounting which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values. The application of the purchase method requires certain estimates and assumptions especially concerning the determination of the fair values of the acquired intangible assets and property, plant and equipment as well as the liabilities assumed at the date of the acquisition. Moreover the useful lives of the acquired intangible assets, property, plant and equipment have to be determined. The judgments made in the context of the purchase price allocation can materially impact our future results of operations. The valuations are based on information available at the acquisition date. Purchase consideration in excess of a bank s interest and the acquiree s net fair value of identifiable assets and liabilities is recognized as goodwill. Our acquisition of CBoP was accounted for in accordance with SFAS No. 141, Business combinations , which was the then applicable accounting standard.

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Goodwill and Other Intangibles

Goodwill arising from a business combination is not amortized but is tested for impairment in accordance with FASB Accounting Standards Codification (ASC) 350-20 Goodwill . Under applicable accounting guidance, goodwill is reviewed at the reporting unit level for potential impairment at least on an annual basis at the end of the reporting period, or more frequently if events or circumstances indicate a potential impairment. This analysis is a two-step process. The first step of the goodwill impairment test compares the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, then the goodwill of the reporting unit is considered not impaired; however, if the carrying amount of the reporting unit exceeds its fair value, the second step must be performed. The second step involves calculating an implied fair value of goodwill for each reporting unit for which the first step indicated possible impairment. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination, which is the excess of the fair value of the reporting unit, as determined in the first step, over the aggregate fair values of the individual assets, liabilities and identifiable intangibles as if the reporting unit was being acquired in a business combination. The adjustments to measure the assets, liabilities and intangibles at fair value are for the purpose of measuring the implied fair value of goodwill and such adjustments are not reflected in the consolidated balance sheet. If the implied fair value of goodwill exceeds the goodwill assigned to the reporting unit, there is no impairment. If the goodwill assigned to a reporting unit exceeds the implied fair value of the goodwill, an impairment charge is recorded for the excess. An impairment loss recognized cannot exceed the amount of goodwill assigned to a reporting unit, and the loss establishes a new basis in the goodwill. Subsequent reversal of goodwill impairment losses is not permitted under applicable accounting standards. We examined our goodwill that had arisen on acquisition of CBoP for possible impairment as of March 31, 2013. The results of the first step of the impairment test showed no indication of impairment. Accordingly we did not perform the second step of the impairment test.

Intangible assets consist of our branch network, representing contractual and non-contractual customer relationships, customer list, core deposit intangibles and favorable leases. These are amortized over their estimated useful lives. Amortization of intangible assets is computed in a manner that best reflects the economic benefits of the intangible assets as follows:

	Useful lives (years)	**Amortization method**
Branch network	6	Straight-line
Customer lists	2	Straight-line
Core deposit	5	Straight-line
Favorable leases	1 to 15	Straight-line

For intangible assets subject to amortization, impairment is recognized if the carrying amount is not recoverable and the carrying amount exceeds the fair value of the intangible asset.

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Branch network intangible represents the benefit that we received through the acquisition of a ready branch network from CBoP as opposed to having to build a new one. The fair value attributable to the branch network intangible is the difference in the present values of the earnings (net of costs) that we would have generated if we had set up our own branches/ATMs (the Hypothetical New Branch Network Earnings) and the earnings (net of costs) that were generated because of the acquisition of CBoP (the CBoP Branch Network Earnings). Similar streams of revenues and operating costs (and therefore profits) from CBoP existing customer base and loan portfolio (includes net interest income, fees and commission) have been considered in determining the values of the Hypothetical New Branch Network Earnings and the CBoP Branch Network Earnings. Other assets including intangibles such as customer list, core deposits, loans, premises and equipment have been considered as assets of Hypothetical New Branch Network Earnings and the CBoP Branch Network Earnings and the value of these assets have been included in both of the Networks. The aforesaid present values to compute the said intangible assets was intended to capture the advantages that we received through the acquisition of a ready branch network from CBoP (as opposed to having to build a new one) in terms of time and of avoiding the administrative process required to obtaining branch licenses from the RBI. We calculated the value of the customer list intangible through the cost approach by considering the estimated direct unit costs to source these customers multiplied by the number of customers. We used the cost savings approach, i.e. the difference between the estimated cost of funds on deposit (interest cost and net maintenance costs) and the estimated cost of an equal amount of funds from an alternative source to calculate the core deposit intangible. The valuation of favorable leases intangibles was based on the cost saving to us and future economic benefit till the lease expiry.

Fair Value Measurements

FASB ASC 820 (Topic 820) Fair Value Measures and Disclosures establishes a fair value hierarchy structure that prioritizes the inputs to valuation techniques used to determine the fair value of an asset or liability. ASC 820 distinguishes between inputs that are based on observed market data and unobservable inputs that reflect market participants assumptions. It emphasizes the use of valuation methodologies that maximize market inputs. For financial instruments carried at fair value, the best evidence of fair value is a quoted price in an actively traded market (Level 1). Where the market for a financial instrument is not active, valuation techniques are used. The majority of valuation techniques use market inputs that are either observable or indirectly derived from and corroborated by observable market data for substantially the full term of the financial instrument (Level 2). Because Level 1 and Level 2 instruments are determined by observable inputs, less judgment is applied in determining their fair values. In the absence of observable market inputs, the financial instrument is valued based on valuation techniques that feature one or more significant unobservable inputs (Level 3). The determination of the level of fair value hierarchy within which the fair value measurement of an asset or a liability is classified often requires judgment. We consider the following factors in developing the fair value hierarchy:

- whether the asset or liability is transacted in an active market with a quoted market price that is readily available;
- the size of transactions occurring in an active market;
- the level of bid-ask spreads;
- whether only a few transactions are observed over a significant period of time;
- whether the inputs to the valuation techniques can be derived from or corroborated with market data; and
- whether significant adjustments are made to the observed pricing information or model output to determine the fair value.

Level 1 inputs are unadjusted quoted prices in active markets that the reporting entity has the ability to access for the identical assets or liabilities. A financial instrument is classified as a Level 1 measurement if it is listed on an exchange. We regard financial instruments such as equity securities and bonds listed on the primary exchanges of a country to be actively traded.

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Level 2 inputs are inputs that are observable either directly or indirectly, such as quoted prices for similar assets and liabilities in active markets, for substantially the full term of the financial instrument but do not qualify as Level 1 inputs. We generally classify derivative contracts and investments in debt securities, units of mutual funds, mortgage-backed securities and asset-backed securities as Level 2 measurements. Currently, substantially all such items qualify as Level 2 measurements. Level 2 items are fair valued using quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 inputs are unobservable estimates that management expects market participants would use to determine the fair value of the asset or liability. That is, Level 3 inputs incorporate market participants assumptions about risk and the risk premium required by market participants in order to bear that risk. We develop Level 3 inputs based on the best information available in the circumstances.

If quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time.

We review and update our fair value hierarchy classifications semi-annually. Changes from one half year to the next related to the observability of inputs to a fair value measurement may result in a reclassification between hierarchy levels. Imprecision in estimating unobservable market inputs can impact the amount of revenue, loss or changes in common shareholder s equity recorded for a particular financial instrument. Furthermore, while we believe our valuation methods are appropriate, the use of different methodologies or assumptions to determine the fair value of certain financial assets and liabilities could result in a different estimate of fair value at the reporting date. See Note 33, Fair Value Measurement for further details including the classification hierarchy associated with assets and liabilities measured at fair value.

As of March 31, 2013, our Level 3 instruments measured at fair value were nil.

A control framework has been established which is designed to ensure that fair values are either determined or validated by a function independent of the risk-taker. To that end, the ultimate responsibility for the validation of the valuation model rests with the treasury analytics section. The valuation model is also reviewed by the market risk department. The middle office department, which functions independent of the risk taker, is responsible for reporting fair values. Wherever necessary the valuation model is vetted through independent experts. In addition, the model prices are compared with market maker quotes. The types of valuation techniques used include present value based models, Black-Scholes valuation models, including variations and interest rate models as used by market practitioners. Where appropriate the models are calibrated to market prices. The models used apply appropriate control processes and procedures to ensure that the derived inputs are used to value only those instruments that share similar risk to the relevant benchmark indexes and therefore demonstrate a similar response to market factors. Market data used along with interpolation techniques are as per market conventions.

The validation process consists of an independent validation of the pricing model. The pricing model validation for significant product variants are conducted using an external validation agency or authority. In addition the model prices are also validated by comparing with market maker quotes. All market data conventions are adhered to in terms of yield curve components, volatility surfaces and calibration instruments.

