HDFC BANK LTD
Form 424B2
February 05, 2015
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CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered[1]	Number of ADSs to be offered	Gross Proceeds of the offering	Amount of Registration Fee
ADSs, each representing three equity share of HDFC Bank Limited of par value Rs. 2.0.	**22,000,000**	**$1,270,720,000**	**$147,657.66**

1. **American depositary shares evidenced by American depositary receipts issuable upon deposit of the equity shares registered hereby are registered pursuant to a separate registration statement on Form F-6. Each American depositary share represents three equity shares.**

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Filed pursuant to Rule 424(b)(2)

Registration No. 333-201852

Prospectus Supplement

(to Prospectus dated February 4, 2015)

22,000,000 American Depositary Shares

Representing 66,000,000 Equity Shares

HDFC Bank Limited is offering 66,000,000 equity shares in the form of American Depositary Shares or ADSs. Each American Depositary Share represents three equity shares of HDFC Bank Limited of par value of Rs. 2.0 each.

Our American Depositary Shares are listed on the New York Stock Exchange under the symbol HDB. On February 4, 2015, the closing price of an ADS on the New York Stock Exchange was U.S.$57.76.

PRICE U.S.$57.76 PER AMERICAN DEPOSITARY SHARE

Investing in our American Depositary Shares involves risks. See Risk Factors beginning on page S-14.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Us (before expenses)
Per ADS	U.S.$ 57.76	U.S.$ 0.79	U.S.$ 56.97
Total	U.S.$ 1,270,720,000	U.S.$ 17,380,000	U.S.$ 1,253,340,000

Neither the Securities and Exchange Commission nor any state or foreign securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the ADSs to purchasers on or about February 10, 2015.

Global Coordinators and Joint Bookrunners

(listed alphabetically)

BofA Merrill Lynch	**Credit Suisse**	**J.P. Morgan**	**Morgan Stanley**

Joint Bookrunners

(listed alphabetically)

Barclays	**Goldman Sachs**	**Nomura**	**UBS Investment Bank**

The date of this prospectus is February 5, 2015

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PROSPECTUS SUPPLEMENT

PROSPECTUS

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering of ADSs representing our equity shares. It also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part is the accompanying prospectus, which provides more general information. To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus or any document incorporated by reference in this prospectus supplement or the accompanying prospectus, on the other hand, you should rely on the information in this prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. No person is authorized to provide you with different information. Neither we nor any of the underwriters are making an offer to sell securities in any jurisdiction where the offer or sale is not permitted. The information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate only as of the respective dates thereof, regardless of the time of delivery of this prospectus supplement and the accompanying prospectus. It is important for you to read and consider all the information contained in this prospectus supplement and the accompanying prospectus, including the documents incorporated by reference therein, in making your investment decision.

The offered ADSs may not be offered or sold, directly or indirectly, in India or to any resident of India, except as permitted by applicable Indian laws and regulations.

You must comply with all applicable laws and regulations in force in any applicable jurisdiction and you must obtain any consent, approval or permission required by you for the purchase of the ADSs under the laws and regulations in force in the jurisdiction to which you are subject or in which you make your purchase, and neither we nor the underwriters will have any responsibility therefor.

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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 whe context requires also to its 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 the Companies Act in the document mean the Companies Act, 1956 (to the extent such enactment remains in force) and the Companies Act, 2013 (to the extent notified as of the date of this document) and all rules and regulations issued thereunder. References to $ or US$ or dollars or U.S. dollars are to the legal currency of the United States and references to Rs., INR, rupees 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 included in the accompanying prospectus and all other financial data included in this prospectus supplement and the accompanying prospectus, except as otherwise noted, are prepared in accordance with United States generally accepted accounting principles, or U.S. GAAP. U.S. 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.

We generally prepare and publish our financial statements in accordance with Indian GAAP, except for purposes of the financial statements contained in our Annual Report on Form 20-F which we file with the Securities and Exchange Commission, or the SEC, and for certain information filed on Form 6-K and included in this prospectus (incorporated herein by reference), which were prepared in accordance with U.S. GAAP.

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.

After the Indian rupee depreciated sharply in fiscal 2009 on account of the global risk aversion that resulted in a substantial reduction in capital flows, it managed to recover in fiscal 2010. The recovery in fiscal 2010 was driven by a pickup in domestic growth prospects that attracted foreign funds 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 the current account deficit. However, in fiscal year 2012, the rupee depreciated coming under pressure 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. This trend continued in fiscal 2013. During fiscal 2014, the rupee came under immense and sustained selling pressure driven by growing anxiety about domestic growth prospects and global risk aversion (the high and low during fiscal 2014 was Rs. 68.80 per US$ and Rs. 53.65 per US$ respectively). Through the first half of fiscal 2015 however, the rupee has appreciated slightly and remained stable against the U.S. dollar on expectations that the new government could spur additional market reforms that might in turn help revive growth prospects in the Indian economy.

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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 for cable transfers of Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York:

Fiscal Year	Period End[1]	Average[1][2]	High	Low
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
2014	60.00	60.35	68.80	53.65
2015 (through January 30, 2015)	62.01	60.89	63.67	58.30

(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
August 2014	61.51	60.87	61.51	60.43
September 2014	61.92	60.90	61.92	60.26
October 2014	61.44	61.37	61.81	60.92
November 2014	62.20	61.68	62.20	61.38
December 2014	63.04	62.71	63.67	61.78
January 2015	62.01	62.13	63.57	61.32

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 U.S.$1.00 = Rs. 61.92 on September 30, 2014. The Federal Reserve Bank of New York certifies this rate for customs purposes on each date the rate is given. The noon buying rate on January 30, 2015 was Rs. 62.01 per U.S.$1.00.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus. This summary is not complete and does not contain all of the information that you should consider before investing in the ADSs representing our equity shares. You should read the entire prospectus supplement and the accompanying prospectus carefully, including our audited financial statements and the notes to those financial statements, Risk Factors and the other information appearing elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus.

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 across metro, urban, semi-urban and rural markets. 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, advanced technology platforms 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. As of September 30, 2014, we had 3,600 branches, 11,515 ATMs in 2,272 cities and towns and 30.6 million customers. On account of the expansion in our geographical reach and the resultant increase in market penetration, our assets have grown from Rs. 3,571.2 billion as of March 31, 2012 to Rs. 5,125.4 billion as of March 31, 2014. Our assets as of September 30, 2014 were Rs. 5,320.2 billion. Our net income has increased from Rs. 49.8 billion for fiscal 2012 to Rs. 79.3 billion for fiscal 2014. Our net income for the first six months of fiscal 2015 was Rs. 43.0 billion.

We have three principal business activities: retail banking, wholesale banking and treasury operations:

Retail Banking. 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 actively market our services 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 September 30, 2014, we had 3,600 branches and 11,515 ATMs in 2,272 cities and 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.

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Wholesale Banking. 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, investment banking services 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.

Treasury Operations. 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.

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Our Competitive Strengths

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

We have a strong brand and extensive reach through a large distribution network

We believe our HDFC Bank brand is one of the strongest brands in the Indian banking industry and was, in August 2014, acknowledged as the most valuable brand in India in the inaugural edition of the BrandZ Top 50 Most Valuable Indian Brands study. The study was conducted by WPP research agency Millward Brown, which specializes in brand equity research and brand valuation. We have capitalized on our strong brand by establishing an extensive branch network throughout India serving a broad range of customers in urban, semi-urban and rural regions. As of September 30, 2014, we had 3,600 branches and 11,515 ATMs in 2,272 cities and towns and 30.6 million customers as compared to 2,544 branches and 8,913 ATMs in 1,399 cities and towns and 25.9 million customers as of March 31, 2012. Our branch network is further complemented by our digital strategy, including online and mobile banking solutions, to provide our customers with access to on-demand banking services, which we believe allows us to develop strong and loyal relationships with our customers.

We provide a wide range of products and high quality service to our clients in order to meet their banking needs

Whether in retail banking, wholesale banking or treasury operations, we consider ourselves a one-stop shop for our customers banking needs. This includes the services that we can provide to our customers, both directly and indirectly through back-office operational execution, and the range of products we offer. We consider our high quality service to be a vital component of our business and believe in pursuing excellence in execution through multiple internal initiatives focused on continuous executional improvements. This pursuit of high quality service and operational execution directly supports our ability to offer a wide range of banking products. 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 sales of gold and silver bullion. In addition, we offer our customers brokerage accounts through our subsidiary HDFC Securities Limited (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. We also 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 companies in respect of issuances of equity shares and bonds to the public. We are able to provide this wide-range of products across our branch network, meaning we can provide our targeted rural customers banking products and services similar to those provided to our urban customers, which we believe provides us a competitive advantage. Our wide range of products and focus on superior service and execution also creates multiple cross-selling opportunities for us and, we believe, improves our customer retention rates.

We have achieved robust and consistent financial performance while preserving asset quality during our growth

On account of our superior operational execution, broad range of products, expansion in our geographical reach and the resultant increase in market penetration through our extensive branch network, our assets have grown from Rs. 3,571.2 billion as of March 31, 2012 to Rs. 5,125.4 billion as of March 31, 2014 (Rs. 5,320.2 billion as of September 30, 2014). Our net income has increased from Rs. 49.8 billion for fiscal 2012 to Rs. 79.3 billion for fiscal 2014 (Rs. 43.0 billion for the six months ended September 30, 2014). In addition to the significant growth in our assets and net revenue, we have remained focused on maintaining a high level of asset quality. Our gross non-performing customer assets as a percentage of total customer assets was 1.2% as of March 31, 2014 (1.0% as of September 30, 2014) and our net non-performing customer assets was 0.6% of net

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customer assets (0.3% as of September 30, 2014). Our net interest margin was 4.6% in fiscal 2012 and 4.7% in fiscal 2014 (4.9% for the six months ended September 30, 2014), net income as a percentage of average total shareholders equity was 13.3% in fiscal 2012 and 15.6% in fiscal 2014 (15.5% for the six months ended September 30, 2014) and net income as a percentage of average total assets was 1.6% in fiscal 2012 and 1.8% in fiscal 2014 (1.7% for the six months ended September 30, 2014). Our current and savings account deposits as a percentage of our total deposits were 43.1% as of September 30, 2014.

We have an advanced technology platform

We continue to make substantial investments in our advanced technology platform and systems and expand our electronically linked branch network. Our direct banking platforms are stable and robust, enabling new ways to connect with our customers to cross-sell our various products and improve customer retention and supporting ever-increasing transaction volumes as customers adopt newer self-service technologies.

We successfully completed an upgrade of our retail core banking system to the latest technology platform during fiscal 2014, which enables us to provide additional features to our customers and respond faster to business and market needs. We have also developed robust data analytics capabilities that allow us to market and cross-sell our products to customers through both traditional relationship management and interactive, on-demand methods depending on how particular customers choose to interact with us. We have also implemented state-of-the-art engineered systems technology for some of the important backend operational systems, including recently doubling the capacity of our operational customer relationship management system.

We have an experienced management team

Many of the members of our management team have had a long tenure with us, which gives us a deep bench of experienced managers. They have substantial experience in banking or other industries and share our common vision of excellence in execution. Having a management team with such breadth and depth of experience is well suited to leverage the competitive strengths we have already developed across our large, diverse and growing branch network as well as allowing our management team to focus on creating new opportunities for our business. See also the section 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, including our strong HDFC Bank brand and our extensive branch and ATM networks, to increase our market penetration.

Increase our geographical reach

As of September 30, 2014, we had 3,600 branches, 11,515 ATMs in 2,272 cities and towns, which represents an increase of 1,056 branches, 2,602 ATMs and our presence in 873 cities and towns since March 31, 2012. We believe we can continue expanding our branch footprint, particularly by focusing on rural and semi-urban areas. We believe these areas represent a significant opportunity for our continued growth as we expand banking services to those areas which have traditionally been underserved and which, by entering such markets, will enable us to establish new customer bases. We also believe that delivering banking services which are integrated with our existing business and product groups helps us to provide viable opportunities to the sections of the rural and semi-urban customer base that is consistent with our targeted customer profile throughout India.

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Cross-sell our broad financial product portfolio across our customer base

We are able to offer our complete suite of financial products across our branch network, including in our rural locations. By matching our broad customer base with our ability to offer our complete suite of products to both rural and urban customers across the retail banking, wholesale banking and treasury product lines, we believe that we can continue to generate organic growth by cross-selling different products by proactively offering our customers complementary products as their relationships with us develop and their financial needs grow and evolve.

Continue our investments in technology to support our digital strategy

We believe the increased availability of internet access and broadband connectivity across India requires a comprehensive digital strategy to proactively develop new methods of reaching our customers. As a result, we are continuously investing in technology as a means of improving our customers banking experience, offering them a range of products tailored to their financial needs and making it easier for them to interact with their banking accounts with us. While we currently provide a range of options for customers to access their accounts, including net banking, telephone banking, and banking applications on mobile devices, we believe additional investments in our technology infrastructure to further develop our digital strategy will allow us to cross-sell a wider range of products on our digital platform in response to our customers needs and thereby expand our relationship with our customers across a range of customer segments. We believe a comprehensive digital strategy will provide benefits in developing long-term customer relationships by allowing customers to interact with us and access their accounts wherever and whenever they desire.

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 gross non-performing customer assets as a percentage of total customer assets was 1.0% as of September 30, 2014 and our net non-performing customer assets as a percentage of net customer assets was 0.3% as of September 30, 2014. As of September 30, 2014, our gross restructured loans as a percentage of gross non-performing loans were 8.2%. 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 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. Our average cost of funds (including equity) was at 5.0% for the first six months of fiscal 2015 and 5.2% for the first six months of fiscal 2014. Our current and savings account deposits were 43% of our total deposits as of September 30, 2014.

Our Organization

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 and other investment services through the internet and other channels. HSL s total assets and shareholders equity as of March 31, 2014 were Rs. 8.6 billion and Rs. 4.4 billion, respectively (per Indian GAAP). HSL s net profit was Rs. 0.8 billion for fiscal 2014 (per Indian GAAP). HDBFSL is a non-deposit taking non-bank finance company (NBFC) engaged primarily in the business of retail asset financing. The customer segments catered to by HDBFSL are typically underserviced by larger commercial banks and this, we believe, creates a profitable niche for HDBFSL. HDBFSL also grants loans to micro, small and medium business enterprises and operates call centers for

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providing collection services to our retail loan products. HDBFSL s loans, total assets and shareholders equity as of March 31, 2014 were Rs. 134.1 billion, Rs. 136.9 billion and Rs. 16.3 billion (all according to Indian GAAP), respectively. HDBFSL s net profit amounted to Rs. 2.1 billion for fiscal 2014 (per Indian GAAP).

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 ADS offering is Depositary Management Corporation, 570 Lexington Avenue, New York, NY 10022.

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The Offering

The Offering	ADSs representing equity shares, and constituting approximately 2.64% of our issued and outstanding equity shares on an as adjusted basis as of September 30, 2014, after giving effect to this offering and the QIP (as defined below).
ADSs offered	22,000,000 ADSs.
ADS/equity share ratio	One ADS represents three equity shares, par value Rs. 2.0 per share.
Equity shares outstanding after this offering	2,499,066,297 equity shares.
Use of proceeds	Subject to compliance with applicable laws and regulations, we intend to use the net proceeds of the offering, together with the net proceeds of the concurrent qualified institutions placement in accordance with applicable regulations issued by the Securities and Exchange Board of India (QIP) of approximately Rs. 19,850 million, for meeting capital requirements in accordance with the capital adequacy norms and ensuring adequate capital to support future growth and expansion, including enhancing our solvency and capital adequacy ratio and general corporate purposes.
Depositary	J.P. Morgan Chase Bank, N.A.
Voting rights	The ADSs will have no voting rights. Under the deposit agreement, the depositary will abstain from voting the equity shares. See Description of American Depositary Shares Voting Rights in the accompanying prospectus.
Concurrent equity offering	Concurrent with this offering of ADSs, we are offering additional equity shares by way of the QIP. The closing of this offering is conditioned on the closing of the QIP.
Listing	We are listing the offered ADSs on the New York Stock Exchange. Our outstanding equity shares are principally traded in India on the BSE

	Limited (BSE) and the National Stock Exchange of India Limited (NSE).
New York Stock Exchange symbol for ADSs	HDB.

Corporate Information

We were incorporated in August 1994 as a public limited company under the laws of India. 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 and our website address is www.hdfcbank.com. Our

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registered agent in the United States is Depositary Management Corporation, 570 Lexington Avenue, New York, NY 10022, 212-319-4800. The information on our website is not a part of this prospectus supplement or the accompanying prospectus.

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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 equity share, are listed on the NYSE under the symbol HDB . Our equity shares, including those underlying the ADSs, are listed on the NSE under the symbol HDFCBANK and the BSE under the code 500180. Our fiscal quarters end on June 30 of each year for the first quarter, September 30 for the second quarter and December 31 for the third 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.

	Price per ADS		Average daily ADS trading volume (Number of ADSs)
	High	**Low**	
Fiscal Year 2015			
First Quarter	48.75	39.27	1,105,441
Second Quarter	51.67	45.56	817,861
Third Quarter	54.74	45.56	810,609
Most Recent Six Months			
August 2014	50.29	45.56	761,700
September 2014	51.67	46.35	868,195
October 2014	52.54	45.56	742,609
November 2014	54.74	50.85	927,211
December 2014	53.11	47.60	781,000
January 2015	62.10	49.32	1,184,855
February 2015 (through February 2, 2015)	58.26	57.31	2,310,800

The closing price for our ADSs on the NYSE was U.S.$57.76 per ADS on February 4, 2015.

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Trading Prices of Our Equity Shares on the NSE

The following table shows:

- the reported high and low market prices for our equity shares in rupees on the NSE;
- the imputed high and low prices for our equity shares translated into U.S. dollars based on the noon buying rate in the City of New York for cable transfers in Indian rupees at U.S.$1.00 = Rs. 61.92 on September 30, 2014; and
- the average daily trading volume for our equity shares on the NSE.

	Price per equity share		Price per equity share		Average daily equity share trading volume
	High	Low	High	Low	
Fiscal Year 2015					
First Quarter	Rs. 856.00	Rs. 707.30	US$ 13.82	US$ 11.42	2,354,148
Second Quarter	879.80	791.40	14.21	12.78	1,814,656
Third Quarter	973.95	854.10	15.73	13.79	1,779,679
Most Recent Six Months					
July 2014	860.70	807.15	13.90	13.04	1,814,313
August 2014	852.80	791.40	13.77	12.78	1,724,713
September 2014	879.80	838.60	14.21	13.54	1,892,677
October 2014	914.60	854.10	14.77	13.79	1,755,781
November 2014	965.90	893.00	15.60	14.42	2,105,507
December 2014	973.95	916.00	15.73	14.79	1,532,645
January 2015	1,100.60	936.25	17.77	15.12	1,999,854
February 2015 (through February 2, 2015)	1,093.00	1,052.35	17.65	17.00	1,427,588

The closing price for our equity shares on the NSE was Rs. 1,067.70 per equity share on February 4, 2015.

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RISK FACTORS

You should carefully consider the following risk factors in evaluating us and our business. An investment in ADSs involves a high degree of risk. You should carefully consider each of the following risk factors and all other information set forth in this prospectus supplement, including the risks and uncertainties described below, before making an investment in the ADSs. This section should be read together with Business , Selected Financial and Other Data , Selected Statistical Information and Management s Discussion and Analysis of Financial Condition and Results of Operations as well as the financial statements, including the notes thereto, and other financial information included elsewhere in this prospectus supplement or incorporated herein by reference.

The risks and uncertainties described below are not the only risks that we currently face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business, prospects, financial condition and results of operations and cashflows. If any or some combination of the following risks, or other risks that are not currently known or believed to be material, actually occur, our business, financial condition and results of operations and cashflows could suffer, the trading price of, and the value of your investment in, ADSs could decline and you may lose all or part of your investment. In making an investment decision, you must rely on your own examination of the Bank and the terms of this offering, including the merits and risks involved.

This prospectus supplement also contains forward-looking statements that involve risks and uncertainties. Our results could differ materially from such forward-looking statements as a result of certain factors including the considerations described below and elsewhere in this prospectus supplement.

Risks Relating to our Business

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, which in turn is linked to global economic conditions. The global slowdown of the financial market and economies had contributed to weakness in the Indian financial and economic environment. Despite a higher probability of US growth prospects, global growth is likely to remain below trend level due to subdued growth in the Eurozone and the effect of weakened Chinese growth prospects on emerging markets. We remain concerned that below-trend global growth may adversely affect domestic growth prospects. In addition, tighter monetary policy in the US could further undermine financial stability in an emerging market economy like India. 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, the Indian economy may be adversely affected by volatile oil prices, given India s dependence on imported oil for its energy needs, inflationary pressures and weather conditions adversely affecting the Indian agricultural market 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. In this regard, addressing the structural bottlenecks that have limited the economy from fiscal 2012 to fiscal 2014 will remain a vital aspect of ongoing policy reforms. If the Indian economy deteriorates, our asset base may erode, which would result in a material decrease in our net income and total assets.

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

We have grown rapidly over the last three fiscal years. Our loan growth rate has been significantly higher than that of the Indian banking industry over the last three fiscal years. Our loans in the three-year period ended

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March 31, 2013 grew at a compounded annual growth rate of approximately 24%, as against approximately 19% for the Indian banking industry for the same period. Our loans as of September 30, 2014 compared to that as of September 30, 2013 increased by 22%.

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, expanding and securing 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, 2012, we had a branch network comprised of 2,544 branches, which increased to 3,600 as at September 30, 2014. Section 23 of the Banking Regulation Act provides that banks must obtain the prior approval of the RBI to open new branches. The RBI may cancel a license for violations of the conditions under which it was granted. The RBI issues instructions and guidelines to banks on branch authorization from time to time. With the objective of liberalizing and rationalizing the branch licensing process, the RBI, effective October 2013, granted general permission to banks such as us to open branches in Tier 1 to Tier 6 centers, subject to reporting to the RBI and certain specified conditions. See Supervision and Regulation Regulations Relating to the Opening of Branches . 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 2014, net interest revenue after allowances for credit losses represented 71.2% of our net revenue. For the six months to September 30, 2014, net interest revenue after allowances for credit losses represented 76.3% 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 have largely stabilized since the start of calendar year 2014 as India s external vulnerability has subsided, inflation pressures have moderated and the domestic liquidity position has improved considerably. While the RBI increased the policy repo rate by 25 basis points in January 2014, domestic interest rates have softened from the levels in the latter part of 2013 (when the RBI initiated emergency liquidity tightening measures). The yield on the Government s 10 year benchmark bond has been volatile over the past year and ranged from 7.2% to 9.2% during the course of fiscal 2014 while it has ranged from a high of 9.1% to a low of 8.4% over the first half of fiscal 2015. The yield on the benchmark was at 8.6%, 8.0% and 8.8% as of March 31, 2012, 2013 and 2014 respectively. As of September 30, 2014, the yield on the benchmark was at 8.5%. The market focus has shifted to the outcome of the general elections that resulted in the formation of a stable government, which has also contributed to the softness in domestic interest rates. However, a recent fall in inflation rates has emerged as the main catalyst behind the recent softness in bond yields as investors believe that recent developments could prompt the RBI to reverse its monetary stance. CPI inflation has fallen from levels of 8.0% in July 2014 to 6.6% in September 2014. However, uncertainty remains on the fiscal front as tax revenue targets set by the government seem overly optimistic and there is dependence on the disinvestment program for the government to meet its fiscal deficit to GDP target of 4.1% of GDP in fiscal 2015. Given that global sovereign yields have softened considerably over 2014 responding to disinflation pressures from falling global commodity prices, the pressure on domestic interest rates has subsided. Nevertheless, risks to domestic policy rates may emerge if the U.S. Federal Reserve Bank decides to increase policy rates, a development that is currently expected to take place sometime in mid-2015. If global interest rates increase in response to tighter US monetary policy, it could have a flow-on effect on domestic rates and, accordingly, domestic rates may increase further. In addition, interest rates can move up and accordingly we may change our interest rates. 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 .

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 1.0% of our gross customer assets as of September 30, 2014. Our non-performing loans and impaired credit substitutes net of specific loan loss provisions represented 0.3% of our net customer assets portfolio as of September 30, 2014. We have restructured the payment terms of certain loans, which, as of September 30, 2014, 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 September 30, 2014, 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 for the year ended March 31, 2014.

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

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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 could 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. As of September 30, 2014, our largest single customer exposure was Rs. 111.8 billion, representing 20.1% of our capital funds, and our ten largest customer exposures totaled Rs. 508.6 billion, representing 91.6% of our capital funds, in each case computed in accordance with RBI guidelines. None of our ten largest customer exposures were classified as non-performing as of September 30, 2014. 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 September 30, 2014, our largest industry concentrations, based on RBI guidelines, were as follows: banks and financial institutions (7.0%), wholesale trade (6.4%), NBFC/financial intermediaries (4.6%) and automobile and auto ancillary (3.9%). In addition, as of September 30, 2014, 33.6% 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 September 30, 2014, our total non-performing loans and credit substitutes in accordance with US GAAP were concentrated in the following industries: land transport (6.4%), iron and steel (6.0%), engineering (3.7%), wholesale trade (3.0%) and NBFC/financial intermediaries (2.6%).

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 (PSL) 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.

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We met our overall priority sector lending target of 40% and our total priority sector lending achievement for fiscal 2014 stood at 46.06%. However, we have not been able to meet the lending targets of certain sub-targets of the priority sector lending scheme and may not be able to meet the overall priority sector lending target or certain sub-targets in the future. For example, in fiscal 2014, agricultural loans made under the direct category were 12.2% of ANBC, against the requirement of 13.5%, with a shortfall of Rs. 29.03 billion, and advances to sections termed weaker by the RBI were 6.25% against the requirement of 10.0%, with a shortfall of Rs. 83.97 billion. Furthermore, the RBI can make changes to the types of loans that qualify under the PSL scheme. Changes that reduce the types of loans that can qualify toward meeting our PSL targets could increase shortfalls under the overall target or under certain sub-targets.

In the case of non-achievement of priority sector lending targets, including sub-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. As of March 31, 2014, our total investments as directed by the RBI in such deposits were Rs. 151.19 billion, yielding returns ranging from 3% to 8.25%. Additionally, as per RBI guidelines, non-achievement of priority sector lending target and sub-targets will be taken into account by the 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 September 30, 2014 (as compared to 0.4% as of March 31, 2014 and March 31, 2013). Further expansion of the PSL scheme could result in an increase of non-performing assets due to our limited ability to control the portfolio quality under the directed lending requirements.

In addition to the directed lending requirements, the RBI has encouraged banks in India to have a financial inclusion plan for expanding banking services to rural and unbanked centers and to customers who currently do not have access to banking services. The expansion into these markets involves significant investments and recurring costs. The profitability of these operations depends on our ability to generate business volumes in these centers and from these customers. 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 September 30, 2014, 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 25% 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 . During fiscal 2014, the RBI issued guidelines on revitalizing distressed assets in the economy. The guidelines envisage formation of a joint lenders forum (JLF) and the taking of a corrective action plan (CAP) in relation to delinquent accounts where the overdues are between 61 and 90 days and aggregate exposure of all lenders in an account is Rs. 1 billion or above. Such accounts may be restructured under the JLF or CDR mechanisms.

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 III capital regulations effective April 1, 2013. Our capital adequacy ratio, calculated in accordance with Indian GAAP, was 16.1% as of March 31, 2014 as per Basel III (as compared to 16.8% and 16.5% as per the Basel II framework as of March 31, 2013 and March 31, 2012, respectively). As of September 30, 2014, our capital adequacy ratio, calculated in accordance with Indian GAAP, was 15.7%. 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 and in July 2013, the RBI issued a master circular consolidating all relevant guidelines on Basel III. 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 in 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 1 capital.

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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 9.0%) once these guidelines are fully phased-in. Domestically systemically important banks would be required to maintain CET1 capital requirement ranging from 0.2% to 0.8% of risk weighted assets once the RBI publishes final guidelines relating to framework for domestic systemically important banks. Banks will also be required to have an additional capital requirement increasing linearly up to 2.5% of the risk weighted assets once the RBI finalizes the implementation of countercyclical capital buffer requirements. The transitional arrangements began from April 1, 2013 and the guidelines will be fully phased-in and implemented as of March 31, 2019. Additionally, the Basel III Liquidity Coverage Ratio (LCR), which is a measure of the Bank s high quality liquid assets compared to its anticipated cash outflows over a 30 day stressed period, will apply in a phased manner starting with a minimum requirement of 60% from January 1, 2015 and reaching a minimum of 100% on January 1, 2019. These various requirements require us to begin preparing in advance and requirements to increase capital to meet increasing capital adequacy ratios could require us to forego certain business opportunities.

We also believe that the demand for Basel III compliant debt instruments such as Tier 2 capital eligible securities may be limited in India. There have been very few issuances of such bonds, pending regulatory clarifications. In September 2014, the RBI reviewed its guidelines on Basel III capital regulations with a view to facilitating the issuance of non-equity regulatory capital instruments by banks under the Basel III framework. Accordingly, certain specific eligibility criteria of such instruments were amended. It is unclear what effect, if any, these amendments may have on the issuance of Basel III compliant securities or if there will be sufficient demand for such securities. It is also possible that the RBI could further amend the eligibility criteria of such instruments in the future if the objectives identified by the RBI are not met, which would create additional uncertainty regarding the market for Basel III compliant securities in India.

If we are unable to meet the new and revised requirements, our business, future financial performance and the price of our equity shares could be adversely affected.

HDFC Limited holds a significant percentage of our share capital and can exercise influence over board decisions that could directly or indirectly favor the interests of HDFC Limited over our interests.