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Recently Issued Accounting Pronouncements Not Yet Effective

In December 2011, the FASB issued ASU 2011-11, Disclosures about Offsetting Assets and Liabilities (Topic 210) (ASU 2011-11). ASU 2011-11 requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. ASU 2011-11 is effective for interim and annual periods beginning on or after January 1, 2013 and should be applied retrospectively for all comparative periods presented. In January 2013, the FASB issued ASU 2013-01, which clarifies the scope of ASU 2011-11 by limiting the disclosures to derivatives, repurchase agreements, and securities lending transactions to the extent they are subject to an enforceable master netting or similar arrangement. The updates will not affect our consolidated financial position or results of operations since they amend only the disclosure requirements for offsetting financial instruments.

In July 2012, FASB issued ASU 2012-02, Testing Indefinite-Lived Intangible Assets for Impairment (Topic 350) (ASU 2012-02), which amends the guidance in ASC 350-30. Under the revised guidance, entities testing indefinite-lived intangible assets for impairment have the option of performing a qualitative assessment before performing quantitative assessment steps. If based on the qualitative assessment, an entity concludes it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount, then the entity must complete the quantitative tests to determine if the asset is impaired. If an entity concludes otherwise, quantitative tests are not required. This new guidance will be effective for the interim or annual periods beginning on or after September 15, 2012. The adoption of this guidance is not expected to have a material impact on our consolidated financial position or results of operations.

In February 2013, the FASB issued ASU 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (Topic 220) (ASU 2013-02). ASU 2013-02, requires an entity to disclose the effect on net income line items from significant amounts reclassified out of accumulated other comprehensive income and entirely into net income. However, for those reclassifications that are partially or entirely capitalized on the balance sheet, then entities must provide a cross-reference to disclosures that provide information about the effect of the reclassifications. ASU 2013-02 is effective for interim and annual periods beginning on or after December 15, 2012. The adoption of this guidance is not expected to have a material impact on our consolidated financial position or results of operations.

Merger of Centurion Bank of Punjab

During fiscal 2009, the Reserve Bank of India accorded its consent to the Scheme of Amalgamation of Centurion Bank of Punjab Limited (CBoP) with HDFC Bank Limited. Pursuant to the order of amalgamation, the operations of both banks were merged with effect from May 23, 2008. On June 24, 2008 our Share Allotment Committee approved the allocation of 349,419,780 equity shares of Rs. 2.0 each to the shareholders of CBoP pursuant to the share swap ratio of five equity shares of Rs. 2.0 each of HDFC Bank Limited for every twenty nine equity shares of Rs. 1.00 each held in CBoP by them as on the record date (viz. June 16, 2008). The amalgamation was accounted for as a business combination under the purchase method of accounting.

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Fiscal Year Ended March 31, 2013 Compared to Fiscal Year Ended March 31, 2012

Net Interest Revenue after Allowance for Credit Losses

Our net interest revenue after allowances for credit losses increased by 21.8% from Rs. 118.6 billion in fiscal 2012 to Rs. 144.4 billion in fiscal 2013. Our net interest margin remained stable at 4.6% in fiscal 2013. The following table sets out the components of net interest revenue after allowance for credit losses:

	Year ended March 31,			
	2012	2013	Increase/ (Decrease)	% Increase/ (Decrease)
	(in millions, except percentages)			
Interest on loans	Rs. 210,315.7	Rs. 271,730.5	Rs. 61,414.8	29.2%
Interest on securities, including dividends and interest on trading assets	60,677.2	72,334.2	11,657.0	19.2
Other interest revenue	6,547.1	9,813.8	3,266.7	49.9
Total interest and dividend revenue	**277,540.0**	**353,878.5**	**76,338.5**	**27.5**
Interest on deposits	126,783.1	163,092.7	36,309.6	28.6
Interest on short-term borrowings	12,233.8	13,888.4	1,654.6	13.5
Interest on long term debt	11,988.5	19,556.9	7,568.4	63.1
Other interest expense	142.6	264.0	121.4	85.1
Total interest expense	**151,148.0**	**196,802.0**	**45,654.0**	**30.2**
Net interest revenue	**Rs. 126,392.0**	**Rs. 157,076.5**	**Rs. 30,684.5**	**24.3%**
Less allowance for credit losses:				
Retail	6,445.6	11,107.1	4,661.5	72.3
Wholesale	1,391.7	1,580.9	189.2	13.6
Total	**Rs. 7,837.3**	**Rs. 12,688.0**	**Rs. 4,850.7**	**61.9%**
Net interest revenue after allowance for credit losses	**Rs. 118,554.7**	**Rs. 144,388.5**	**Rs. 25,833.8**	**21.8%**

Interest and Dividend Revenue

Interest income on loans increased by 29.2% primarily due to an increase in our average loan book. Average volumes of our total loan book increased by 25.6% from Rs. 1,854.4 billion in fiscal 2012 to Rs. 2,328.3 billion in fiscal 2013. Our average volume of retail loans increased by 37.0% from Rs. 1,094.6 billion in fiscal 2012 to Rs. 1,499.2 billion in fiscal 2013. The growth in retail loans was across the product segments. Our average volume of wholesale loans increased by 9.1% from Rs. 759.8 billion in fiscal 2012 to Rs. 829.2 billion in fiscal 2013. Retail loan yields decreased marginally to 12.6% in fiscal 2013 as compared to 12.8% in fiscal 2012. Wholesale loan yields increased from 9.2% in fiscal 2012 to 9.9% in fiscal 2013.

Interest on securities, including dividends, increased by 19.2% from Rs. 60.7 billion in fiscal 2012 to Rs. 72.3 billion in fiscal 2013, driven by an increase of Rs. 133.3 billion in average volume of investments and a marginal rise in yields from 8.0% in fiscal 2012 to 8.1% in fiscal 2013.

Other interest revenue increased by 49.9% for fiscal 2013 compared to fiscal 2012 due to an increase in interest from our placements with central government bodies which are made to comply with the extant Reserve Bank of India guidelines on shortfall in priority sector lending sub-limits and term placements with other banks. Average placements with central government bodies increased by Rs. 30.4 billion in fiscal 2013 and yields thereon increased from 4.7% in fiscal 2012 to 4.9% in fiscal 2013.

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Interest Expense

Our interest expense on deposits increased by 28.6% from Rs. 126.8 billion in fiscal 2012 to Rs. 163.1 billion in fiscal 2013 due to an increase in average interest bearing deposits by 23.0% from Rs. 1,825.0 billion in fiscal 2012 to Rs. 2,245.5 billion in fiscal 2013.

There was an increase in the average volume of our savings accounts from Rs. 657.1 billion in fiscal 2012 to Rs. 764.2 billion in fiscal 2013 and an increase in the average volume of our time deposits from Rs. 1,168.0 billion in fiscal 2012 to Rs. 1,481.3 billion in fiscal 2013. Increase in our average cost of deposits further augmented the increase in interest expense on deposits. Our average cost of deposits increased from 5.7% in fiscal 2012 to 6.1% in fiscal 2013 as a result of a decrease in the proportion of average current and savings account balances to average total deposits from 47.3% to 44.3%. There was an increase in the average cost of time deposits from 8.6% in fiscal 2012 to 9.0% in fiscal 2013.

Our interest expense on short-term borrowings increased by 14.3% from Rs. 12.4 billion in fiscal 2012 to Rs. 14.2 billion in fiscal 2013 mainly on account of an increase in our average volumes of short-term borrowings which increased by 23.7% from Rs. 195.5 billion in fiscal 2012 to Rs. 241.9 billion in fiscal 2013. This was partially off-set by a decrease in our cost of short-term borrowings from 6.3% in fiscal 2012 to 5.9% in fiscal 2013. Our interest expense on long-term debt increased by 63.1%. This was largely attributable to the Rs. 60.5 billion lower tier II debt capital we raised during fiscal 2013. Our average volumes of long-term debt increased from Rs. 148.2 billion in fiscal 2012 to Rs. 234.5 billion in fiscal 2013.

Allowance for Credit Losses

Our loan loss allowance for credit losses consists of specific and unallocated components. Allowances for credit losses increased by 61.9% from Rs. 7.8 billion in fiscal 2012 to Rs. 12.7 billion in fiscal 2013.

This increase was mainly attributable to an increase in the allowances for credit losses in our retail loan portfolio which increased by 72.3% from Rs. 6.4 billion in fiscal 2012 to Rs. 11.1 billion in fiscal 2013. The increase was primarily due to higher allowances in our commercial vehicle and equipment finance loans. An unfavorable economic situation characterized by sluggish road freight demand on account of continued moderation in industrial activity and compression in margins for truck operators due to a sustained gradual increase in diesel prices and the inability to pass on the increase in operating costs on account of slowdown in mining and iron ore freight movement, led to an increase in the delinquency of these loans. This was further augmented by higher retail unallocated allowances, which increased by 10.7% from Rs. 3.0 billion in fiscal 2012 to Rs. 3.3 billion in fiscal 2013. This increase was mainly attributable to the growth in our retail loan portfolio and expected losses thereon. Average volume of our retail loans increased by 37.0% from Rs. 1,094.6 billion in fiscal 2012 to Rs. 1,499.2 billion in fiscal 2013.