HDFC Limited and its subsidiaries owned 22.47% of our equity as of December 31, 2014. 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, our Chairperson and Managing Director, to our ten member Board of Directors. These two directors are not required to retire by rotation and their nominations are subject to RBI approval. We have since received shareholder and regulatory approvals for the appointment of Mrs. Shyamala Gopinath as part-time Non-Executive Chairperson. Mrs. Gopinath has been appointed for three years with effect from January 2, 2015. Two of our other directors, Mr. Keki Mistry and Mrs. Renu Karnad, are the Vice Chairman and Chief Executive Officer and the Managing Director of HDFC Limited, respectively. Mr. Mistry and Mrs. Karnad both also serve on the boards of various other companies and were appointed to our Board of Directors independent of HDFC Limited s entitlement to nominate two directors. While we are professionally managed and overseen by an independent board of directors, HDFC Limited can exercise influence over our board and over matters subject to a shareholder vote, which could result in decisions that favor HDFC Limited or result in us foregoing opportunities to the benefit of HDFC Limited. Such decisions may restrict our growth or harm our financial condition.

Additionally, Mr. D.M. Sukthankar is the father of our Deputy Managing Director, Mr. Paresh Sukthankar, and serves as an independent director on the board of HDFC Limited. Mr. D.M. Sukthankar has been a member of the board of HDFC Limited since 1989. Mr. Paresh Sukthankar was one of our early employees and also a part

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of the initial senior management team. He was elevated to the position of Deputy Managing Director with effect from December 2013. 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. Additionally, on July 15, 2014, the RBI issued guidelines in relation to the issuance of long term bonds with a view to encourage financing of infrastructure and affordable housing. Regulatory incentives in the form of an exemption from the reserve requirements and relaxation in priority sector lending norms are stipulated as being restricted to bonds that are used to incrementally finance long-term infrastructure projects and loans for affordable housing. On January 12, 2015, the RBI approved the issuance of long term bonds with a minimum maturity of seven years to fund the purchase of approximately Rs. 40 billion of affordable housing loans from HDFC Limited. Any incremental infrastructure or affordable housing loans acquired from other banks and financial institutions, such as those that could be involved in a business combination with HDFC Limited, to be reckoned for regulatory incentives will require the prior approval of the RBI. We cannot predict the impact any potential business combination or what implications the recent guidelines would have on our business, financial condition, growth prospects or the prices of our equity shares.

We may face conflicts of interest relating to our promoter and principal shareholder, HDFC Limited, which could cause us to forego 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 2014 for a summary of transactions we have engaged in with HDFC Limited during fiscal 2014. We currently distribute products of HDFC Limited and its group companies. If we stop distributing these products or forego other opportunities because of our relationship with HDFC Limited, it could have a material adverse effect on our financial performance.

HDFC Limited may prevent us from using the HDFC Bank brand if they reduce their shareholding in us to below 5%.

As part of a shareholder agreement executed when HDFC Bank was formed, HDFC Limited has the right to prevent us from using HDFC as part of our name or brand if HDFC Limited reduces its shareholding in HDFC Bank to an amount below 5% of our outstanding share capital. If HDFC Limited were to exercise this right, we would be required to change our name and brand, which could require us to expend significant resources to establish new branding and name recognition in the market as well as undertake efforts to rebrand our branches and our digital presence. This could have a material adverse effect on our financial performance.

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,

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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.

Additionally, under the recently revised SEBI clause 49 which came into effect on October 1, 2014, related party transactions over a certain threshold will require approval of the shareholders. Once the threshold is crossed, the approval of the shareholders is required for all transactions with that party. The related party is unable to vote with regard to the approval of these transactions. If we were to expand our business transactions with HDFC Limited, we could cross the threshold and would then be required to seek shareholder approval for transactions with HDFC Limited in our Annual General Meeting or at other times. If we are unable to obtain the necessary shareholder approvals for transactions with HDFC Limited in either a timely manner or fail to obtain necessary approvals once the threshold is exceeded, we would be required to forego certain opportunities, which could have a material adverse effect on our financial performance.

Foreign investment in our shares may be restricted due to regulations governing aggregate foreign investment in the Bank s paid-up equity share capital.

Aggregate foreign investment from all sources in a private sector bank is permitted up to 49% of the paid up capital under the automatic route. This limit can be increased up to 74% of the paid up capital with prior approval from the FIPB. Pursuant to a letter dated February 4, 2015, FIPB has approved foreign investment in the Bank up to 74% of its paid up capital. The approval is subject to compounding from the RBI for the change of foreign shareholding since April 2010. If we are subject to any penalties or an unfavorable ruling by the RBI, this could have an adverse effect on our results of operation and financial condition. As of September 30, 2014, foreign investment in the Bank, including the shareholdings of HDFC Limited and its subsidiaries, constituted 73.5% of the paid up capital of the Bank. Following the completion of this offering and the concurrent offering of equity shares in a qualified institutions placement in accordance with applicable regulations issued by SEBI, we expect that the amount of foreign investment in our shares will be near the 74.0% limit. These limitations could negatively affect the price of our shares and could limit the ability of investors to trade our shares in the market. These limitations could also negatively affect the Bank s ability to raise additional capital to meet our capital adequacy requirements or to fund future growth through future issuances of additional equity shares, which could have a material adverse effect on our business and financial results.

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 Chairperson, our Managing Director, our Deputy Managing Director, our Executive Directors and members of our senior management. Our future performance is dependent on the continued service of these persons. We have recently received shareholder and regulatory approvals for the appointment of Mrs. Shyamala Gopinath as part-time Non-Executive Chairperson on January 2, 2015. Mrs. Gopinath has been appointed for three years with effect from January 2, 2015. See HDFC

Limited holds a significant percentage of our share capital and can exercise significant influence over board decisions that could directly or indirectly favor the interests of HDFC Limited over our interests. 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.

We have previously been subject to penalties 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 fiscal 2014, the RBI imposed penalties on us and many other banks for certain irregularities and violations discovered by the RBI during its scrutiny conducted in the first half of 2013, 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. We paid a penalty of Rs. 45 million in June 2013. Further, in January 2015, the Financial Intelligence Unit (India) (FIU) has imposed a fine on us of Rs. 2.6 million relating to our failure in detecting and reporting attempted suspicious transactions. As of the date of this prospectus supplement, we are in the process of filing an appeal against the FIU order as permitted by the order. See Supervision and Regulation Special Provisions of the Banking Regulation Act Penalties. Additionally, during fiscal 2014, the RBI investigated a corporate borrower s loan and current accounts maintained with 12 Indian banks, including us. Based on its assessment, the RBI in its press release dated July 25, 2014, levied penalties totaling Rs. 15 million on the 12 Indian banks. The penalty levied on us was Rs. 0.5 million on the grounds that we failed to exchange information about the conduct of the corporate borrower s account with other banks at intervals as prescribed in the RBI guidelines on Lending under Consortium Arrangement/Multiple Banking Arrangements . 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 our 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.

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.

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 received approximately 26 applications for new bank licenses including from some of the largest business groups in India. After review of the applications received, the RBI provided in-principle approvals in April 2014 to two of the applicants which are valid for a period of 18 months, during which the new banks will have to be set up. The RBI will grant these new banks a license to commence banking operations after being satisfied that the applicants have complied with the conditions established as part of the in-principle approvals.

The RBI has liberalized the licensing regime and intends to issue licenses on an ongoing basis subject to its qualification criteria. In November 2014, the RBI released guidelines for licensing of payment banks and for licensing of small finance banks in the private sector. 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 September 30, 2014, 38% of our loans are expected to mature within the next one year and 47% of our loans are expected to mature between the next one to three years. As of September 30, 2014, 26% of our deposits are expected to mature within the next one year and 45% 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 were eased from 8.0% (repo rate) in April 2012 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. This rate was eased from 200 basis points above the repo rate in September 2013 to 100 basis points above repo rate in October 2013. In contrast the policy rates were tightened from 7.5% (repo rate) in September 2013 to 8.0% in January 2014. The

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RBI, effective January 15, 2015, reduced the policy repo rate by 25 basis points from 8.0% to 7.75%. We are, however, more structurally exposed to interest rate risk than banks in many other countries because of certain mandated reserve requirements of the RBI. See Supervision and Regulation Legal Reserve Requirements . These requirements result in Indian banks such as ourselves maintaining (as per extant RBI guidelines currently in force) at least 21.5% of our liabilities (computed as per guidelines issued by the RBI) in bonds issued by the Government of India. 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. This in turn means that 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 likely adversely impact our profitability. The aforementioned 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. If any of the current nationwide payment systems are further developed, this could have an adverse effect on the cash float and fees that we have traditionally received from the services we provided.

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, 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 September 30, 2014 was 23.8% of our net worth on a non-consolidated basis and 23.9% 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 obtaining 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

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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 is possible the disaster recovery site may also fail or 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. See Business Legal Proceedings.

We may breach third party intellectual property rights.

We may be subject to claims by third parties, both inside and outside India, if we breach their intellectual property rights by using slogans, names, designs, software or other such rights, which are of a similar nature to the intellectual property these third parties may have registered. Any legal proceedings which result in a finding that we have breached third parties intellectual property rights, or any settlements concerning such claims, may require us to provide financial compensation to such third parties or make changes to our marketing strategies or to the brand names of our products, which may have a materially adverse effect on our business prospects, reputation, results of operations and financial condition.

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

Reputational 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 attract and retain customers, and may 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 reputational 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.

We face cyber threats, such as hacking, phishing and trojans, attempting to exploit our network to disrupt services to customers and/or theft of sensitive internal Bank data or customer information. This 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 various cyber threats such as: a) phishing

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and trojans targeting our customers, wherein fraudsters send unsolicited mails to our customers seeking account sensitive information or to infect customer machines to search and attempt exfiltration of account sensitive information; b) hacking wherein attackers seek to hack into our website with the primary intention of causing reputational damage to us by disrupting services; and c) data theft wherein cyber criminals may attempt to intrude into our network with the intention of stealing our data or information. Attempted cyber threats fluctuate in frequency but are generally not decreasing in frequency. There is also the risk of our customers incorrectly blaming us and terminating their accounts with us for a cyber-incident which might have occurred on their own system or with that of an unrelated third party. Any cyber security breach could also subject us to additional regulatory scrutiny and expose us to civil litigation and related financial liability.

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. In November 2013, the RBI released its framework for establishing wholly owned subsidiaries of foreign banks in India, which aims to tighten regulatory control and encourage foreign banks to convert their existing branches into wholly owned subsidiaries. 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 and it received about 26 applications for new bank licenses, including from some of the largest business groups in India. After review of the applications received, the RBI provided in-principle approvals to two applicants, IDFC Limited and Bandhan Financial Services Private Limited, in April 2014 which are valid for a period of 18 months, during which the new banks will have to be set up. The RBI will grant these new banks a license to commence banking operations only after being satisfied that the applicants have complied with the conditions established as part of the in-principle approvals. The RBI has liberalized the licensing regime and intends to issue licenses on an ongoing basis subject to its qualification criteria. In November 2014, the RBI released guidelines for licensing of payment banks and for licensing of small finance banks in the private sector. 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.

Delays in obtaining prior RBI approval and/or our inability to meet the criteria specified by RBI 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 issues instructions and guidelines to banks on branch authorization from time to time. Section 23 of the Banking Regulation Act provides that banks must obtain the prior approval of the RBI to open new branches. The RBI may cancel a license for violations of the conditions under which it was granted. With the objective of liberalizing and rationalizing the branch licensing process, the RBI, effective October 2013, granted general permission to banks like us to open branches in Tier 1 to Tier 6 centers, subject to reporting to the RBI and certain specified conditions. If we are unable to perform in a manner satisfactory to the RBI or comply with the specified conditions, it may have an impact on the number of branches we will be able to open, which would in turn have an impact on our future growth. This would adversely affect our financial performance by preventing us from realizing anticipated revenue from the new branches. See Supervision and Regulation Regulations Relating to the Opening of 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 for the year ended March 31, 2014.

The Companies Act, 2013 has effected significant changes to the existing Indian company law framework, which may subject us to higher compliance requirements and increase our compliance costs.

A majority of the provisions and rules under the Companies Act, 2013 have recently been notified and have come into effect from the date of their respective notifications, resulting in the corresponding provisions of the Companies Act, 1956 ceasing to have effect. The Companies Act, 2013 has brought into effect significant changes to the Indian company law framework, such as in the provisions related to issue of capital, disclosures, corporate governance norms, audit matters, and related party transactions. Further, the Companies Act, 2013 has also introduced additional requirements which do not have corresponding equivalents under the Companies Act, 1956, including the introduction of a provision allowing the initiation of class action suits in India against companies by shareholders or depositors, a restriction on investment by an Indian company through more than two layers of subsidiary investment companies (subject to certain permitted exceptions), and prohibitions on advances to directors. We are also required to spend 2.0% of our average profits computed in accordance with the Companies Act, 2013, during three immediately preceding financial years on corporate social responsibility activities. While we already spend a portion of our profits on corporate social responsibility activities, we may be required to increase our spending to comply with the requirements stipulated under the Companies Act, 2013. Further, the Companies Act, 2013 imposes greater monetary and other liability on the Bank, directors and officers in default, for any non-compliance with the requirements. To ensure compliance with the requirements of the Companies Act, 2013, we may need to allocate additional resources, which may increase our regulatory compliance costs and divert management attention.

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, 2012, we had 2,544 branches and as at September 30, 2014, we had 3,600 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. 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.

We present our financial information differently in other markets or in certain reporting contexts.

In India, our equity shares are traded on the BSE Limited (BSE) and National Stock Exchange of India Limited (NSE). Under Indian laws and rules, we are required to report our financial results in India in Indian GAAP. Because of the difference in accounting principles and presentation, certain financial information available in our required filings in the United States may be presented differently than in the financial information we provide under Indian GAAP.

Additionally, we make available information on our website and in our presentations in order to provide investors a view of our business through metrics similar to what our management uses to measure our performance. Some of the information we make available from time to time may be in relation to our unconsolidated or our consolidated results under Indian GAAP or under US GAAP. Potential investors should read any notes or disclaimers to such financial information when evaluating our performance to confirm how the information is being presented, since the information that may have been prepared with a different presentation may not be directly comparable.

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Public companies in India, including us, may be required to prepare financial statements under IFRS or a variation thereof, IND-AS. The transition to IND-AS in India is still unclear and we may be adversely affected by this transition.

We may be required to begin preparing financial statements in accordance with IND-AS in the near future once regulatory authorities notify us that the implementation of IND-AS will be mandatory for banking institutions. The Ministry of Corporate Affairs, in its press release dated January 2, 2015, issued a roadmap for implementation of Indian Accounting Standards (IND-AS) converged with IFRS. This roadmap is not applicable to banking companies, insurance companies and non-banking finance companies. The Bank has not determined with any degree of certainty the impact such adoption will have on its financial reporting. Further, the new accounting standards will change, among other things, the Bank s methodology for estimating allowances for probable loan losses and for classifying and valuing its investment portfolio and its revenue recognition policy. There can be no assurance that the Bank s financial condition, results of operations, cash flows or changes in shareholders equity will not appear materially worse under IND-AS than under Indian GAAP. In the Bank s transition to IND-AS reporting, the Bank may encounter difficulties in the ongoing process of implementing and enhancing its management information systems. Moreover, there is increasing competition for the small number of IFRS-experienced accounting personnel available as more Indian companies begin to prepare IND-AS financial statements. Further, there is no significant body of established practice on which to draw in forming judgments regarding the new system s implementation and application. There can be no assurance that the Bank s adoption of IND-AS will not adversely affect its reported results of operations or financial condition and any failure to successfully adopt IND-AS could adversely affect the Bank s business, financial condition and results of operations.