Our loan loss allowance for credit losses in our wholesale loan portfolio increased by 13.6% from Rs. 1.4 billion in fiscal 2012 to Rs. 1.6 billion in fiscal 2013. This increase was primarily on account of an increase in our wholesale unallocated allowances which was attributable to the growth in our wholesale loan portfolio and expected losses thereon. The average volume of our wholesale loans increased by 9.1% from Rs. 759.8 billion in fiscal 2012 to Rs. 829.2 billion in fiscal 2013.

Non-Interest Revenue

Our non-interest revenue increased by 23.9% from Rs. 52.6 billion in fiscal 2012 to Rs. 65.2 billion in fiscal 2013. The following table sets forth the components of our non-interest revenue:

	Year ended March 31,			
	2012	2013	Increase/ (Decrease)	% Increase/ (Decrease)
	(in millions, except percentages)			
Fees and commissions	Rs. 44,867.2	Rs. 53,989.6	Rs. 9,122.4	20.3%
Realized gains/(losses) on AFS securities	(2,614.3)	681.5	3,295.8	*
Trading securities gain/(loss), net	(154.7)	105.0	259.7	*
Foreign exchange transactions	7,531.5	9,727.0	2,195.5	29.2
Derivatives gains/(loss)	2,788.7	241.9	(2,546.8)	(91.3)
Other	177.1	432.4	255.3	144.2
Total non-interest revenue	**Rs. 52,595.5**	**Rs. 65,177.4**	**Rs. 12,581.9**	**23.9%**

* Not meaningful

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Fees and commissions increased by 20.3% from Rs. 44.9 billion in fiscal 2012 to Rs. 54.0 billion in fiscal 2013 primarily on account of an increase in fees and commissions generated by the retail segment. This increase was primarily attributable to fees and charges on retail asset products, fees on credit cards, transactional charges and fees on deposit accounts and fees earned from distribution of insurance products. Fees and charges on retail asset products were primarily comprised of processing fees on new loans, foreclosure charges and fees from the sourcing of home loans. An increase in volume of credit card spends led to higher interchange income. Fees and commissions earned from our wholesale segment increased mainly on account of increase in income from our consignment bullion business.

Realized gains on AFS securities were primarily on account of sale of government of India securities which was partially offset by other than temporary impairment losses recognized in some of our investment securities. Gain on trading securities was primarily attributable to mark-to-market gains.

Income from foreign exchange transactions increased from Rs. 7.5 billion in fiscal 2012 to Rs. 9.7 billion in fiscal 2013, mainly on account of improvement in spreads on trades with non-bank customers. In fiscal 2013, derivative transactions (unadjusted for credit spread) resulted in income of Rs. 0.3 billion. The income during fiscal 2013 was primarily on account of income of Rs. 3.1 billion from forward exchange contracts which was primarily attributable to cancellations of forward exchange contracts by non-bank customers. This income was offset by loss of Rs. 2.2 billion from interest rate derivatives and loss of Rs. 0.7 billion from currency options and currency swaps. Loss from interest rate derivatives was largely attributable to mark-to-market loss on account of decline in interest rates during fiscal 2013. In fiscal 2012, derivative transactions (unadjusted for credit spread) resulted in income of Rs. 3.6 billion which includes gain of Rs. 2.6 billion from forward exchange contracts and gain from currency swaps and currency options of Rs. 1.7 billion. Gain from derivative transactions (net of loss of Rs. 0.1 billion on account of credit spread) was Rs. 0.2 billion in fiscal 2013 as compared to a gain of Rs. 2.8 billion (net of loss of Rs. 0.8 billion on account of credit spread) in fiscal 2012.

Non-Interest Expense

Our non-interest expense was comprised of the following:

	Year ended March 31,					
	2012	2013	Increase/ (Decrease)	% Increase/ (Decrease)	2012 % of net revenues	2013 % of net revenues
	(in millions, except percentages)					
Salaries and staff benefits	Rs. 45,791.3	Rs. 53,954.1	Rs. 8,162.8	17.8%	26.8%	25.7%
Premises and equipment	14,595.1	17,391.4	2,796.3	19.2	8.5	8.3
Depreciation and amortization	5,588.7	6,686.2	1,097.5	19.6	3.3	3.2
Administrative and other	29,009.5	37,254.9	8,245.4	28.4	16.9	17.8
Amortization of intangibles	2,328.9	2,304.5	(24.4)	(1.0)	1.4	1.1
Total non-interest expense	**Rs. 97,313.5**	**Rs. 117,591.1**	**Rs. 20,277.6**	**20.8%**	**56.9%**	**56.1%**

Total non-interest expense increased by 20.8% from Rs. 97.3 billion in fiscal 2012 to Rs. 117.6 billion in fiscal 2013. As a percentage of our net revenues, non-interest expense was 56.1% in fiscal 2013 as compared to 56.9% in fiscal 2012.

As of March 31, 2013, we had 3,062 branches and 10,743 ATMs across 1,845 locations, which increased from 2,544 branches and 8,913 ATMs across 1,399 locations as of March 31, 2012. This led to an overall increase in our non-interest expense.

Salaries and staff benefits increased by 17.8% from Rs. 45.8 billion in fiscal 2012 to Rs. 54.0 billion in fiscal 2013. This increase was primarily attributable to an increase in staff salaries and allowances and in the number of employees from 66,076 as of March 31, 2012 to 69,065 employees as of March 31, 2013.

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Premises and equipment costs increased on account of an increase in rent, electricity, housekeeping, security, equipment maintenance and other infrastructure costs relating to the expanded branch network.

Depreciation and amortization expenses increased due to the increase in our distribution network and higher spending on technology and infrastructure to support our growth.

Administrative and other expenses increased primarily on account of higher printing and stationery, postage and communication and insurance costs.

We continued to amortize the intangible assets that were acquired on the merger of CBoP i.e. our branch network representing contractual and non-contractual customer relationships, customer list, core deposit intangible, and favorable leases over their estimated remaining useful life. This amortization resulted in a charge of Rs. 2.3 billion in fiscal 2013.

Income Tax

Our income tax expense, net of interest earned on income tax refunds amounting to Rs. 1.1 billion, increased by 25.2%, from Rs. 23.8 billion in fiscal 2012 to Rs. 29.8 billion in fiscal 2013. Our effective tax rate was 32.3% in fiscal 2012 and 32.4% in fiscal 2013. The effective tax rate was higher in fiscal 2013 primarily on account of lower tax free income from our investments.

The following table gives a reconciliation of the Indian statutory income tax rate to our annual effective income tax rate for fiscals 2012 and 2013:

	Year ended March 31,	
	2012	**2013**
Effective statutory income tax rate	32.45%	32.45%
Adjustments to reconcile statutory income tax rate to effective income tax rate:		
Stock-based compensation (net of forfeitures)	1.72	1.60
Income exempt from taxes	(1.33)	(0.65)
Interest on income tax refunds	(0.88)	(0.83)
Other, net	0.13	(0.13)
Effect of change in statutory tax rate	0.18	
Annual effective income tax rate	32.27%	32.44%

Net Income

As a result of the foregoing factors, our net income after taxes increased by 24.2% from Rs. 49.8 billion in fiscal 2012 to Rs. 61.8 billion in fiscal 2013.

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Fiscal Year Ended March 31, 2012 Compared to Fiscal Year Ended March 31, 2011

Net Interest Revenue after Allowance for Credit Losses

Our net interest revenue after allowances for credit losses increased by 20.0% from Rs. 98.8 billion in fiscal 2011 to Rs. 118.6 billion in fiscal 2012. Our net interest margin declined marginally from 4.8% in fiscal 2011 to 4.6% in fiscal 2012. The following table sets out the components of net interest revenue after allowance for credit losses:

	Year ended March 31,			
	2011	2012	Increase/ (Decrease)	% Increase/ (Decrease)
	(in millions, except percentages)			
Interest on loans	Rs. 153,719.7	Rs. 210,315.7	Rs. 56,596.0	36.8%
Interest on securities, including dividends and interest on trading assets	43,753.6	60,677.2	16,923.6	38.7
Other interest revenue	4,778.7	6,547.1	1,768.4	37.0
Total interest and dividend revenue	**202,252.0**	**277,540.0**	**75,288.0**	**37.2**
Interest on deposits	80,216.3	126,783.1	46,566.8	58.1
Interest on short-term borrowings	5,357.1	12,233.8	6,876.7	128.4
Interest on long term debt	8,224.9	11,988.5	3,763.6	45.8
Other interest expense	51.4	142.6	91.2	177.4
Total interest expense	**93,849.7**	**151,148.0**	**57,298.3**	**61.1**
Net interest revenue	**Rs. 108,402.3**	**Rs. 126,392.0**	**Rs. 17,989.7**	**16.6%**
Less allowance for credit losses:				
Retail	5,585.5	6,445.6	860.1	15.4
Wholesale	4,036.4	1,391.7	(2,644.7)	(65.5)
Total	**Rs. 9,621.9**	**Rs. 7,837.3**	**Rs. (1,784.6)**	**(18.5)%**
Net interest revenue after allowance for credit losses	**Rs. 98,780.4**	**Rs. 118,554.7**	**Rs. 19,774.3**	**20.0%**

Interest and Dividend Revenue

Interest income on loans increased by 36.8% primarily due to an increase in our average loan book. Average volumes of our total loan book increased by 23.0% from Rs. 1,507.9 billion in fiscal 2011 to Rs. 1,854.4 billion in fiscal 2012. Our average volume of retail loans increased by 37.1% from Rs. 798.5 billion in fiscal 2011 to Rs. 1,094.6 billion in fiscal 2012. The growth in retail loans was across the product segments. Our average volume of wholesale loans increased by 7.1% from Rs. 709.4 billion in fiscal 2011 to Rs. 759.8 billion in fiscal 2012.

Income from the increase in average volumes of our loans was further augmented by an increase in yields from an average of 10.2% in fiscal 2011 to 11.3% in fiscal 2012. The increase in yields was in line with higher cost of funds due to rising interest rates scenario during fiscal 2012. Retail loan yields increased from 12.2% in fiscal 2011 to 12.8% in fiscal 2012. Wholesale loan yields increased from 8.0% in fiscal 2011 to 9.2% in fiscal 2012.

Interest on securities, including dividends, increased by 38.7% from Rs. 43.8 billion in fiscal 2011 to Rs. 60.7 billion in fiscal 2012, driven by an increase of Rs. 130.5 billion in average volume of investments and an increase in yields from 6.9% in fiscal 2011 to 8.0% in fiscal 2012.

Other interest revenue increased by 37.0% for fiscal 2012 compared to fiscal 2011 mainly due to an increase in interest from our placements with central government bodies. These placements are made to comply with the extant Reserve Bank of India guidelines on shortfall in priority sector lending sub-limits. These placements increased by Rs. 35.0 billion in fiscal 2012. Yield from these placements in fiscal 2012 was low at 4.7%.

Interest Expense

Our interest expense on deposits increased by 58.1% from Rs. 80.2 billion in fiscal 2011 to Rs. 126.8 billion in fiscal 2012 due to an increase in average interest earning deposits by 21.3% from Rs. 1,504.6 billion in fiscal 2011 to Rs. 1,825.0 billion in fiscal 2012.

There was an increase in the average volume of our savings accounts from Rs. 562.3 billion in fiscal 2011 to Rs. 657.1 billion in fiscal 2012 and an increase in the average volume of our time deposits from Rs. 942.3 billion in fiscal 2011 to Rs. 1,168.0 billion in fiscal 2012. Increase in our average cost of deposits further augmented the increase in interest expense on deposits. Our average cost of deposits increased from 4.3% in fiscal 2011 to 5.7% in fiscal 2012 as a result of a decrease in the proportion of average current and savings account balances to average total deposits from 49.5% to 47.3%. There was an increase in the average cost of time deposits from 6.4% in fiscal 2011 to 8.6% in fiscal 2012. In addition, the average cost of savings accounts increased from 3.5% in fiscal 2011 to 4.0% in fiscal 2012 due to a regulatory change effective May 2011.

Our interest expense on short-term borrowings increased by 128.8% from Rs. 5.4 billion in fiscal 2011 to Rs. 12.4 billion in fiscal 2012 mainly on account of an increase in our average volumes of short-term borrowings which increased by 91.6% from Rs. 102.0 billion in fiscal 2011 to Rs. 195.5 billion in fiscal 2012 and an increase in our cost of short-term borrowings from 5.3% in fiscal 2011 to 6.3% in fiscal 2012. Our interest expense on long-term debt increased by 45.8%. This was largely attributable to the Rs. 36.5 billion lower tier II debt capital we raised in the first half of fiscal 2012. Our average volumes of long-term debt increased from Rs. 101.2 billion in fiscal 2011 to Rs. 148.2 billion in fiscal 2012.

Allowance for Credit Losses

Our loan loss allowance for credit losses consists of specific and unallocated components. Allowances for credit losses decreased by 18.5% from Rs. 9.6 billion in fiscal 2011 to Rs. 7.8 billion in fiscal 2012.

This reduction was mainly attributable to a decrease in the allowances for credit losses in our wholesale loan portfolio which decreased by 65.5% from Rs. 4.0 billion in fiscal 2011 to Rs. 1.4 billion in fiscal 2012. Due to problems afflicting the micro finance institution (MFI) sector in India, including certain of our MFI loans, in fiscal 2011 we made allowances for credit losses which was the primary reason for a higher wholesale loan allowance in that fiscal.

Decrease in our wholesale loan allowance was partially offset by increase in our retail loan allowance which increased by 15.4% from Rs. 5.6 billion in fiscal 2011 to Rs. 6.4 billion in fiscal 2012. This increase was primarily on account of an increase in our retail unallocated allowances which was attributable to the growth in our retail loan portfolio and expected losses thereon. Average volume of our retail loans increased by 37.1% from Rs. 798.5 billion in fiscal 2011 to Rs. 1,094.6 billion in fiscal 2012.

Non-Interest Revenue

Our non-interest revenue increased by 12.3% from Rs. 46.8 billion in fiscal 2011 to Rs. 52.6 billion in fiscal 2012. The following table sets forth the components of our non-interest revenue:

	Year ended March 31,			
	2011	**2012**	**Increase/ (Decrease)**	**% Increase/ (Decrease)**
	(in millions, except percentages)			
Fees and commissions	Rs. 38,718.9	Rs. 44,867.2	Rs. 6,148.3	15.9%
Realized gains/(losses) on AFS securities	189.0	(2,614.3)	(2,803.3)	*
Trading securities loss, net	(598.3)	(154.7)	443.6	*
Foreign exchange transactions	12,283.4	7,531.5	(4,751.9)	(38.7)
Derivatives gains/(loss)	(3,873.8)	2,788.7	6,662.5	(172.0)
Other	96.2	177.1	80.9	84.1
Total non-interest revenue	**Rs. 46,815.4**	**Rs. 52,595.5**	**Rs. 5,780.1**	**12.3%**

* Not meaningful

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Fees and commissions increased by 15.9% from Rs. 38.7 billion in fiscal 2011 to Rs. 44.9 billion in fiscal 2012 primarily on account of an increase in fees and commissions generated by the retail segment. This increase was primarily attributable to fees and charges on retail asset products, fees on debit cards and credit cards and transactional charges and fees on deposit accounts. Fees and charges on retail asset products were primarily comprised of processing fees on new loans, foreclosure charges and fees from the sourcing of home loans. There was an increase in ATM fees and debit card charges due to increased volume of ATM and debit card transactions. Also higher volume in credit card spends led to higher interchange income. The increase in fees and commissions in the retail segment was partially offset by a drop in income from distribution of third party insurance products on account of lower distribution commission rates. Fees and commissions earned from our wholesale segment increased mainly on account of increase in income from our non-funded business and processing fee income.

Realized losses on AFS securities were primarily from sale and other than temporary impairment of units of mutual funds. Losses on trading securities were primarily from the sale of government securities.

Income from foreign exchange transactions decreased from Rs. 12.3 billion in fiscal 2011 to Rs. 7.5 billion in fiscal 2012, mainly on account of reduction in gain from the realized foreign exchange transactions largely attributable to movement in exchange rates. In fiscal 2012, derivative transactions (unadjusted for credit spread) resulted in income of Rs. 3.6 billion. Income during fiscal 2012 was primarily on account of income from forward exchange contracts of Rs. 2.6 billion largely attributable to cancellations of forward exchange contracts by non-bank customers. In addition, there was a gain of Rs. 1.7 billion from currency swaps and currency options, which was marginally offset by a loss of Rs. 0.7 billion from interest rate derivatives. This gain was largely attributable to mark to market gains driven primarily by increase in interest rates and depreciation of Indian rupee. The Indian rupee depreciated against the U.S. dollar from Rs. 44.6 per USD in March 2011 to Rs. 50.9 per USD in March 2012. In fiscal 2011, derivative transactions (unadjusted for credit spread) resulted in a loss of Rs. 4.4 billion which includes loss on interest rate derivatives and forward exchange contracts of Rs. 1.8 billion and Rs. 1.7 billion respectively. Income from derivative transactions (net of loss of Rs. 0.8 billion on account of increase in credit spread) was Rs. 2.8 billion in fiscal 2012 as compared to a loss of Rs. 3.9 billion (net of gain of Rs. 0.5 billion on account of reduction in credit spread) in fiscal 2011.