Statistical, industry and financial data in this prospectus supplement may be incomplete or unreliable.

We have not independently verified data obtained from industry publications and other sources referred to in this prospectus supplement and therefore, while we believe them to be true, we cannot assure you that they are complete or reliable. Such data may also be produced on different bases from those used in the industry publications we have referenced. Therefore, discussions of matters relating to India, its economy and the industries in which we currently operate are subject to the caveat that the statistical and other data upon which such discussions are based may be incomplete or unreliable.

Risks Relating to Investments in Indian Companies

Financial instability in other countries may cause increased volatility in Indian financial markets.

The Indian market and the Indian economy are influenced by economic and market conditions in other countries, particularly emerging market countries in Asia. Financial turmoil in Asia, Russia and elsewhere in the world in recent years has affected the Indian economy. Although economic conditions are different in each country, investors reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets may cause increased volatility in Indian financial markets and, indirectly, in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy. Financial disruptions may occur again and could harm the Bank s business, its future financial performance and the prices of the equity shares.

The global credit and equity markets have experienced substantial dislocations, liquidity disruptions and market corrections in recent years. In particular, sub-prime mortgage loans in the United States have experienced increased rates of delinquency, foreclosure and loss. Since September 2008, liquidity and credit concerns and volatility in the global credit and financial markets increased significantly with the bankruptcy or acquisition of, and government assistance extended to, several major U.S. financial institutions. The United States continues to face adverse economic conditions and should a further downgrade of the sovereign credit ratings of the U.S. government occur, it is foreseeable that the ratings and perceived creditworthiness of instruments issued, insured

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or guaranteed by institutions, agencies or instrumentalities directly linked to the U.S. government could also be correspondingly affected by any such downgrade, which may have an adverse affect on the economic outlook across the world.

Recent developments in the Eurozone have exacerbated the ongoing global economic crisis. Large budget deficits and rising public debts in Europe have triggered sovereign debt finance crises that resulted in the bailouts of European economies and elevated the risk of government debt defaults, forcing governments to undertake aggressive budget cuts and austerity measures, in turn underscoring the risk of global economic and financial market volatility. Moreover, in 2012, the sovereign rating of various European Union countries was downgraded. Financial markets and the supply of credit could continue to be negatively impacted by ongoing concerns surrounding the sovereign debts and/or fiscal deficits of several countries in Europe, the possibility of further downgrades of, or defaults on, sovereign debt, concerns about a slowdown in growth in certain economies and uncertainties regarding the stability and overall standing of the European Monetary Union. These and other related events have had a significant impact on the global credit and financial markets as a whole, including reduced liquidity, greater volatility, widening of credit spreads and a lack of price transparency in the United States, Europe and global credit and financial markets.

In response to such developments, legislators and financial regulators in the United States, Europe and other jurisdictions, including India, have implemented several policy measures designed to add stability to the financial markets. However, the overall impact of these and other legislative and regulatory efforts on the global financial markets is uncertain, and they may not have the intended stabilizing effects. In the event that the current adverse conditions in the global credit markets continue or if there are any significant financial disruption, this could have an adverse effect on the Bank s business, future financial performance and the trading price of the equity shares.

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 of the outlook, 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. Similarly, Standard & Poor s upgraded its outlook on India s sovereign debt rating to stable , while reaffirming the BBB long-term rating on bonds. Standard & Poor s stated that the revision reflects the view that India s improved political setting offers an environment which is conducive to reforms that could boost growth prospects and improve fiscal management. Going forward, the sovereign ratings outlook will remain dependent on whether the government is able to transition the economy out of a low-growth and high inflation environment, as well as exercise adequate fiscal restraint. 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 India Ratings and Research Private Ltd. (100% subsidiary of Fitch Inc.). CARE has also rated the Bank s Certificate of Deposit (CD) program CARE A1+ which represents very strong degree of safety regarding timely payment of financial obligations . India Ratings India Private Ltd. has assigned the tAAA (ind) rating to the Bank s deposit program, with the outlook on the rating as stable . 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.

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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 remained extremely volatile responding to concerns about the domestic macroeconomic landscape and changes in the global risk environment. While the current account deficit (CAD) remained a main area of concern over fiscal 2012 and fiscal 2013, it has shrunk sharply in fiscal 2014. A substantial decline in the imports bill reflecting weak domestic growth as well as a sharp reduction in gold imports led to a significant narrowing in the trade deficit that in turn reduced the size of the CAD. However, the primary challenge for the Indian rupee was the volatile swings in capital flows. The shifts in capital flows is reflected in the fact that Indian rupee recorded a high of Rs. 53.65 to US dollar and a low of Rs. 68.80 to the US dollar during fiscal 2014. Even though the Indian rupee has been fairly stable since start of calendar year 2014, it may come back under pressure given the possibility of a gradual reversal in US monetary policy that may result in a rotation of global fund flows from emerging markets to the US markets over the medium term. Additionally, some anxiety about the prospect of sub-normal monsoons adversely affecting the domestic economy could make investors circumspect of investing in domestic assets. Although the rupee is less vulnerable given the improvements in the CAD and visible moderation in inflation rates, there remains a possibility of needing to intervene in the foreign exchange market to control volatility of the exchange rate. This heightened volatility may only occur around mid-2015 when there may be a more substantial reversal in US monetary policy. The need to intervene at that point in time may result in the decline in India s foreign exchange reserves and subsequently reduce the amount of liquidity in the domestic financial system. This in turn could cause domestic interest rates to rise.

Further, increased volatility in capital flows may also affect monetary policy decision making. For instance, a period of net capital outflows might force the RBI to keep monetary policy tighter than optimal to guard against currency depreciation.

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 remain significant as independent factors in the Indian economy. Most recently, the election of a pro-business majority government in May 2014 has marked a distinct increase in expectations for policy and economic reforms among certain aspects of the Indian economy. There is no guarantee that the new government will be able to enact an optimal set of reforms or that any such reforms would continue or succeed if there were a change in the current majority leadership in the government in the future. There is also no guarantee that the government will announce an optimal set of reforms or policies 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. Other major reforms that have been proposed are the goods and services tax, the direct tax code and the general anti-avoidance rules (GAAR). Any significant change in India s economic liberalization, deregulation policies or other major economic reforms could adversely affect business and economic conditions in India generally and our business in particular.

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

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more difficult and as a result ultimately adversely affect our business. In addition, any deterioration in relations between India and Pakistan or between India and China 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.

Investors may have difficulty enforcing foreign judgments in India against the Bank or its management.

The Bank was constituted under the Companies Act, 1956. Substantially all of the Bank s directors and executive officers and some of the experts named herein are residents of India and a substantial portion of the assets of the Bank and such persons are located in India. As a result, it may not be possible for investors to effect service of process on the Bank or such persons in jurisdictions outside of India, or to enforce against them judgments obtained in courts outside of India predicated upon civil liabilities of the Bank or such directors and executive officers under laws other than Indian Law.

In addition, India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. Recognition and enforcement of foreign judgments is provided for under section 13 and section 44A of the Indian Civil Procedure Code (Code). Section 44A of the Code provides that where a foreign judgment has been rendered by a superior court in any country or territory outside India which the Government has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, section 44A of the Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty and is not applicable to arbitration awards.

The United States has not been declared by the Government to be a reciprocating territory for the purposes of section 44A of the Code. However, the United Kingdom has been declared by the Government to be a reciprocating territory and the High Courts in England as the relevant superior courts. Accordingly, a judgment of a court in the United States may be enforced only by a fresh suit upon the judgment and not by proceedings in execution. A judgment of a court in a jurisdiction which is not a reciprocating territory may be enforced only by a new suit upon the judgment and not by proceedings in execution. Section 13 of the Code provides that a foreign judgment shall be conclusive as to any matter thereby directly adjudicated upon except: (i) where it has not been pronounced by a court of competent jurisdiction; (ii) where it has not been given on the merits of the case; (iii) where it appears on the face of the proceedings to be founded on an incorrect view of international law or a refusal to recognize the law of India in cases where such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where it has been obtained by fraud; or (vi) where it sustains a claim founded on a breach of any law in force in India. The suit must be brought in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce a foreign judgment if it viewed the amount of damages awarded as excessive or inconsistent with Indian practice. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered pursuant to execution. Any judgment in a foreign currency would be converted into Indian rupees on the date of the judgment and not on the date of the payment. The Bank cannot predict whether a suit brought in an Indian court will be disposed of in a timely manner or be subject to considerable delays.

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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 (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 .

Restrictions on deposit of equity shares in the depositary facility could adversely affect the price of our ADSs.

Under current Indian regulations, an ADS holder who surrenders ADSs and withdraws equity shares may deposit those equity shares again in the depositary facility in exchange for ADSs. An investor who has purchased equity shares in the Indian market may also deposit those equity shares in the ADS program. However, the deposit of equity shares may be subject to securities law restrictions and the restriction that the cumulative aggregate number of equity shares that can be deposited as of any time cannot exceed the cumulative aggregate number represented by ADSs converted into underlying equity shares as of such time. These restrictions increase the risk that the market price of our ADSs will be below that of the equity shares.

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.

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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 or trading restrictions could have a material adverse effect on the price of our equity shares and ADSs.

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 NSE and BSE. 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.

Financial difficulty and other problems in certain financial institutions in India could adversely affect our business and the price of our ADSs and equity shares.

We are exposed to the risks of the Indian financial system by being a part of the system. The financial difficulties faced by certain Indian financial institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. Such systemic risk , may adversely affect financial intermediaries, such as clearing agencies, banks, securities firms and exchanges with which we interact on a daily basis. Any such difficulties or instability of the Indian financial system in general could create an adverse market perception about Indian financial institutions and banks and adversely affect our business. Our transactions with these financial institutions expose us to various risks in the event of default by a counterparty, which can be exacerbated during periods of market illiquidity.

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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 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. The Securities and Exchange Board of India (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.

Your holdings will be diluted by additional issuances of equity shares in a qualified institutions placement in combination with our concurrent offering of ADSs in the United States and such dilution in connection with these concurrent offerings, future offerings of equity or ADSs or future preferential offerings to our existing shareholders may adversely affect the market price of our equity shares or ADSs.

Concurrent with this offering of ADSs, we are also offering additional equity shares in a qualified institutions placement. The combined equity issuance pursuant to these concurrent offerings will dilute the holdings of investors in the Bank and could adversely affect the market price of our equity shares or ADSs. In addition, if we offer additional equity shares or ADSs in future offerings in India, the United States or other markets or make any preferential offerings to our existing shareholders, including our principal shareholder, in the future, such offerings may also dilute your holdings and adversely affect the market price of our shares or ADSs. See Dilution .

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Foreign Account Tax Compliance withholding may affect payments on the equity shares and the ADSs.

Sections 1471 through 1474 of the Code (provisions commonly known as FATCA or the Foreign Account Tax Compliance Act) impose (a) certain reporting and due diligence requirements on foreign financial institutions and, (b) potentially require such foreign financial institutions to deduct a 30% withholding tax from (i) certain payments from sources within the United States, and (ii) foreign passthru payments (which is not yet defined in current guidance) made to certain non-U.S. financial institutions that do not comply with such reporting and due diligence requirements or certain other payees that do not provide required information. The United States has entered a number of intergovernmental agreements with other jurisdictions (IGAs) which may modify the operation of this withholding. The Bank as well as relevant intermediaries such as custodians and depository participants are classified as financial institutions for these purposes. Given that India has reached an agreement in substance with the United States on FATCA and is expected to sign a Model 1 IGA with the United States for giving effect to FATCA, Indian financial institutions such as the Bank are also being instructed to become fully FATCA compliant, based on the terms of its IGA and relevant rules.

Under current guidance it is not clear whether or to what extent payments on ADSs or equity shares will be considered foreign passthru payments subject to FATCA withholding or the extent to which withholding on foreign passthru payments will be required under the applicable IGA. Investors should consult their own tax advisers on how the FATCA rules may apply to payments they receive in respect of the ADSs or equity shares.

Should any withholding tax in respect of FATCA be deducted or withheld from any payments arising to any investor, neither the Bank nor any other person will pay additional amounts as a result of the deduction or withholding.

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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 across metro, urban, semi-urban and rural markets. 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, advanced technology platforms 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. As of September 30, 2014, we had 3,600 branches, 11,515 ATMs in 2,272 cities and towns and 30.6 million customers. On account of the expansion in our geographical reach and the resultant increase in market penetration, our assets have grown from Rs. 3,571.2 billion as of March 31, 2012 to Rs. 5,125.4 billion as of March 31, 2014. Our assets as of September 30, 2014 were Rs. 5,320.2 billion. Our net income has increased from Rs. 49.8 billion for fiscal 2012 to Rs. 79.3 billion for fiscal 2014. Our net income for the first six months of fiscal 2015 was Rs. 43.0 billion.

Fiscal 2014 was a challenging year for the Indian economy driven by subdued domestic growth, extreme volatility in the exchange rate and a much higher than expected spike in inflation rates. Domestic GDP growth showed a marginal improvement from 4.5% in fiscal 2013 to 4.7% in fiscal 2014, primarily attributable to an increase in agricultural growth from 1.4% in fiscal 2013 to 4.7% in fiscal 2014. Growth in both the industrial sector and service sector remained lackluster due to a weakness in both consumption and investment demand. A major challenge for the economy in the first half of fiscal 2014 was the weakening of the Indian rupee against the U.S. dollar driven by concerns about the domestic macroeconomic landscape that made investors somewhat circumspect of investing in domestic assets. Anxiety about the future direction of U.S. monetary policy due to the U.S. Federal Reserve preparing the markets for a gradual wind-down of its third round of quantitative easing (QE3) resulted in an overall outflow of funds from European markets. The Indian rupee also fell victim to this rotation of funds away from European markets and into US markets. To counter pressures of currency depreciation, the RBI in July 2013 introduced a series of measures to tighten domestic liquidity in order to raise short-term rates to provide the Indian rupee with some yield advantage. These measures resulted in an inversion of the yield curve. The RBI also provided various incentives to commercial banks to raise foreign currency non-resident (FCNR) deposits that resulted in foreign currency flows of U.S. $34 billion into the country. The RBI gradually removed these emergency measures when the exchange rate showed some signs of stability in the second half of fiscal 2014. However, the RBI increased the repo rate by approximately 75 basis points over the course of fiscal 2014 in part to counter the exchange rate depreciation as well as to fight inflationary pressures as the consumer price index (CPI) inflation touched a high of 11.2% in November 2013.