Non- Interest Expense

Our non-interest expense was comprised of the following:

	Year ended March 31,					
	2011	2012	Increase/ (Decrease)	% Increase/ (Decrease)	2011 % of net revenues	2012 % of net revenues
	(in millions, except percentages)					
Salaries and staff benefits	Rs. 37,865.6	Rs. 45,791.3	Rs. 7,925.7	20.9%	26.0%	26.8%
Premises and equipment	12,419.8	14,595.1	2,175.3	17.5	8.5	8.5
Depreciation and amortization	5,138.6	5,588.7	450.1	8.8	3.5	3.3
Administrative and other	24,387.6	29,009.5	4,621.9	19.0	16.8	16.9
Amortization of intangibles	2,558.6	2,328.9	(229.7)	(9.0)	1.8	1.4
Total non-interest expense	**Rs. 82,370.2**	**Rs. 97,313.5**	**Rs. 14,943.3**	**18.1%**	**56.6%**	**56.9%**

Total non-interest expense increased by 18.1% from Rs. 82.4 billion in fiscal 2011 to Rs. 97.3 billion in fiscal 2012. As a percentage of our net revenues, non-interest expense was 56.9% in fiscal 2012 as compared to 56.6% in fiscal 2011.

As of March 31, 2012, we had 2,544 branches and 8,913 ATMs across 1,399 locations, which increased from 1,986 branches and 5,471 ATMs across 996 locations as of March 31, 2011. This led to an overall increase in our non-interest expense.

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Salaries and staff benefits increased by 20.9% from Rs. 37.9 billion in fiscal 2011 to Rs. 45.8 billion in fiscal 2012. This increase was primarily attributable to an increase in staff salaries and allowances and in the number of employees from 55,752 as of March 31, 2011 to 66,076 as of March 31, 2012.

Premises and equipment costs increased on account of an increase in rent, electricity, housekeeping, security and other infrastructure costs relating to the expanded branch network.

Depreciation and amortization expenses increased due to the increase in our distribution network and higher spending on technology and infrastructure to support our growth. During the fiscal year ended March 31, 2011, we had revised the estimated useful life of point-of-sale machines and certain information technology servers. Depreciation on these assets is being charged prospectively over the revised useful life of the asset. Consequently, the net income before non-controlling interest for fiscal 2011 was lower by Rs. 390.5 million.

Administrative and other expenses increased primarily on account of higher printing and stationery, postage and communication and insurance costs.

We continued to amortize the intangible assets that were acquired on the merger of CBoP i.e. our branch network representing contractual and non-contractual customer relationships, customer list, core deposit intangible, and favorable leases over their estimated remaining useful life. This amortization resulted in a charge of Rs. 2.3 billion in fiscal 2012 as compared to Rs. 2.6 billion in fiscal 2011.

Income Tax

Our income tax expense, net of interest earned on income tax refunds amounting to Rs. 1 billion, increased by 9.8%, from Rs. 21.7 billion in fiscal 2011 to Rs. 23.8 billion in fiscal 2012. Our effective tax rate was 34.3% in fiscal 2011 and 32.3% in fiscal 2012. The effective tax rate was lower in fiscal 2012 primarily on account of higher tax free income from our investments.

The following table gives a reconciliation of the Indian statutory income tax rate to our annual effective income tax rate for fiscals 2011 and 2012:

	Year ended March 31,	
	2011	**2012**
Effective statutory income tax rate	33.22%	32.45%
Adjustments to reconcile statutory income tax rate to effective income tax rate:		
Stock-based compensation (net of forfeitures)	1.79	1.72
Income exempt from taxes	(1.03)	(1.33)
Interest on income tax refunds		(0.88)
Other, net	0.17	0.13
Effect of change in statutory tax rate	0.17	0.18
Annual effective income tax rate	34.32%	32.27%

Net Income

As a result of the foregoing factors, our net income after taxes increased by 20.8% from Rs. 41.2 billion in fiscal 2011 to Rs. 49.8 billion in fiscal 2012.

Liquidity and Capital Resources

Our growth over the last three years has been financed by a combination of cash generated from operations, increases in our customer deposits, borrowings and new issuances of equity capital and other securities qualifying as Tier 2 capital.

The following table sets forth our cash flows from operating activities, investing activities and financing activities in a condensed format. We have aggregated certain line items set forth in the cash flow statement that is part of our financial statements included elsewhere in this report in order to facilitate an understanding of significant trends in our business.

	Year ended March 31,		
	2011	2012 (in millions)	2013
Cash Flows from Operating Activities:			
Net income before non-controlling interest	Rs. 41,527.3	Rs. 50,008.0	Rs. 62,134.7
Non-cash adjustments to net income	25,509.8	22,137.7	21,323.4
Net change in other assets and liabilities	(16,920.5)	(34,653.4)	(11,944.6)
Net cash provided by operating activities	**Rs. 50,116.6**	**Rs. 37,492.3**	**Rs. 71,513.5**
Cash Flows from Investing Activities:			
Net change in term placements	(43,925.1)	(48,174.4)	(49,169.2)
Net change in investments	(157,060.9)	(181,331.0)	(200,007.5)
Net change in repurchase options and reverse repurchase options	80,000.0	(10,868.3)	88,868.3
Loans purchased net of repayments	(36,828.9)	(15,960.7)	(11,047.2)
Increase in loans originated, net of principal collections	(303,115.8)	(379,906.4)	(503,662.9)
Net additions to property and equipment	(5,745.3)	(7,878.5)	(9,951.0)
Net cash used in investing activities	**Rs. (466,676.0)**	**Rs. (644,119.3)**	**Rs. (684,969.5)**
Cash Flows from Financing Activities:			
Net increase in deposits	409,794.4	385,202.5	493,240.6
Net increase/(decrease) in short-term borrowings	(21,185.6)	38,641.2	33,123.4
Proceeds from issuance of shares by subsidiaries to non-controlling interest	113.7	12.3	34.6
Net increase in long-term debt	17,375.3	82,141.2	116,830.3
Proceeds from issuance of equity shares for options exercised	8,281.6	5,302.8	10,949.5
Proceeds from application for issuance of equity shares for options exercised pending allotment			221.5
Payment of dividends and dividend tax	(6,440.9)	(8,947.6)	(11,787.0)
Net cash provided by financing activities	**Rs. 407,938.5**	**Rs. 502,352.4**	**Rs. 642,612.9**
Effect of exchange rate changes on cash and cash equivalents	(35.5)	3,415.5	1,540.3
Net change in cash and cash equivalents	**(8,656.4)**	**(100,859.1)**	**30,697.2**
Cash and cash equivalents, beginning of year	297,558.5	288,902.1	188,043.0
Cash and cash equivalents, end of year	**Rs. 288,902.1**	**Rs. 188,043.0**	**Rs. 218,740.2**

Cash Flows from Operating Activities

Our net cash provided by operating activities reflects our net income, adjustments for tax and non-cash charges such as depreciation and amortization, as well as changes in other assets and liabilities. Our net cash provided by operating activities increased from Rs. 37.5 billion in fiscal 2012 to Rs. 71.5 billion in fiscal 2013, mainly due to higher cash flows in fiscal 2013 as compared to fiscal 2012 as a result of increase in our net income and a lower increase in our investments held for trading.

Cash Flows from Investing Activities

We used our cash from operations and financing activities primarily to invest in our loan book and debt securities. The increase in loans originated and purchased, net of principal collections and repayments, was Rs. 514.7 billion in fiscal 2013 and Rs. 395.9 billion in fiscal 2012 primarily on account of an increase in our retail loan portfolio. The increase in investments in fiscal 2013 was Rs. 200.0 billion primarily on account of an increase in available-for-sale government of India securities.