Indications of an improvement in the overall domestic macroeconomic landscape have been visible over the fourth quarter of fiscal 2014 and the first quarter of fiscal 2015, which has helped to stabilize the Indian rupee. Inflationary pressures, both in terms of the CPI and the wholesale price index, have subsided as a result of a decline in food price inflation. The Government s efforts to ramp up the local supply of food grains appear to have helped in reining in overall inflation rates. For example, CPI inflation has fallen from a high of 11.2% in November 2013 to 6.5% in September 2014. As a result of, *inter alia*, declining inflationary pressures, the RBI, in its press release dated January 15, 2015, reduced the policy repo rate by 25 basis points from 8.0% to 7.75% with immediate effect. The Government appears to be firmly committed to fiscal consolidation by reducing the fiscal deficit from 4.5% in fiscal 2014 to 4.1% in fiscal 2015. Further, there has been an improvement in the current account deficit which has decreased from 4.8% of GDP in fiscal 2013 to 1.7% of GDP in fiscal 2014 and which is expected to widen marginally to 2.2% of GDP in fiscal 2015. The current account deficit was 1.7% of GDP at the end of the first quarter of fiscal 2015. The improvement in the current account position can partially be attributed to the reduction in the trade deficit as imports fell by 7.2% in fiscal 2014. The ongoing domestic growth prospects are based on expectations that the new government, which took office in May 2014, with a strong mandate could spur the reform process to address the structural bottlenecks that have hampered growth over fiscal 2012 to fiscal 2014. This may in turn help to revive growth prospects in the Indian economy and enable domestic growth to increase to around 5.5% in fiscal 2015 according to the RBI.

Notwithstanding our pace of growth, we believe we have maintained a strong balance sheet and a low cost of funds. As of September 30, 2014, net non-performing customer assets (which consist of loans and credit substitutes) constituted 0.3% of net customer assets. In addition, our net customer assets represented 89.7% of our deposits and our deposits represented 73.4% of our total liabilities and shareholders equity. The non-interest bearing current accounts and low-interest bearing savings accounts represented 43.1% of total deposits as of September 30, 2014. These low-cost deposits and the cash float associated with our transactional services, led to an average cost of funds (including equity) for the first six months of fiscal 2015 of 5.0%.

We had a cash outflow of approximately Rs. 7.9 billion, Rs. 10.0 billion, Rs. 9.7 billion and Rs. 3.4 billion in fiscals 2012, 2013 and 2014 and for the first six months of fiscal 2015, 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. 8.1 billion in fiscal 2015. This budgeted amount includes Rs. 2.5 billion to expand our branch and back office network, Rs. 0.1 billion to expand our electronic data capture terminal network, Rs. 3.1 billion to upgrade and expand our hardware, data center, network and other systems and the balance primarily to add new equipment in our existing premises, to expand our existing premises and to relocate our branches and back offices. 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.

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 22.5% of our outstanding equity shares as of September 30, 2014. Our Chairperson and Managing Director are nominated by HDFC Limited and appointed with the approval of our shareholders and the Reserve Bank of India (RBI). In addition, two members of our Board of Directors, Mr. Keki Mistry and Mrs. Renu Karnad, are the Vice Chairman and Chief Executive Officer of HDFC Limited and Managing Director of HDFC Limited, respectively and have been appointed independent of HDFC Limited s entitlement to nominate two directors. See also the section Principal Shareholders . We have no agreements with HDFC Limited or any of its group companies that restrict us from competing with them or restricting HDFC Limited or any of its group companies from competing with our business. 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 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 and other investment services through the internet and other channels. HSL s total assets and shareholders equity as of March 31, 2014 were Rs. 8.6 billion and Rs. 4.4 billion, respectively (per Indian GAAP). HSL s net profit was Rs. 0.8 billion for fiscal 2014 (per Indian GAAP). HDBFSL is a non-deposit taking non-bank finance company (NBFC) engaged primarily in the business of retail asset financing. The customer segments catered to by HDBFSL are typically underserviced by larger commercial banks and this, we believe, creates a profitable niche for HDBFSL. HDBFSL also grants loans to micro, small and medium business enterprises and operates call centers for providing collection services to our retail loan products. HDBFSL s loans, total assets and shareholders equity as of March 31, 2014 were Rs. 134.1 billion, Rs. 136.9 billion and Rs. 16.3 billion (all according to Indian GAAP), respectively. HDBFSL s net profit amounted to Rs. 2.1

billion for fiscal 2014 (per Indian GAAP). 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 2001, 2005 and 2007 ADS offerings is Depositary Management Corporation, 570 Lexington Avenue, New York, NY 10022.

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Our Competitive Strengths

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

We have a strong brand and extensive reach through a large distribution network

We believe our HDFC Bank brand is one of the strongest brands in the Indian banking industry and was, in August 2014, acknowledged as the most valuable brand in India in the inaugural edition of the BrandZ Top 50 Most Valuable Indian Brands study. The study was conducted by WPP research agency Millward Brown, which specializes in brand equity research and brand valuation. We have capitalized on our strong brand by establishing an extensive branch network throughout India serving a broad range of customers in urban, semi-urban and rural regions. As of September 30, 2014, we had 3,600 branches and 11,515 ATMs in 2,272 cities and towns and 30.6 million customers as compared to 2,544 branches and 8,913 ATMs in 1,399 cities and towns and 25.9 million customers as of March 31, 2012. Our branch network is further complemented by our digital strategy, including online and mobile banking solutions, to provide our customers with access to on-demand banking services, which we believe allows us to develop strong and loyal relationships with our customers.

We provide a wide range of products and high quality service to our clients in order to meet their banking needs

Whether in retail banking, wholesale banking or treasury operations, we consider ourselves a one-stop shop for our customers banking needs. This includes the services that we can provide to our customers, both directly and indirectly through back-office operational execution, and the range of products we offer. We consider our high quality service to be a vital component of our business and believe in pursuing excellence in execution through multiple internal initiatives focused on continuous executional improvements. This pursuit of high quality service and operational execution directly supports our ability to offer a wide range of banking products. 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 sales of gold and silver bullion. In addition, we offer our customers brokerage 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. We also 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 companies in respect of issuances of equity shares and bonds to the public. We are able to provide this wide-range of products across our branch network, meaning we can provide our targeted rural customers banking products and services similar to those provided to our urban customers, which we believe provides us a competitive advantage. Our wide range of products and focus on superior service and execution also creates multiple cross-selling opportunities for us and, we believe, improves our customer retention rates.

We have achieved robust and consistent financial performance while preserving asset quality during our growth

On account of our superior operational execution, broad range of products, expansion in our geographical reach and the resultant increase in market penetration through our extensive branch network, our assets have grown from Rs. 3,571.2 billion as of March 31, 2012 to Rs. 5,125.4 billion as of March 31, 2014 (Rs. 5,320.2 billion as of September 30, 2014). Our net income has increased from Rs. 49.8 billion for fiscal 2012 to Rs. 79.3 billion for fiscal 2014 (Rs. 43.0 billion for the six months ended September 30, 2014). In addition to the significant growth in our assets and net revenue, we have remained focused on maintaining a high level of asset quality. Our gross non-performing customer assets as a percentage of total customer assets was 1.2% as of March 31, 2014 (1.0% as of September 30, 2014) and our net non-performing customer assets was 0.6% of net customer assets (0.3% as of September 30, 2014). Our net interest margin was 4.6% in fiscal 2012 and 4.7% in fiscal 2014 (4.9% for the six months ended September 30, 2014), net income as a percentage of

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average total shareholders equity was 13.3% in fiscal 2012 and 15.6% in fiscal 2014 (15.5% for the six months ended September 30, 2014) and net income as a percentage of average total assets was 1.6% in fiscal 2012 and 1.8% in fiscal 2014 (1.7% for the six months ended September 30, 2014). Our current and savings account deposits as a percentage of our total deposits were 43.1% as of September 30, 2014.

We have an advanced technology platform

We continue to make substantial investments in our advanced technology platform and systems and expand our electronically linked branch network. Our direct banking platforms are stable and robust, enabling new ways to connect with our customers to cross-sell our various products and improve customer retention and supporting ever-increasing transaction volumes as customers adopt newer self-service technologies.

We successfully completed an upgrade of our retail core banking system to the latest technology platform during fiscal 2014, which enables us to provide additional features to our customers and respond faster to business and market needs. We have also developed robust data analytics capabilities that allow us to market and cross-sell our products to customers through both traditional relationship management and interactive, on-demand methods depending on how particular customers choose to interact with us. We have also implemented state-of-the-art engineered systems technology for some of the important backend operational systems, including recently doubling the capacity of our operational customer relationship management system.

We have an experienced management team

Many of the members of our management team have had a long tenure with us, which gives us a deep bench of experienced managers. They have substantial experience in banking or other industries and share our common vision of excellence in execution. Having a management team with such breadth and depth of experience is well suited to leverage the competitive strengths we have already developed across our large, diverse and growing branch network as well as allowing our management team to focus on creating new opportunities for our business. See also the section 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, including our strong HDFC Bank brand and our extensive branch and ATM networks, to increase our market penetration.

Increase our geographical reach

As of September 30, 2014, we had 3,600 branches, 11,515 ATMs in 2,272 cities and towns, which represents an increase of 1,056 branches, 2,602 ATMs and our presence in 873 cities and towns since March 31, 2012. We believe we can continue expanding our branch footprint, particularly by focusing on rural and semi-urban areas. We believe these areas represent a significant opportunity for our continued growth as we expand banking services to those areas which have traditionally been underserved and which, by entering such markets, will enable us to establish new customer bases. We also believe that delivering banking services which are integrated with our existing business and product groups helps us to provide viable opportunities to the sections of the rural and semi-urban customer base that is consistent with our targeted customer profile throughout India.

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Cross-sell our broad financial product portfolio across our customer base

We are able to offer our complete suite of financial products across our branch network, including in our rural locations. By matching our broad customer base with our ability to offer our complete suite of products to both rural and urban customers across the retail banking, wholesale banking and treasury product lines, we believe that we can continue to generate organic growth by cross-selling different products by proactively offering our customers complementary products as their relationships with us develop and their financial needs grow and evolve.

Continue our investments in technology to support our digital strategy

We believe the increased availability of internet access and broadband connectivity across India requires a comprehensive digital strategy to proactively develop new methods of reaching our customers. As a result, we are continuously investing in technology as a means of improving our customers banking experience, offering them a range of products tailored to their financial needs and making it easier for them to interact with their banking accounts with us. While we currently provide a range of options for customers to access their accounts, including net banking, telephone banking, and banking applications on mobile devices, we believe additional investments in our technology infrastructure to further develop our digital strategy will allow us to cross-sell a wider range of products on our digital platform in response to our customers needs and thereby expand our relationship with our customers across a range of customer segments. We believe a comprehensive digital strategy will provide benefits in developing long-term customer relationships by allowing customers to interact with us and access their accounts wherever and whenever they desire.

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 gross non-performing customer assets as a percentage of total customer assets was 1.0% as of September 30, 2014 and our net non-performing customer assets as a percentage of net customer assets was 0.3% as of September 30, 2014. As of September 30, 2014, our gross restructured loans as a percentage of gross non-performing loans were 8.2%. 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 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. Our average cost of funds (including equity) was at 5.0% for the first six months of fiscal 2015 and 5.2% for the first six months of fiscal 2014. Our current and savings account deposits were 43% of our total deposits as of September 30, 2014.

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 our reportable segments in accordance with the guidelines issued by the RBI, for the last three fiscal years and for the six month periods ended September 30, 2013 and September 30, 2014.

	Year ended March 31,						
	2012		**2013**		**2014**		
	(in millions, except percentages)						
Retail banking	Rs. 140,761.6	82.2%	Rs. 173,367.6	82.7%	Rs. 199,306.9	US$ 3,321.8	81.0%
Wholesale banking	29,098.7	17.0%	32,100.7	15.3%	39,302.8	655.0	16.0%
Treasury operations	1,289.9	0.8%	4,097.6	2.0%	7,368.8	122.8	3.0%
Net revenue	**Rs. 171,150.2**	**100.0%**	**Rs. 209,565.9**	**100.0%**	**Rs. 245,978.5**	**US$ 4,099.6**	**100.0%**

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	Six months ended September 30,					
	2013			2014		
	(in millions, except percentages)					
Retail banking	Rs.	94,136.6	81.8%	Rs.	113,762.0	82.0%
Wholesale banking		18,170.2	15.8%		23,844.5	17.2%
Treasury operations		2,798.0	2.4%	Rs.	1,123.4	0.8%
Net revenue	**Rs.**	**115,104.8**	**100.0%**	**Rs.**	**138,729.9**	**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 actively market our services 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 September 30, 2014, we had 3,600 branches and 11,515 ATMs in 2,272 cities and 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 67.8% of our gross loans of which 18.2% were unsecured as of March 31, 2014. Our retail loans were 68.4% of our gross loans as of September 30, 2014. 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, if the loan is secured. 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 making of payments. Our unsecured personal loans, which are not supported by any collateral, are a greater credit risk for us than our secured loan portfolio. 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 September 30, 2014 Value (in millions)		% of Total Value
Retail Loans:			
Auto loans	Rs. 444,160.2	US$ 7,173.1	18.7%
Personal loans / Credit Cards	390,864.1	6,312.4	16.5%
Retail business banking	571,515.9	9,229.9	24.1%
Commercial vehicle and construction equipment finance	283,444.5	4,577.6	12.0%
Housing loans	195,715.8	3,160.8	8.3%
Other retail loans	471,355.8	7,612.3	19.9%
Total retail loans	2,357,056.3	38,066.2	99.4%
Mortgage-backed securities	1,569.8	25.4	0.1%
Asset-backed securities	11,927.1	192.6	0.5%
Total retail assets	Rs. 2,370,553.2	US$ 38,284.1	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. During fiscal 2014, the Bank launched three premium variants of credit cards under the Diners brand under an exclusive arrangement with Diners. This will enable the Bank to cater to the specific needs of super-premium customers requiring global card benefits. We had approximately 5.1 million cards outstanding as of March 31, 2014, as against 5.6 million as of March 31, 2012, primarily as a result of a rationalization exercise undertaken by the Bank to identify and eliminate inactive cards and focus more on card activation. We had 5.5 million cards outstanding as of September 30, 2014.

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.

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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 our principal shareholder, 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% (or 55% in case all the loans purchased qualified for priority sector lending) 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 the loans. The balance is retained by HDFC Limited.

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.

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.

Kisan Gold Card (Agri Loans)

Under the Kisan Gold Card, funds are extended to farmers in accordance with the RBI s Kisan Credit Card (KCC) scheme in order to assist the farmers in financing certain farming expenses, such as the production of crops, post-harvest repair and maintenance and the domestic consumption needs of the farmers. The amount of funding available is based on the farmer s cropping pattern, the amount of land under utilization and the scale of financing and asset costs. The Bank offers both cash credit and term loan facilities under this product.