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Cash Flows from Financing Activities

Our primary sources of cash flows from financing activities are deposits and, to a lesser extent, borrowings. The increase in deposits is attributable to the overall expansion of our business. Our total deposits increased by 20.1% from Rs. 2,465.0 billion in fiscal 2012 to Rs. 2,960.5 billion in fiscal 2013. Savings account deposits at Rs. 882.1 billion and current account deposits at Rs. 522.3 billion together accounted for approximately 47.4% of total deposits as of March 31, 2013. There was a 22.3% increase in our time deposits from Rs. 1,272.1 billion in fiscal 2012 to Rs. 1,556.1 billion in fiscal 2013. Our short-term borrowings increased by Rs. 33.0 billion from Rs. 112.6 billion in fiscal 2012 to Rs. 145.6 billion in fiscal 2013. There was an increase in long-term debt from Rs. 178.4 billion in fiscal 2012 to Rs. 295.2 billion in fiscal 2013 primarily due to the lower tier II debt capital we raised during the year.

Financial Condition

Assets

The following table sets forth the principal components of our assets as of March 31, 2012 and March 31, 2013:

	As of March 31,			
	2012	2013	Increase/ (decrease)	% Increase/ (decrease)
	(in millions, except percentages)			
Cash and cash equivalents	Rs. 188,043.0	Rs. 218,740.2	Rs. 30,697.2	16.3%
Term placements	150,096.5	199,265.7	49,169.2	32.8
Investments held for trading	77,043.4	87,383.5	10,340.1	13.4
Investments available for sale	807,080.4	1,018,071.5	210,991.1	26.1
Securities purchased under agreements to resell	20,868.3	67,000.0	46,131.7	221.1
Loans, net	2,006,374.3	2,504,551.6	498,177.3	24.8
Accrued interest receivable	26,645.5	34,370.9	7,725.4	29.0
Property and equipment	24,960.9	28,978.4	4,017.5	16.1
Intangibles	4,074.0	1,769.5	(2,304.5)	(56.6)
Goodwill	74,937.9	74,937.9		
Other assets	191,031.5	135,836.9	(55,194.6)	(28.9)
Total assets	**Rs. 3,571,155.7**	**Rs. 4,370,906.1**	**Rs. 799,750.4**	**22.4%**

Our total assets increased by 22.4% to Rs. 4,370.9 billion in fiscal 2013 from Rs. 3,571.2 billion in fiscal 2012.

Cash and cash equivalents include currency on hand as well as demand deposits with banks or financial institutions. We are also required to maintain cash balances with the Reserve Bank of India to meet our cash reserve ratio requirement. We are required to maintain a specific percentage of our demand and time liabilities by way of a balance in a current account with the RBI. This is to maintain the solvency of the banking system.

Term placements consist of placements with banks and financial institutions in the ordinary course of business. These have original maturities for periods ranging between three months and fifteen years. Term placements have increased on account of our placements with central government bodies and deposits with other banks. Placements with central government bodies are made to comply with the extant Reserve Bank of India guidelines on shortfalls in priority sector lending sub-limits and account for approximately 72% of term placements as of March 31, 2013. Deposits with other banks were placed for yield opportunities.

Securities held under the trading portfolio are for trading purposes and are generally sold within 90 days from purchase. Investments held for trading increased by 13.4% from Rs. 77.0 billion as of March 31, 2012 to Rs. 87.4 billion as of March 31, 2013, primarily on account of investments in government of India securities and corporate / financial institution securities, partially offset by a decrease in our portfolio of deposit certificates issued by banks.

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Investments available for sale increased by 26.1% primarily on account of an increase in investments in government of India securities for SLR requirements.

Net loans increased mainly due to an increase in our retail lending. Our outstanding gross retail loan portfolio increased by 28.6% from Rs. 1,345.0 billion as of March 31, 2012 to Rs. 1,729.5 billion as of March 31, 2013. Secured loans were the key drivers of the increase in the retail loan book. We originate home loans under an arrangement with HDFC Limited. During the year we purchased from HDFC Limited aggregating Rs. 51.6 billion of home loans. Our gross wholesale loan book increased by 17.3% from Rs. 689.3 billion in fiscal 2012 to Rs. 808.7 billion in fiscal 2013.

Accrued interest receivable increased by 29.0% from Rs. 26.6 billion to Rs. 34.4 billion primarily on account of increase in our loans and investment securities.

Our property and equipment increased by 16.1% from Rs. 25.0 billion in fiscal 2012 to Rs. 29.0 billion in fiscal 2013, primarily on account of growth in our distribution network. As of March 31, 2012 we had a network of 2,544 branches in 1,399 cities which grew to 3,062 branches and in 1,845 locations as of March 31, 2013.

We acquired a branch network representing contractual and non-contractual customer relationships, customer lists, core deposits and favorable leases as identified intangible assets on account of our acquisition of CBoP. These intangibles amounted to Rs. 16.0 billion as of the date of acquisition. We have amortized these intangibles over their estimated remaining useful life, resulting in a charge of Rs. 2.3 billion for fiscals 2012 and 2013. Consequently, these intangibles were carried at an amortized value of Rs. 1.8 billion as of March 31, 2013.

We paid a purchase consideration of Rs. 102.8 billion to acquire the net assets of CBoP at a fair value of Rs. 27.8 billion, thereby recognizing unidentified intangibles (goodwill) of Rs. 74.9 billion during fiscal 2009. The primary purpose of the acquisition was to realize potential synergies, growth opportunities and cost savings from combining our businesses. These anticipated synergies contributed to a purchase price that resulted in the recognition of goodwill. The said goodwill has not been impaired as of March 31, 2013 and has been carried forward at the same value as that at the acquisition date.

Other assets decreased by 28.9% from Rs. 191.0 billion as of March 31, 2012 to Rs. 135.8 billion as of March 31, 2013 primarily on account of a decrease in derivatives from Rs. 133.2 billion in fiscal 2012 to Rs. 72.5 billion in fiscal 2013. This was largely attributable to reduction in mark to market gains from forward exchange contracts.

Liabilities and Shareholders Equity

The following table sets forth the principal components of our liabilities and shareholders equity as of March 31, 2012 and March 31, 2013:

	As of March 31,			
	2012	2013	Increase/ (decrease)	% Increase/ (decrease)
	(in millions, except percentages)			
Liabilities				
Interest bearing deposits	Rs. 2,012,057.9	Rs. 2,438,262.0	Rs. 426,204.1	21.2%
Non-interest bearing deposits	452,991.7	522,271.9	69,280.2	15.3
Total deposits	**2,465,049.6**	**2,960,533.9**	**495,484.3**	**20.1%**
Securities sold under repurchase agreements	70,000.0	205,000.0	135,000.0	192.9
Short-term borrowings	112,642.8	145,617.2	32,974.4	29.3
Accrued interest payable	51,935.9	58,135.2	6,199.3	11.9
Long-term debt	178,366.6	295,219.7	116,853.1	65.5
Accrued expenses and other liabilities	296,568.1	236,022.2	(60,545.9)	(20.4)
Total liabilities	**3,174,563.0**	**3,900,528.2**	**725,965.2**	**22.9%**
Non-controlling interest in subsidiaries	1,537.5	1,903.6	366.1	23.8
HDFC Bank Limited shareholders equity	395,055.2	468,474.3	73,419.1	18.6
Total liabilities and shareholders equity	**Rs. 3,571,155.7**	**Rs. 4,370,906.1**	**Rs. 799,750.4**	**22.4%**

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Our total liabilities increased by 22.9% from Rs. 3,174.6 billion in fiscal 2012 to Rs. 3,900.5 billion in fiscal 2013. The increase in our interest-bearing deposits was on account of an increase in savings deposits and in time deposits. Savings account deposits increased by 19.2% from Rs. 740.0 billion as of March 31, 2012 to Rs. 882.1 billion as of March 31, 2013. Time deposits increased by 22.3% from Rs. 1,272.1 billion as of March 31, 2012 to Rs. 1,556.1 billion as of March 31, 2013. Our non-interest bearing deposits increased by 15.3% from Rs. 453.0 billion in fiscal 2012 to Rs. 522.3 billion in fiscal 2013. Of our total deposits as of March 31, 2013, retail deposits accounted for approximately 75% and wholesale deposits accounted for the balance.

Most of our funding requirements are met through short-term and medium-term funding sources. Of our total non-equity sources of funding as of March 31, 2013, deposits accounted for 75.9%, short-term borrowings accounted for 3.7% and long-term debt accounted for 7.6%. Our short-term borrowings, which were primarily comprised of money market borrowings, increased by Rs. 33.0 billion in fiscal 2013. Securities sold under repurchase agreements were Rs. 205.0 billion as of March 31, 2013 on account of our borrowing under the liquidity adjustment facility that is offered by the Reserve Bank of India. The borrowing was against our investments in government securities that we held in excess of the statutory liquidity requirements.

Long-term debt increased by 65.5% in fiscal 2013, primarily due to the lower tier II debt capital we raised during the year.

Accrued interest payable increased by 11.9% from Rs. 51.9 billion in fiscal 2012 to Rs. 58.1 billion in fiscal 2013 on account of increase in volumes of interest bearing liabilities and an increase in our cost of funds.

Accrued expenses and other liabilities decreased by 20.4% from Rs. 296.6 billion to Rs. 236.0 billion, primarily because of decrease in derivatives from Rs. 127.9 billion in fiscal 2012 to Rs. 69.1 billion in fiscal 2013. This was largely attributable to reduction in mark-to-market losses from forward exchange contracts.

Shareholders equity increased primarily due to an increase in each of the retained earnings, additional paid-in capital (on account of the exercise of stock options by employees) and accumulated other comprehensive income (as a result of mark-to-market gains on available for sale securities primarily attributable to decrease in interest rates during the year).

Capital

We are a banking company within the meaning of the Indian Banking Regulation Act, 1949, registered with and subject to supervision by the RBI. Failure to meet minimum capital requirements could lead to regulatory actions by the RBI that, if undertaken, could have a material effect on our financial position. As per RBI s prudential norms on capital adequacy under the Basel I framework (Basel I), we are required to maintain a capital to risk-weighted asset ratio of a minimum of 9%, for both credit risk and market risk. The RBI has also issued its prudential guidelines on Capital Adequacy and Market Discipline Implementation of the New Capital Adequacy Framework (Basel II). We migrated to the new framework effective March 31, 2009. Under the Basel II guidelines, we are required to maintain a minimum capital to risk-weighted asset ratio of 9% on an ongoing basis for credit risk, market risk and operational risk, with a minimum Tier 1 capital ratio of 6%. Further, the minimum capital maintained by us as of March 31, 2013 is subject to a prudential floor, which is the higher of the following amounts:

a) the minimum capital required as per the Basel II framework; or

b) 80% of the minimum capital required to be maintained as per the Basel I framework.

RBI has recently issued detailed guidelines for implementation of Basel III capital regulations with effect from April 1, 2013 in a phased manner. In May 2013, the RBI withdrew the requirement of parallel run and the prudential floor for implementation of Basel II vis-à-vis Basel I.

Our regulatory capital and capital adequacy ratios measured in accordance with Indian GAAP and calculated under both the Basel I and Basel II frameworks are as follows:

	Basel I			Basel II		
	2012	2013	2013	2012	2013	2013
	(in millions, except percentages)					
Tier 1 capital	Rs. 281,135.6	Rs. 339,282.0	US$ 6,223.1	Rs. 280,674.9	Rs. 338,811.3	US$ 6,214.4
Tier 2 capital	118,989.7	175,192.3	3,213.4	118,989.7	175,192.3	3,213.4
Total capital	**Rs. 400,125.3**	**Rs. 514,474.3**	**US$ 9,436.5**	**Rs. 399,664.6**	**Rs. 514,003.6**	**US$ 9,427.8**
Total risk weighted assets and contingents	**Rs. 2,547,642.9**	**Rs. 3,227,251.5**	**US$ 59,193.9**	**Rs. 2,418,963.2**	**Rs. 3,058,788.9**	**US$ 56,104.0**
Capital ratios of the Bank:						
Tier 1	11.04%	10.51%		11.60%	11.08%	
Total capital	15.71%	15.94%		16.52%	16.80%	
Minimum capital ratios required by the RBI:						
Tier 1	4.50%	4.50%		6.00%	6.00%	
Total capital	9.00%	9.00%		9.00%	9.00%	

Convenience Translation

The Indian rupee has fallen significantly against the U.S. dollar, from 54.52 rupees per U.S. dollar at March 29, 2013 to 59.37 rupees per U.S. dollar at July 19, 2013, a depreciation of 8.9%. The recent sharp decline was caused mainly by the increasing strength of the U.S. dollar, however India was particularly affected because of continued concerns about its domestic growth prospects, elevated current account deficit and global risk aversion. See *Exchange Rates and Certain Defined Terms* and *Risk Factors Any volatility in the exchange rate may lead to a decline in India s foreign exchange reserves and may affect liquidity and interest rates in the Indian economy, which could adversely impact us.*

The decline of the relative value of the Indian rupee to the U.S. dollar decreases (a) the U.S. dollar equivalent of the Indian rupee price of the equity shares on the Indian stock exchanges and, as a result, decreases the market price of our ADSs in the United States, (b) the U.S. dollar equivalent of the proceeds that you would receive upon the sale in India of any equity shares that you withdraw from the depositary and (c) the U.S. dollar equivalent of cash dividends, if any, paid in Indian rupees on the equity shares represented by our ADSs. See *Risk Factors Because the equity shares underlying our ADSs are quoted in rupees in India, you may be subject to potential losses arising out of exchange rate risk on the Indian rupee and risks associated with the conversion of rupee proceeds into foreign currency* and *Description of American Depositary Shares*.

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In addition, the depreciation of the rupee against the U.S. dollar may impact the operations of our customers and affect their ability to fulfill their obligations under the loans granted to them by us. If our non-performing loans increase, we will be required to increase our provisions, which would result in our net income being less than it otherwise would be and would adversely affect our financial condition. See *Risk Factors If the level of non-performing loans in our portfolio increases, we will be required to increase our provisions, which would negatively impact our income*.

If the rupee amounts had been translated using the recent exchange rate as on July 19, 2013, which is 59.37 rupees per U. S. dollar, our total assets would have been US$ 73.6 billion as compared to the reported amount of US$ 80.2 billion, our total liabilities would have been US$ 65.7 billion as compared to the reported amount of US$ 71.5 billion and our net income would have been US$ 1.0 billion compared to the reported amount of US$ 1.1 billion.

Although we have translated selected Indian rupee amounts in this document into U.S. dollars for convenience based on the noon buying rate in the city of New York for cable transfers in Indian rupees to U.S. dollars at 54.52 rupees per U. S. dollar at March 29, 2013, set forth below, are the US$ equivalent amounts for certain key financial items, based on a convenience translation using the exchange rate as on July 19, 2013 which is 59.37 rupees per U. S. dollar.

Key items of consolidated balance sheet as of March 31, 2013

Particulars	Exchange rate as of March 29, 2013 US$1 = Rs. 54.52	Exchange rate as of July 19, 2013 US$1 = Rs. 59.37
	(in millions)	
Cash and cash equivalents	US$ 4,012.1	US$ 3,684.3
Loans, net	45,938.2	42,185.5
Total deposits	54,301.8	49,865.8
Short term borrowings	2,670.9	2,452.7
Long term debt	5,414.9	4,972.5
Total liabilities	71,543.1	65,698.6
Total shareholder s equity	8,627.7	7,922.8

Key items of consolidated statement of income for the fiscal year ended March 31, 2013

Particulars	Exchange rate as of March 29, 2013 US$1 = Rs. 54.52	Exchange rate as of July 19, 2013 US$1 = Rs. 59.37
	(in millions)	
Net interest revenue	US$ 2,881.2	US$ 2,645.8
Net interest revenue after provision for credit losses	2,648.5	2,432.1
Total revenue, net	3,843.8	3,530.0
Income before income tax expense	1,687.0	1,549.4
Net income attributable to HDFC Bank Limited	1,133.9	1,041.5

Key items of consolidated statement of cash flow for the fiscal year ended March 31, 2013

Particulars	Exchange rate as of March 29, 2013 US$1 = Rs. 54.52	Exchange rate as of July 19, 2013 US$1 = Rs. 59.37
	(in millions)	
Net cash provided by operating activities	US$ 1,311.5	US$ 1,204.5
Net cash used in investing activities	(12,563.5)	(11,537.3)

Net cash provided by financing activities	11,786.7	10,823.9

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Capital Expenditure

Our capital expenditures consist principally of expenditures relating to our branch network expansion, as well as investments in our technology and communications infrastructure. We have current plans for aggregate capital expenditures of approximately Rs. 5.8 billion in fiscal 2014. This budgeted amount includes Rs. 0.8 billion to expand our branch and back office network, Rs. 0.5 billion to expand our electronic data capture terminal network and Rs. 4.3 billion to upgrade and expand our hardware, data center, network and other systems. We may use these budgeted amounts for other purposes depending on, among other factors the business environment prevailing at the time, and consequently our actual capital expenditures may be higher or lower than our budgeted amounts.

Financial Instruments and Off-Balance Sheet Arrangements

Our foreign exchange and derivative product offerings to our customers cover a range of products, including foreign exchange and interest rate transactions and hedging solutions, such as spot and forward foreign exchange contracts, forward rate agreements, currency swaps, currency options, and interest rate derivatives. These transactions enable our customers to transfer, modify or reduce their foreign exchange and interest rate risks. A specified group of relationship managers from our Treasury front office works on such product offerings jointly with the relationship managers from Wholesale Banking.