Loans Against Gold Jewelry

We offer loans against gold jewelry to specific customer segments, including women and farmers. Such loans are offered with monthly interest payments and a bullet maturity. These loans also have margin

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requirements in the event of a decrease in the value of the gold collateral due to fluctuations in market prices of gold. Loans against gold jewelry are also extended to existing auto loan, personal loan or home loan customers in order to cater to their additional funding needs.

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 78.2% of our total deposits as of March 31, 2014 and 81.1% of our total deposits as of September 30, 2014. The following chart shows the value of our retail deposits by our various deposit products as at March 31, 2014 and September 30, 2014.

	At March 31, 2014			At September 30, 2014		
	Value (in millions)		% of total	Value (in millions)		% of total
Savings	Rs. 1,007,857.6	US$ 16,797.6	35.1%	Rs. 1,080,441.2	US$ 17,449.0	34.1%
Current	352,581.5	5,876.4	12.3%	359,726.1	5,809.5	11.4%
Time	1,507,758.6	25,129.3	52.6%	1,724,585.0	27,851.8	54.5%
Total	**Rs. 2,868,197.7**	**US$ 47,803.3**	**100.0%**	**Rs. 3,164,752.3**	**US$ 51,110.3**	**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 17.4 million debit cards outstanding as of March 31, 2014 as compared to 14.1 million as of March 31, 2012. We had 17.9 million debit cards outstanding as of September 30, 2014. 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.

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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. Our commission income for the fiscal 2014 includes fees (net of service tax) of Rs. 3,375.6 million in respect of life insurance business and Rs. 1,166.9 million in respect of general insurance business.

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 September 30, 2014, these accounts constituted 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. 622.1 billion as of September 30, 2014. As an accelerated measure to increase foreign currency inflows into the country, the RBI had, in the second half of fiscal 2014, permitted banks in India to raise FCNR (B) deposits within a specified time period and in turn swap them into rupees with the RBI at concessional swap rates. The RBI has exempted these FCNR (B) deposits from the legal reserve requirements. The RBI also permitted exclusion of loans made in India against these FCNR (B) deposits from the ANBC computation for priority sector lending targets. Our time deposits include US$ 3.4 billion deposits raised by us under the RBI window for FCNR deposits.

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.

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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 September 30, 2014, 16% of our retail deposit customers contributed 78% of our retail deposits. These deposits include the time deposits raised by us under the RBI window for FCNR 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. 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.

We also have a strong commitment to financial inclusion programs to extend banking services to underserved populations. 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.

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, investment banking services 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. Approximately 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.

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,		As of September 30,	
	2013	2014	2014	2014
	(in millions)			
Gross commercial loans	Rs. 808,742.1	Rs. 1,039,923.6	Rs. 1,091,319.5	US$ 17,624.7
Credit substitutes:				
Commercial paper	Rs. 39,802.6	Rs. 42,031.6	Rs. 89,114.5	US$ 1,439.2
Non-convertible debentures	6,820.0	23,115.5	10,718.7	173.1
Total credit substitutes	Rs. 46,622.6	Rs. 65,147.1	Rs. 99,833.2	US$ 1,612.3
Gross commercial loans plus credit substitutes	Rs. 855,364.7	Rs. 1,105,070.7	Rs. 1,191,152.7	US$ 19,237.0

While we generally lend on a cash-flow basis, we also require collateral from a large number of our borrowers. As of September 30, 2014, 69.9% of the aggregate principal amount of our gross wholesale loans was secured by collateral (Rs. 328.1 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 .

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We price our loans based on a combination of our own cost of funds, market rates, tenor of the loan, 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 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,		As of September 30,	
	2013	2014	2014	2014
	(in millions)			
Bill collection	Rs. 3,857,516.1	Rs. 3,609,043.4	Rs. 1,692,797.5	US$ 27,338.5
Documentary credits	598,307.0	785,059.7	527,733.0	8,522.8
Bank guarantees	245,625.5	275,705.6	91,545.6	1,478.5
Total	Rs. 4,701,448.6	Rs. 4,669,808.7	Rs. 2,312,076.1	US$ 37,339.7

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.

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.

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We enter into forward exchange contracts, currency options, forward rate agreements, currency swaps and rupee interest rate swaps with our customers, similar to our transactions with inter-bank participants. 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 interest rate swaps and use them as part of our asset liability management.

The following table presents the aggregate notional principal amounts of our outstanding foreign exchange and derivative contracts with our customers as of March 31, 2012, 2013, 2014, and as of September 30, 2014 together with the fair values on each reporting date.

As of March 31,						As of September 30,		
2012		2013		2014		2014		
Notional	Fair Value	Notional	Fair Value	Notional	Fair Value	Notional	Fair Value	Notional
(in millions)								
Rs. 399,622.3	Rs. 1,496.4	Rs. 372,123.4	Rs. 381.9	Rs. 214,014.0	Rs. 653.5	Rs. 323,066.1	Rs. 78.3	US$ 5,217.
Rs. 433,469.2	Rs. 8,346.0	Rs. 499,620.6	Rs. 4,216.5	Rs. 543,568.8	Rs. 5,536.3	Rs. 627,646.1	Rs. 1,159.7	US$ 10,136.

Investment Banking

Our Investment Banking Group offers services in the debt and equity capital markets. The group has arranged financing for clients across sectors including telecom, toll roads, steel, energy, chemicals and cement. The group advised on aggregate issuances of over Rs. 100 billion worth of corporate bonds across public sector undertakings, financial institutions and the Bank s corporate clients during fiscal 2014. In the advisory business, the Bank advised and closed transactions in capital goods, agrochemicals and the banking, financial services and insurance (BFSI) sector. In the equity capital markets business, the group has advised clients on public offerings and buy-back of shares.

Wholesale Deposit Products

As of September 30, 2014, we had wholesale deposits aggregating over Rs. 739.1 billion, which represented 18.9% 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. 10.0 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.

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.

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.

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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.

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 and the 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.

Tax Collections

We have been appointed by the Government of India to collect direct taxes. In the first half of fiscal 2015, we collected Rs. 792 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 the first half of fiscal 2015, we collected Rs. 370 billion of such indirect taxes for the Government of India and relevant state governments. We earn a fee from the Government of India for 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.

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Treasury

Overview

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. 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, 2012, 2013, 2014, and as of September 30, 2014 together with the fair values on each reporting date.

As of March 31,						As of September 30,		
2012		2013		2014		2014		
onal	Fair Value	Notional	Fair Value	Notional	Fair Value	Notional	Fair Value	Notic
		(in millions)						
2,713.1	Rs.(2,114.6)	Rs.1,708,376.9	Rs.(2,274.6)	Rs.1,558,644.7	Rs.(2,127.8)	Rs. 1,248,270.8	Rs. (934.8)	US$ 20

9,502.9	Rs.2,465.8	Rs.4,179,952.9	Rs.1,099.5	Rs.4,447,254.1	Rs.14,241.0	Rs. 6,534,175.7	Rs. 8,477.2	US$ 10

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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 September 30, 2014, we had an internal aggregate approved limit of Rs 300 million for market purchases and Rs. 100 million (defined as a sub-limit of the aggregate approved limit) for primary purchases of equity investments for proprietary trading. Our exposure as of September 30, 2014 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 September 30, 2014, we had an aggregate of 3,600 branches covering 2,272 cities and towns. 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 the 2001 census conducted by the Government of India). As of September 30, 2014, 424 of our branches were in unbanked areas. With the objective of liberalizing and rationalizing the branch licensing process, the RBI, effective October 2013, granted general permission to banks like us to open branches in Tier 1 to Tier 6 centers, subject to reporting to the RBI and prescribed conditions. See the section Supervision and Regulation . 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. In August 2014, we opened a branch in the Dubai International Financial Center (DIFC) in Dubai, where certain activities such as arranging credit or deals in investments, advising on financial products or credit and arranging custodian services will be carried out. Through these branches, 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 September 30, 2014, we had a total of 11,515 ATMs, of which 4,808 were located at our branches or extension counters and 6,707 were located off site, including at large residential developments, or on major roads in metropolitan areas.

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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.

Telephone Banking

We provide telephone banking services to our customers in 2,270 cities and 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 Banking

Our mobile banking platform offers anytime, anywhere banking services to our customers through handheld devices, such as smartphones and basic feature phones. 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. Mobile banking is available across several mobile operating systems, including Android, iOS, Windows and Blackberry.

Internet Banking

Our net banking seeks to be a virtual manifestation of a physical branch. Through our net banking channel, customers can perform various transactions, such as 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 customer 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 defined markets, (b) our credit approval process, (c) our post-disbursement monitoring and (d) our remedial management procedures.

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 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 offense in India to issue a bad check.

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.

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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.

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 highest and HDB 10 the lowest rating; we further classify HDB 1 to HDB 7 as investment grade ratings, while HDB 8 or lower are classified as 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 exposure ceilings described above, we have set quantitative ceilings on aggregate funded plus non-funded exposure (excluding retail assets) specific to each risk rating category at the portfolio level.

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 the section Supervision and Regulation .

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 money market instruments, debt securities (such as gilts, bonds, PTCs, etc.), equities, 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 limits package that includes equity trading limits as well as specific trading limits, 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 market risk management of the balance sheet on an ongoing basis 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 along with the trading portfolio and recommends various market risk controls and limits for the treasury and investment banking portfolios. The treasury mid-office is responsible for monitoring and reporting market risks

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arising from the trading desks. The Market Data Cell in the mid-office maintains market data and also verifies the rates submitted by the Treasury Front Office for polling of various benchmarks. 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.

Policies and Procedures Trading and Asset Liability Management Risks

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).

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 consists of positions in bonds, securities, currencies, 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 Level (SLTL), Price Value per basis point (PV01), Option Greek limits and Position Limits, namely, Intraday and Net Overnight Open Position (NOOP) as well as Gap limits (Aggregate and Individual Gap limits), which are set in the Treasury Limits Package which also includes the equity trading limits. In addition, deal size limit is prescribed for foreign exchange deals traded on trading platforms, with the exception of specific position and exposure limits in exchange traded currency and interest rate derivatives.

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 upon introduction of new products.

The Market Risk policy sets the framework for market risk monitoring. The risk on account of semi-liquid or illiquid positions in trading is recognized in the Non-Standard Product policy. The Non-Standard Product Policy stipulates requirements for 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 the Market Risk Department). In addition, the stress testing policy prescribes the stress scenarios that are applied on the outstanding trading positions to recognize and analyze the impact of the stress conditions on the trading portfolio. Stress tests are based on historical scenarios as well as on sensitivity factors which also comprise judgmental potential scenarios.

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.

Asset Liability Management (ALM)

The ALM risk management process consists of management of Liquidity Risk and Interest Rate Risk in the Banking Book (IRRBB). Liquidity risk is the risk that the Bank may not be able to fund increases in assets or meet obligations as they come due without incurring unacceptable losses. IRRBB refers to the potential adverse financial impact on the Bank s banking book from changes in interest rates. The banking book is comprised of assets and liabilities that are incurred to create a steady income flow or to fulfill statutory obligations. Such assets and liabilities are generally held till maturity. The Bank carries various assets, liabilities and off-balance sheet items across markets, maturities and benchmarks, exposing it to risks from changing interest rates. The Bank s objective is to maintain liquidity risk and IRRBB within tolerable limits.

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Structure and Organization

The ALM risk management process of the Bank operates in the following hierarchical manner:

Board of Directors

The Board has the overall responsibility for management of liquidity and interest rate risk. The Board decides the strategy, policies and procedures of the Bank to manage liquidity and interest rate risk, including setting the risk tolerance/limits and reviewing the results of stress tests.

Risk Policy & Monitoring Committee of the Board (RPMC)

The RPMC is responsible for evaluating the overall risks faced by the Bank, including liquidity risk and interest rate risk. The RPMC also addresses the potential interaction of liquidity risk and interest rate risk with other risks faced by the Bank.

Asset Liability Committee (ALCO)

The ALCO is the decision-making unit responsible for ensuring adherence to the risk tolerance/limits set by the Board, as well as implementing the Bank s liquidity and interest rate risk management strategy in line with the Bank s risk management objectives and risk tolerance. The ALCO is also responsible for balance sheet planning from a risk-return perspective, including strategic management of interest rate and liquidity risks. The role of the ALCO includes the following:

- product pricing for deposits and customer assets;
- deciding the desired maturity profile and mix of incremental assets and liabilities;
- articulating the Bank s interest rate view and deciding on its future business strategy;
- reviewing and articulating funding strategy;
- ensuring adherence to the limits set by the Board of Directors;
- determining the structure, responsibilities and controls for managing liquidity and interest rate risk;
- ensuring operational independence of risk management function;
- reviewing stress test results; and

deciding on the transfer pricing policy of the Bank.

There are also certain internal ALM operational groups which support the ALM organization.

Risk Measurement Systems and Reporting

Liquidity risk is measured using the flow approach and the stock approach. The flow approach involves comprehensive tracking of cash flow mismatches whereas the stock approach involves the measurement of critical ratios in respect of liquidity risk. Analysis of liquidity risk also involves examining how funding requirements are likely to be affected under crisis scenarios. The Bank has a Board-approved liquidity stress framework, which is guided by regulatory instructions. In addition, the Bank has an extensive intraday liquidity risk management framework for monitoring intraday positions during the day.

IRRBB is measured and controlled using both Earnings Perspective (Traditional Gap Analysis) and Economic Value Perspective (Duration Gap Analysis). Earnings Perspective measures the sensitivity of net interest income to changes in the interest rate over the next 12 months. It involves the bucketing of rate-sensitive assets, liabilities and off-balance sheet items as per the residual maturity/re-pricing date in various time bands,

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and computing the change in income under a 200 basis point upward and downward rate shock over a one-year period. Economic Value Perspective calculates the change in the present value of the Bank s expected cash flows for a 200 basis point upward and downward rate shock. The Bank also undertakes periodic stress testing for its banking book. This provides a measure with which to assess the Bank s financial standing from extreme but plausible interest rate fluctuations. The stress testing framework has been approved by the Board.

Operational Risk Management

Operational risk is risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The way operational risk is managed has the potential to positively or negatively impact the Bank s customers, financial performance and reputation. The Bank has put in place a Board-approved governance and organizational structure with clearly defined roles and responsibilities to mitigate operational risk arising out of the Bank s business and operations.

Organizational Structure for Managing Operational Risk

The RPMC reviews and recommends to the Board of Directors the overall operational risk management framework for the Bank. The Operational Risk Management Committee, which is headed by the Deputy Managing Director and consists of senior management functionaries including the Chief Risk Officer, Group Head Audit, Group Head Operations and senior representatives from all the relevant business verticals, oversees the implementation of the operational risk management framework approved by the Board. An independent operational risk management department is responsible for implementation of the framework across the Bank. The operational risk management policy stipulates the roles and responsibilities of employees, business units, operations and support function in managing operational risk.

Risk Measurement and Monitoring

While the day-to-day operational risk management lies with business lines, operations and support functions, the operational risk management department is responsible for designing tools and techniques for identification and monitoring of operational risk across the Bank consistent with the framework approved by the Board. The unit also ensures operational risk exposures are captured and reported to the relevant levels of the management for initiating suitable risk mitigations in order to contain operational risk exposures within acceptable levels. The internal audit department provides independent assurance of the effectiveness of governance, risk management and internal controls to achieve the Bank s risk management and control objectives.