We enter into forward exchange contracts, currency options, forward rate agreements, currency swaps and rupee interest rate swaps with inter-bank participants, similar to our Wholesale Banking business, where we enter into such transactions with our customers. To support our clients activities, we are an active participant in the Indian inter-bank foreign exchange market. We also trade, to a more limited extent, for our own account. We also engage in proprietary trades of rupee-based interest rate swaps and use them as part of our asset liability management.

Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. A currency option is a contract where the purchaser of the option has the right but not the obligation to either purchase or sell and the seller of the option agrees to sell or purchase an agreed amount of a specified currency at a price agreed in advance and denominated in another currency on a specified date or by an agreed date in the future. A forward rate agreement is a financial contract between two parties to exchange interest payments for a notional principal amount on a settlement date, for a specified period from a start date to a maturity date. Currency swaps are commitments to exchange cash flows by way of interest in one currency against another currency and exchanges of principal amounts at maturity based on predetermined rates. Rupee interest rate swaps are commitments to exchange fixed and floating rate cash flows in rupees.

We earn profit on customer transactions by way of a margin as a mark-up over the inter-bank exchange or interest rate. We earn profit on inter-bank transactions by way of a spread between the purchase rate and the sale rate. These profits are recorded as income from foreign exchange and derivative transactions. The RBI imposes limits on our ability to hold overnight positions in foreign exchange and derivatives. The following table presents the aggregate notional principal amounts of the Bank s outstanding forward exchange and derivative contracts as of March 31, 2013, together with the fair values on each reporting date:

	As of March 31, 2013					
	Notional	Gross Assets	Gross Liabilities	Net Fair Value	Notional	Net Fair Value
	(In millions)					
Interest rate derivatives	Rs. 2,080,500.3	Rs. 5,944.5	Rs. 7,837.2	Rs. (1,892.7)	US$ 38,160.3	US$ (34.7)
Currency options	152,384.2	1,014.1	1,300.0	(285.9)	2,795.0	(5.3)
Currency swaps	59,328.6	2,962.0	1,502.5	1,459.5	1,088.2	26.8
Forward exchange contracts	4,467,860.7	62,602.4	58,460.0	4,142.4	81,949.0	76.0
Total	Rs. 6,760,073.8	Rs. 72,523.0	Rs. 69,099.7	Rs. 3,423.3	US$ 123,992.5	US$ 62.8

We have not designated the above derivative contracts as accounting hedges and accordingly the contracts are recorded at fair value on the balance sheet with changes in fair value recorded in earnings.

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Guarantees and Documentary Credits

As a part of our commercial banking activities, we issue documentary credits and guarantees. Documentary credits, such as letters of credit, enhance the credit standing of our customers. Guarantees generally represent irrevocable assurances that we will make payments in the event that the customer fails to fulfill its financial or performance obligations. Financial guarantees are obligations to pay a third party beneficiary where a customer fails to make payment towards a specified financial obligation. Performance guarantees are obligations to pay a third party beneficiary where a customer fails to perform a non-financial contractual obligation. The nominal values of guarantees and documentary credits for the dates set forth below were as follows:

	As of March 31,		
	2012	2013	2013
	(In millions)		
Nominal values:			
Bank guarantees:			
Financial guarantees	Rs. 76,921.6	Rs. 99,886.2	US$ 1,832.1
Performance guarantees	59,909.3	69,686.1	1,278.2
Documentary credits	209,182.1	220,595.4	4,046.1
Total	**Rs. 346,013.0**	**Rs. 390,167.7**	**US$ 7,156.4**

Guarantees and documentary credits outstanding increased by 12.8% to Rs. 390.2 billion as of March 31, 2013, principally due to general growth in our wholesale banking business and to meet our clients trade requirements.

Loan Sanction Letters

In some cases we issue sanction letters to customers indicating our intent to provide new loans. The amount of loans referred to in these letters that have not yet been made was Rs. 789.9 billion as of March 31, 2013. On request, we disburse these loans subject to the customer s creditworthiness at that time and at interest rates in effect on the date the loans are made. We are not obligated to make these loans, and the sanctions are subject to periodic review. See also Note 24 to our audited financial statements included elsewhere in this report.

Contractual Obligations and Commercial Commitments

The table below summarizes our principal contractual obligations as of March 31, 2013 by expected settlement period.

Contractual Obligations

	Payments due by period, as of March 31, 2013				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
			(in millions)		
Subordinated debt	Rs. 171,867.5	Rs.	Rs. 16,160.0	Rs. 4,150.0	Rs. 151,557.5
Other long term debt	123,352.2	8,943.1	62,321.2	52,087.9	
Operating leases[(a)]	37,101.4	6,115.9	11,264.3	9,504.6	10,216.6
Short-term borrowings	145,617.2	145,617.2			
Securities sold under repurchase agreements	205,000.0	205,000.0			
Unconditional purchase obligations[(b)]	2,918.7	2,918.7			
Total	**Rs. 685,857.0**	**Rs. 368,594.9**	**Rs. 89,745.5**	**Rs. 65,742.5**	**Rs. 161,774.1**

(a) Operating leases are principally for the lease of office, branch and ATM premises, residential premises for executives and office equipments.

(b) Unconditional purchase obligations principally constitute the capital expenditure commitments made as of March 31, 2013. See Note 27 Commitments and contingencies .

Commercial Commitments

Our commercial commitments consist principally of letters of credit, guarantees, forward exchange contracts and derivative contracts.

We have recognized a liability of Rs. 1.1 billion as of March 31, 2013 as required by FASB ASC 460-10. Based on historical trends and as required by FASB ASC 450, we have recognized a liability of Rs. 0.7 billion as of March 31, 2013.

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As part of our risk management activities, we continuously monitor the creditworthiness of customers as well as guarantee exposures. However, if a customer fails to perform a specified obligation to a beneficiary, the beneficiary may draw upon the guarantee by presenting documents that are in compliance with the guarantee. In that event, we make payment to the beneficiary on account of the indebtedness of the customer or make payment on account of the default by the customer in the performance of an obligation, up to the full notional amount of the guarantee. The customer is obligated to reimburse us for any such payment. If the customer fails to pay, we would, as applicable, liquidate collateral and/or set off accounts.

The residual maturities of the above commitments as of March 31, 2013 are set forth in the following table:

	Amount of commitment expiration per period, as of March 31, 2013				
	Total amounts committed	Less than 1 year	1-3 years (in millions)	3-5 years	Over 5 years
Documentary credits	Rs. 220,595.4	Rs. 218,047.8	Rs. 2,465.9	Rs. 81.7	Rs.
Guarantees	169,572.3	127,793.2	31,385.6	4,563.3	5,830.2
Derivatives*	6,760,073.8	5,826,980.8	494,630.0	382,666.0	55,797.0
Total	**Rs. 7,150,241.5**	**Rs. 6,172,821.8**	**Rs. 528,481.5**	**Rs. 387,311.0**	**Rs. 61,627.2**

* Denotes notional principal amounts.

Extent of dependence on single customer exposures

Our exposure to a borrower is subject to the regulatory limits established by the RBI from time to time, or specific approval by RBI. The exposure-ceiling limit for a single borrower is 15% of our capital funds. This limit may be exceeded by an additional 5% (i.e. up to 20%) provided the additional credit exposure is on account of infrastructure or by an additional 10% (i.e. up to 25%) provided the credit exposure is to oil companies to whom bonds have been issued by the Government of India. In addition to the above exposure limit, we may, in exceptional circumstances, with the approval of the Board, consider increasing our exposure to a borrower up to an additional 5% of the capital funds. Our exposure to a single NBFC or NBFC-asset financing companies (AFC) should not exceed 10.0% or 15.0%, respectively, of our capital funds. We may, however, assume exposures on a single NBFC or NBFC-AFC up to 15.0% or 20.0%, respectively, if it is on account of funds on-lent by the NBFC or NBFC-AFC to the infrastructure sector. Our exposure to infrastructure finance companies (IFC) should not exceed 15.0% of our capital funds. However, this may be exceeded by an additional 5% (i.e. up to 20%) if the same is on account of funds on-lent by the IFC to the infrastructure sector.

Our exposures to our ten largest borrowers as of March 31, 2013, computed as per RBI guidelines, based on the higher of the outstanding balance or the limit on loans, investments (including credit substitutes) and non-funded exposures as per Indian GAAP were as follows. None of these exposures were impaired as of March 31, 2013:

		March 31, 2013			
	Borrower Industry	Funded Exposure (in millions)	Non-Funded Exposure	Total Exposure	Total Exposure
Borrower 1	Banks and Financial Institutions	Rs. 107,121.8	Rs.		