The Bank applies a number of risk management techniques to effectively manage operational risks. These techniques include:

- A bottom-up risk assessment process, Risk Control Self-Assessment, to identify high risk areas so that the Bank can initiate timely remedial measures. This assessment is conducted half-yearly to update senior management of the risk level across the Bank.

- The employment of key risk indicators to alert the Bank of impending problems in a timely manner. The key risk indicators allow monitoring of the control environment as well as operational risk exposures and also trigger risk mitigation actions.

Subjecting material operational risk losses to a detailed risk analysis in order to identify areas of risk exposure and gaps in controls, based on which appropriate risk mitigating actions are initiated.

Conducting a scenario analysis annually to derive information on hypothetical severe loss situations. The Bank uses that information for risk management purposes, as well as for analyzing the possible financial impact.

Periodic reporting of risk assessment and monitoring to senior management to ensure timely actions are initiated at all levels.

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Capital Requirement

The Bank has devised an operational risk measurement system compliant with an advanced measurement approach for estimating operational risk capital for the standalone bank. The Bank has submitted a detailed application to the RBI for migration to the advanced measurement approach. At present, the Bank follows the basic indicator approach to estimating operational risk capital.

Competition

We face intense 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 received approximately 26 applications for new bank licenses including from some of the largest business groups in India. After review of the applications received, the RBI provided in-principle approvals to two of the applicants, IDFC Limited and Bandhan Financial Services Private Limited, in April 2014 which are valid for a period of 18 months, during which the new banks will have to be set up. The RBI will grant these new banks a license to commence banking operations after being satisfied that the applicants have complied with the conditions established as part of the in-principle approval.

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 other 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 was 68,165 as of March 31, 2014 as compared to 66,076 as of March 31, 2012. The number of our employees was 75,339 as of September 30, 2014. Most of our employees are located in India. We consider our relations with our employees to be good. Further to our acquisition of CBoP in 2008, a few employees of CBoP continue to be part of a labor union. These employees represent less than 1% of our total employee strength.

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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 8.75%. 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 September 30, 2014, we had a network consisting of 3,600 branches and 11,515 ATMs, including 6,707 at non-branch locations. These facilities are located throughout India with the exception of three branches which are located in Bahrain, Hong Kong and Dubai. We also have representative offices in the United Arab Emirates and Kenya.

Intellectual Property

We utilize a number of different forms of intellectual property in our business including our HDFC Bank brand and the names of the various products we provide to our customers. We believe that we currently own, have licensed or otherwise possess the rights to use, all intellectual property and other proprietary rights, including all trademarks, domain names, copyrights, patents and trade secrets used in our business.

Legal Proceedings

We are involved in a number of legal proceedings in the ordinary course of our business, including certain spurious or vexatious proceedings with significant financial claims present on the face of the complaint but that we believe lack any merit based on the historical dismissals of similar claims. Accordingly, we believe there are currently no legal proceedings, which if adversely determined, might materially affect our financial condition or the results of our operations.

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USE OF PROCEEDS

The gross proceeds from the offering are expected to be approximately U.S.$1,270,720,000. The net proceeds from the offering, after deducting fees and commissions of the offering, are expected to be approximately U.S.$1,253,340,000 (Net Proceeds). Subject to compliance with applicable laws and regulations, we intend to use the Net Proceeds of the offering, together with the net proceeds of the QIP of approximately Rs.19,849,999,518 for meeting capital requirements in accordance with the capital adequacy norms and ensuring adequate capital to support growth and expansion, including enhancing our solvency and capital adequacy ratio and general corporate purposes.

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CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2014 prepared in accordance with U.S. GAAP in Indian rupees and, for convenience, in U.S. dollars:

- on an actual basis;
- on an as adjusted basis to give effect to this offering of 22,000,000 ADSs to generate gross proceeds of approximately U.S.$1,270,720,000; and
- the as adjusted figures below also give effect to the offering of equity shares in the QIP concurrent with this offering.

You should read this capitalization table together with Selected Financial and Other Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and related notes included or incorporated by reference in the accompanying prospectus. Other than as disclosed in this prospectus supplement, there has been no material change in our capitalization and indebtedness since September 30, 2014:

	As of September 30, 2014			
	Actual		As Adjusted	
	(in millions)			
Indebtedness				
Deposits	Rs. 3,903,866.4	U.S.$ 63,047.0	Rs. 3,903,866.4	U.S.$ 63,047.0
Securities sold under repurchase agreements	15,000.0	242.2	15,000.0	242.2
Short-term borrowings	104,571.9	1,688.8	104,571.9	1,688.8
Subordinated debt	172,774.0	2,790.3	172,774.0	2,790.3
Other long-term debt	233,447.4	3,770.1	233,447.4	3,770.1
Total indebtedness	4,429,659.7	71,538.4	4,429,659.7	71,538.4
Shareholders equity				
Equity shares[(1)]	4,828.6	78.0	4,998.1	80.7
Additional paid-in capital[(2)]	282,484.9	4,562.1	379,885.0	6,135.1
Retained earnings	198,781.7	3,210.3	198,781.7	3,210.3
Statutory reserve[(3)]	91,883.5	1,483.9	91,883.5	1,483.9
Accumulated other comprehensive income[(4)]	(4,183.7)	(67.6)	(4,183.7)	(67.6)
Total shareholders equity	573,795.0	9,266.7	671,364.6	10,842.4
Total capitalization	Rs. 5,003,454.7	U.S.$ 80,805.1	Rs. 5,101,024.3	U.S.$ 82,380.8

(1) Rs. 2 par value; 2,750,000,000 shares authorized, 2,414,322,155 shares issued and outstanding; 2,499,066,297 shares issued and outstanding, as adjusted, including this offering and the concurrent offering of equity shares in the QIP. However, it does not give effect to equity shares issued after September 30, 2014 in respect of options exercised.

(2) Estimated underwriting discounts and commissions payable by us of U.S.$17.4 million or Rs. 1,077.7 million, have been deducted from the gross proceeds of the sale of ADSs pursuant to the offering. In addition, estimated underwriting discounts and commissions payable by us of Rs. 150.0 million have been deducted from the gross proceeds of the sale of equity shares pursuant to the QIP.

(3) Represents the amounts that are required under Indian law to be appropriated from net income computed as per Indian GAAP and transferred to a statutory reserve, which may not be distributed via dividends.

(4) Primarily represents unrealized gains and losses on investments available for sale, net of applicable income taxes.

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DILUTION

If you invest in the ADSs offered by us in this offering, your interest will be diluted to the extent of the difference between the offering price per ADS set forth on the cover of this prospectus supplement and the net tangible book value per ADS upon the completion of this offering and the concurrent offering of equity shares in the QIP. Dilution results from the fact that the per share offering price of our ADSs is in excess of the book value per ADS attributable to existing shareholders.

As of September 30, 2014, our net tangible book value was Rs. 573.8 billion (U.S.$ 9.3 billion), or U.S.$ 11.51 per ADS. Net tangible book value per ADS represents the book value of our total tangible assets minus our total liabilities, divided by the total number of ADSs that would have been outstanding as of September 30, 2014 if all of our outstanding shares as of such date were represented by ADSs.

After giving effect to (i) the sale of the ADSs sold by us in the offering at the price of US$57.76 per ADS and (ii) after giving effect to the sale of equity shares sold by us in a concurrent offering of equity shares in the QIP and after deducting estimated underwriting discounts and commissions and offering expenses payable by us, but without taking into account any other changes in such tangible book value after September 30, 2014, our net tangible book value per ADS (based on an exchange rate as of January 30, 2015 of Rs. 62.01 = $ 1.00), would increase to U.S.$13.00 per ADS. This represents an immediate increase of U.S.$1.50 per ADS in net tangible book value to holders of our shares outstanding as of September 30, 2014 and an immediate dilution of U.S.$44.76 per ADS in net tangible book value to investors purchasing ADSs in this offering at the offering price.

The following table illustrates such dilution on the basis of U.S. GAAP:

	U.S. $
Offering price per ADS	57.76
Net tangible book value per ADS as of September 30, 2014	11.50
Increase in net tangible book value per ADS attributable to the ADS offering and the QIP	1.50
Adjusted net tangible book value per ADS after the ADS offering and the QIP	13.00
Dilution in net tangible book value per ADS to new investors	44.76

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SELECTED FINANCIAL AND OTHER DATA

The following tables set forth our selected financial and operating data. Our selected income statement data for the fiscal years ended March 31, 2012, 2013 and 2014 and the selected balance sheet data as of March 31, 2013 and 2014 are derived from our audited consolidated financial statements included in our 2014 Form 20-F incorporated in this prospectus supplement by reference. Our selected balance sheet data as of March 31, 2010, March 31, 2011, March 31, 2012 and selected income data for the fiscal years ended March 31, 2010 and March 31, 2011 are derived from our audited financial statements not included in this prospectus supplement. Our selected income statement data for the six month periods ended September 30, 2013 and 2014 and the selected balance sheet data as of September 30, 2013 and 2014 are derived from our unaudited interim condensed consolidated financial statements incorporated in this prospectus supplement by reference. Whenever relevant, ratios for the six month periods are presented on an annualized basis.

For the convenience of the reader, the selected financial data as of and for the six month period ended September 30, 2014 have been translated into U.S. dollars at the rate on such date of Rs. 61.92 per US$1.00. The U.S. dollar equivalent information should not be construed to imply that the real amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate.

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.

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Selected income statement data:

	Year ended March 31,					Six months ended September 30,		
	2010	2011	2012	2013	2014	2013	2014	20
	(in millions, except per equity share data and ADS data)							
income nt data:								
and revenue	Rs. 158,651.3	Rs. 202,252.0	Rs. 277,540.0	Rs. 353,878.5	Rs. 422,211.3	Rs. 202,006.9	Rs. 238,605.2	US$ 3
expense	77,720.0	93,849.7	151,148.0	196,802.0	229,639.2	111,634.5	125,447.1	2
rest revenue	80,931.3	108,402.3	126,392.0	157,076.5	192,572.1	90,372.4	113,158.1	1
ns for sses	18,193.9	9,621.9	7,837.3	12,688.0	17,428.1	8,887.3	7,332.5	
rest revenue visions for sses	62,737.4	98,780.4	118,554.7	144,388.5	175,144.0	81,485.1	105,825.6	1
erest net	42,899.7	46,815.4	52,595.5	65,177.4	70,834.5	33,619.7	32,904.4	
nue	105,637.1	145,595.8	171,150.2	209,565.9	245,978.5	115,104.8	138,730.0	2
erest	68,410.9	82,370.2	97,313.5	117,591.1	124,228.1	62,084.3	71,146.7	1
before tax expense	37,226.2	63,225.6	73,836.7	91,974.8	121,750.4	53,020.5	67,583.3	1
tax expense	12,338.4	21,698.3	23,828.7	29,840.1	42,304.2	18,503.1	24,576.7	
me before rolling	24,887.8	41,527.3	50,008.0	62,134.7	79,446.2	34,517.4	43,006.6	
t income ble to rolling	317.1	330.4	224.6	315.3	126.5	5.8	30.1	
me ble to Bank	Rs. 24,570.7	Rs. 41,196.9	Rs. 49,783.4	Rs. 61,819.4	Rs. 79,319.7	Rs. 34,511.6	Rs. 42,976.5	US$
ity share								
s per equity asic	Rs. 11.26	Rs. 17.84	Rs. 21.30	Rs. 26.18	Rs. 33.18	Rs. 14.46	Rs. 17.85	US$
s per equity luted	11.12	17.59	21.12	25.91	32.94	14.35	17.71	
ds per share	2.40	3.30	4.30	5.50	6.85			
lue(1)	133.52	148.96	168.34	196.89	221.71	198.44	237.67	
share data:								
hares ing at end	2,288.7	2,326.1	2,346.7	2,379.4	2,399.1	2,391.2	2,414.3	2

d								
d average hares ing-basic	2,182.0	2,309.0	2,336.7	2,361.0	2,390.3	2,386.2	2,407.1	2
d average hares ing-diluted	2,209.0	2,341.9	2,357.3	2,386.1	2,408.1	2,404.3	2,426.2	2
ta (where S nts three								
s per sic	33.78	53.52	63.90	78.54	99.54	43.38	53.55	
s per uted	33.36	52.77	63.36	77.73	98.82	43.05	53.13	

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Selected balance sheet data:

	Year ended March 31,					Six months ended September 3		
	2010	**2011**	**2012**	**2013**	**2014**	**2013**	**2014**	
				(in millions)				
eet								
ash	Rs. 297,558.5	Rs. 288,902.1	Rs. 188,043.0	Rs. 218,740.2	Rs. 370,835.2	Rs. 251,218.9	Rs. 228,331.5	US$
(2)	58,166.3	102,049.4	150,096.5	199,265.7	176,481.7	186,258.6	193,477.8	
of	1,297,180.4	1,622,856.0	2,006,374.3	2,504,551.6	3,185,648.1	2,798,389.3	3,402,552.1	
s:								
s ding	28,158.8	38,216.9	77,043.4	87,383.5	65,077.9	82,570.6	37,172.5	
s or	481,398.8	628,704.9	807,080.4	1,018,071.5	908,824.3	944,416.1	1,118,027.0	
s	509,557.6	666,921.8	884,123.8	1,105,455.0	973,902.2	1,026,986.7	1,155,199.5	
s	Rs. 2,416,520.4	Rs. 2,920,236.3	Rs. 3,571,155.7	Rs. 4,370,906.1	Rs. 5,125,407.3	Rs. 4,649,775.8	Rs. 5,320,162.0	US$
debt	75,854.4	93,287.2	178,366.6	295,219.7	395,208.6	288,818.4	406,221.4	
	98,165.0	76,686.7	112,642.8	145,617.2	150,775.5	212,299.6	104,571.9	
sits	1,672,400.3	2,082,129.0	2,465,049.6	2,960,533.9	3,670,000.1	3,128,351.5	3,903,866.4	
aring	1,301,046.0	1,619,283.6	2,012,057.9	2,438,262.0	3,057,154.5	2,652,938.4	3,327,758.5	
st	371,354.3	462,845.4	452,991.7	522,271.9	612,845.6	475,413.1	576,107.9	
ities	2,110,066.2	2,572,406.5	3,174,563.0	3,900,528.2	4,592,406.6	4,174,337.8	4,745,624.9	
ling	872.5	1,338.1	1,537.5	1,903.6	1,094.0	933.5	742.1	
k rs	305,581.7	346,491.7	395,055.2	468,474.3	531,906.7	474,504.5	573,795.0	
ities	Rs. 2,416,520.4	Rs. 2,920,236.3	Rs. 3,571,155.7	Rs. 4,370,906.1	Rs. 5,125,407.3	Rs. 4,649,775.8	Rs. 5,320,162.0	US$

rs

Year ended March 31,					Six months ended Septembe	
2010	2011	2012	2013	2014	2013	2014
			(in millions)			
Rs. 1,756,963.3	Rs. 2,237,281.0	Rs. 2,746,339.2	Rs. 3,403,617.4	Rs. 4,110,169.4	Rs. 3,923,118.5	Rs. 4,615,220.1
1,106,474.4	1,507,942.8	1,854,364.2	2,328,320.6	2,839,477.7	2,660,200.5	3,239,687.5
2,095,543.0	2,585,236.0	3,097,162.6	3,774,632.3	4,505,119.5	4,290,091.6	5,029,767.0
1,202,813.6	1,504,552.3	1,825,018.8	2,245,452.4	2,737,895.6	2,546,410.6	3,177,991.9
295,675.6	361,184.3	390,682.9	414,590.2	448,165.2	436,002.4	499,022.3
1,498,489.2	1,865,736.6	2,215,701.7	2,660,042.6	3,186,060.8	2,982,413.0	3,677,014.2
1,325,841.7	1,707,823.0	2,168,714.2	2,721,847.0	3,362,570.1	3,193,818.7	3,744,932.6
72,433.5	101,241.4	148,201.6	234,489.1	296,782.8	295,124.7	387,718.6
50,594.6	102,029.3	195,493.8	241,905.5	327,891.7	352,283.4	179,222.1
1,825,399.3	2,265,574.5	2,722,648.3	3,338,592.5	3,997,363.1	3,826,254.9	4,477,207.6
270,143.7	319,661.5	374,514.3	436,039.8	507,756.4	463,836.7	552,559.4

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Selected ratios:

	Year ended March 31,					Six months ended September 30,	
	2010	2011	2012	2013	2014	2013	2014
	(in percentage)						
Profitability:							
Net income attributable to HDFC Bank Limited as a percentage of:							
Average total assets	1.2	1.6	1.6	1.6	1.8	1.6	1.7
Average total shareholders equity	9.1	12.9	13.3	14.2	15.6	14.8	15.5
Dividend payout ratio(5)	22.4	18.6	20.3	21.2	20.7		
Spread(6)	4.2	4.5	4.2	4.1	4.2	4.1	4.4
Net interest margin(7)	4.6	4.8	4.6	4.6	4.7	4.6	4.9
Cost-to-net revenue ratio(8)	64.8	56.6	56.9	56.1	50.5	53.9	51.3
Cost-to-average assets ratio(9)	3.3	3.2	3.1	3.1	2.8	2.9	2.8
Capital:							
Total capital adequacy ratio(10)	17.44	16.22	16.52	16.80	16.07	14.64	15.70
Tier 1 capital adequacy ratio(10)	13.26	12.23	11.60	11.08	11.77	9.91	11.80
Tier 2 capital adequacy ratio(10)	4.18	3.99	4.92	5.72	4.30	4.73	3.90
Average total shareholders equity as a percentage of average total assets	12.9	12.4	12.1	11.6	11.3	10.8	11.0
Asset quality:							
Gross non-performing customer assets as a percentage of gross customer assets(11)	1.5	1.2	0.9	0.8	1.2	1.0	1.0
Net non-performing customer assets as a percentage of net customer assets(11)	0.4	0.3	0.2	0.2	0.6	0.3	0.3
Total allowance for credit losses as a percentage of gross non-performing credit assets	123.3	125.3	146.6	159.4	143.5	138.5	132.0

(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.

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(9) Represents the ratio of non-interest expense to average total assets.

(10) Total, Tier I and Tier II capital adequacy ratios for fiscals 2010, 2011, 2012 and 2013 have been calculated in accordance with RBI guidelines (New Capital Adequacy Framework, generally referred to as Basel II) and capital adequacy ratios for fiscal 2014 and the six month periods ended September 30, 2013 and 2014 have been calculated in accordance with RBI guidelines (Basel III Capital Regulations, generally referred to as Basel III) and therefore are not directly comparable. Also see Supervision and Regulation.

(11) Customer assets consist of loans and credit substitutes.

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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 consolidated financial statements for the years ended March 31, 2012, March 31, 2013 and March 31, 2014 and our unaudited interim condensed consolidated financial statements for the half year periods ended September 30, 2013 and September 30, 2014 included in this prospectus supplement or the documents incorporated by reference. Also refer to the sections Selected Financial and Other Data and Selected Statistical Information included in this prospectus supplement.

The following discussion is based on our audited consolidated annual financial statements and our unaudited interim condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP. Our fiscal year ends on March 31 of each year. Accordingly, all references to a particular fiscal year are to the twelve-month period ended on March 31 of that year. Unless otherwise specified, all information regarding cost, yield and average balances are based on daily average of balances outstanding during the relevant period.

This discussion contains forward-looking statements and reflects our current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under the section Forward-Looking Statements on page 4 of the accompanying prospectus, the section Risk Factors on page S-14 and elsewhere in this prospectus supplement. Certain portions of the following discussion include 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.

Certain Factors Affecting our Results of Operations

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 (RBI) 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

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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.

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. Fiscal 2014 was a challenging year for the Indian economy driven by subdued domestic growth, extreme volatility in the exchange rate and a much higher than expected spike in inflation rates. Domestic GDP growth showed a marginal improvement from 4.5% in fiscal 2013 to 4.7% in fiscal 2014 primarily attributable to an increase in agricultural growth from 1.4% in fiscal 2013 to 4.7% in fiscal 2014. Growth in both the industrial sector and service sector remained lackluster due to a weakness in both consumption and investment demand. A major challenge for the economy in the first half of fiscal 2014 was the weakening of the Indian rupee against the U.S. dollar driven by concerns about the domestic macroeconomic landscape that made investors somewhat circumspect of investing in domestic assets. Anxiety about the future direction of U.S. monetary policy due to the U.S. Federal Reserve preparing the markets for a gradual wind-down of its third round of quantitative easing (QE3) resulted in an overall outflow of funds from European markets. The Indian rupee also fell victim to this rotation of funds away from European markets and into US markets. To counter pressures of currency depreciation, the RBI in July 2013 introduced a series of measures to tighten domestic liquidity in order to raise short-term rates to provide the Indian rupee with some yield advantage. These measures resulted in an inversion of the yield curve. The RBI also provided various incentives to commercial banks to raise foreign currency non-resident (FCNR) deposits that resulted in foreign currency flows of U.S. $34 billion into the country. The RBI gradually removed these emergency measures when the exchange rate showed some signs of stability in the second half of fiscal 2014. However, the RBI increased the repo rate by approximately 75 basis points over the course of fiscal 2014 in part to counter the exchange rate depreciation as well as to fight inflationary pressures as the consumer price index (CPI) inflation touched a high of 11.2% in November 2013.

Indications of an improvement in the overall domestic macroeconomic landscape have been visible over the fourth quarter of fiscal 2014 and the first quarter of fiscal 2015, which has helped to stabilize the Indian rupee. Inflationary pressures, both in terms of the CPI and the wholesale price index, have subsided as a result of a decline in food price inflation. The Government s efforts to ramp up the local supply of food grains appears to have helped in reining in overall inflation rates. For example, CPI inflation has fallen from a high of 11.2% in November 2013 to 6.5% in

September 2014. As a result of, *inter alia*, declining inflationary pressures, the RBI, in its press release dated January 15, 2015, reduced the policy repo rate by 25 basis points from 8.0% to 7.75% with immediate effect. The Government appears to be firmly committed to fiscal consolidation by reducing the fiscal deficit from 4.5% in fiscal 2014 to 4.1% in fiscal 2015. Further, there has been an improvement in the current account deficit which has decreased from 4.8% of GDP in fiscal 2013 to 1.7% of GDP in fiscal 2014 and which is expected to widen marginally to 2.2% of GDP in fiscal 2015. The current account deficit was 1.7% of GDP at the end of the first quarter of fiscal 2015. The improvement in the current account position can partially be attributed to the reduction in the trade deficit as imports fell by 7.2% in fiscal 2014. The ongoing domestic growth prospects are based on expectations that the new government, which took office in May 2014, with a strong mandate could spur the reform process to address the structural bottlenecks that have hampered growth over fiscal 2012 to fiscal 2014. This may in turn help to revive growth prospects in the Indian economy and enable domestic growth to increase to around 5.5% in fiscal 2015 according to the RBI.

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 Credit 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.

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 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 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 contractual 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.

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. Nominal loan 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 short-term 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 for loans, and we bear the same customer credit risk as we do for loans extended to those customers. Additionally, the yield and maturity terms are generally directly negotiated by us with the issuer.

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All other securities including mortgage and asset-backed securities are actively managed as part of the our treasury operations. The issuers of such securities are either government, public financial institutions or private issuers. These investments are typically purchased from the market, and debt securities are generally publicly rated.

Securities that are held principally for resale in the near term are classified as held for trading (HFT) and are carried at fair value, 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) and are carried at amortized cost.

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) and are carried at fair value. 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.

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.

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 tangible assets, as well as the liabilities assumed at the date of the acquisition. 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 Centurion Bank of Punjab (CBoP) was accounted for in accordance with SFAS No. 141, Business combinations , which was the then-applicable accounting standard.

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

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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. ASC 350-20 Goodwill stipulates that goodwill of a reporting unit shall be tested on an annual basis and in the interim period under certain circumstances. Accordingly, we have determined that we will test the goodwill on our books for impairment at annual rests, unless circumstances warrant us to carry out impairment tests in an interim period. We examined our goodwill that had arisen on acquisition of CBoP for possible impairment as of March 31, 2014. 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.

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 (Hypothetical New Branch Network Earnings) and the earnings (net of costs) that were generated because of the acquisition of CBoP (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.

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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.

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.

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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 of the Financial Statements, Fair Value Measurement for further details including the classification hierarchy associated with assets and liabilities measured at fair value.

As of September 30, 2014, 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.

Recently Issued Accounting Pronouncements Not Yet Effective

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) . This update clarifies the principles for revenue recognition in transactions involving contracts with customers. The guidance will be effective for the interim and annual reporting periods beginning after December 15, 2016 and early adoption is not permitted. We have not yet evaluated what impact, if any, the adoption of this guidance may have on our financial condition, results of operations, or disclosures.

In June 2014, the FASB issued ASU No. 2014-11, Transfers and Servicing (Topic 860) , The amendments in this update change the current accounting outcome by requiring repurchase-to-maturity transactions to be accounted for as secured borrowings and for repurchase financing arrangement the amendments require separate accounting for a transfer of the financial asset executed contemporaneously with a repurchase agreement with same counterparty. The amendments also require new disclosures. The guidance will be effective for the interim and annual reporting periods beginning after December 15, 2014 and early adoption is not permitted. We have not yet evaluated what impact, if any, the adoption of this guidance may have on our financial condition, results of operations, or disclosures.

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Six Month Period Ended September 30, 2014 Compared to Six Month Period Ended September 30, 2013

Net Interest Revenue after Allowance for Credit Losses

Our net interest revenue after allowances for credit losses increased by 29.9% from Rs. 81.5 billion for the six month period ended September 30, 2013 to Rs. 105.8 billion for the six month period ended September 30, 2014. Our net interest margin increased to 4.9% for the six month period ended September 30, 2014 as compared to 4.6% for the six month period ended September 30, 2013. The following table sets out the components of net interest revenue after allowance for credit losses:

	Six month period ended September 30,			
	2013	2014	Increase/ (Decrease)	% Increase/ (Decrease)
	(in millions, except percentages)			
Interest on loans	Rs. 154,036.3	Rs. 184,717.1	Rs. 30,680.8	19.9%
Interest on securities, including dividends and interest on trading assets	41,873.3	46,497.3	4,624.0	11.0
Other interest revenue	6,097.3	7,390.8	1,293.5	21.2
Total interest and dividend revenue	**202,006.9**	**238,605.2**	**36,598.3**	**18.1**
Interest on deposits	88,448.4	106,776.4	18,328.0	20.7
Interest on short-term borrowings	11,365.7	3,719.6	(7,646.1)	(67.3)
Interest on long term debt	11,784.7	14,744.6	2,959.9	25.1
Other interest expense	35.7	206.5	170.8	478.4
Total interest expense	**111,634.5**	**125,447.1**	**13,812.6**	**12.4**
Net interest revenue	**Rs. 90,372.4**	**Rs. 113,158.1**	**Rs. 22,785.7**	**25.2%**
Less allowance for credit losses:				
Retail	7,102.9	6,002.6	(1,100.3)	(15.5)
Wholesale	1,784.4	1,329.9	(454.5)	(25.5)
Total	**Rs. 8,887.3**	**Rs. 7,332.5**	**Rs. (1,554.8)**	**(17.5)%**
Net interest revenue after allowance for credit losses	**Rs. 81,485.1**	**Rs. 105,825.6**	**Rs. 24,340.5**	**29.9%**

Interest and Dividend Revenue

Interest income on loans increased by 19.9% primarily due to an increase in our average loan book. The average balance of our total loan book increased by 21.8% from Rs. 2,660.2 billion for the six month period ended September 30, 2013 to Rs. 3,239.7 billion for the six month period ended September 30, 2014. Our average balance of retail loans increased by 26.7% from Rs. 1,750.0 billion for the six month period ended September 30, 2013 to Rs. 2,216.9 billion for the six month period ended September 30, 2014 and our average balance of wholesale loans increased by 12.4% from Rs. 910.2 billion for the six month period ended September 30, 2013 to Rs. 1,022.7 billion for the six month period ended September 30, 2014. Retail loan yields decreased to 12.0% for the six month period ended September 30, 2014 as compared to 12.6% for the six month period ended September 30, 2013. Wholesale loan yields increased from 9.6% for the six month period ended September 30, 2013 to 10.1% for the six month period ended September 30, 2014.

Interest on securities, including dividends, increased by 11.0% from Rs. 41.9 billion for the six month period ended September 30, 2013 to Rs. 46.5 billion for the six month period ended September 30, 2014, driven by an increase of

Rs. 80.8 billion in the average balance of investments. Yields increased from 8.0% for the six month period ended September 30, 2013 to 8.2% for the six month period ended September 30, 2014.

Other interest revenue increased by 21.2% from Rs. 6.1 billion for the six month period ended September 30, 2013 to Rs. 7.4 billion for the six month period ended September 30, 2014 primarily due to an increase in the interest from our interbank placements and placements with central government bodies which are made to comply with the extant RBI guidelines on shortfall in priority sector lending sub-limits. Average placements with central government bodies increased from Rs. 14.4 billion for the six month period ended September 30, 2013 to Rs. 14.6 billion for the six month period ended September 30, 2014 and yields thereon increased from 5.1% for the six month period ended September 30, 2013 to 5.7% for the six month period ended September 30, 2014.

Interest Expense

Our interest expense on deposits increased by 20.7% from Rs. 88.4 billion for the six month period ended September 30, 2013 to Rs. 106.8 billion for the six month period ended September 30, 2014 due to an increase in average interest bearing deposits by 24.8% from Rs. 2,546.4 billion for the six month period ended September 30, 2013 to Rs. 3,178.0 billion for the six month period ended September 30, 2014.

There was an increase in the average balance of our savings accounts from Rs. 868.0 billion for the six month period ended September 30, 2013 to Rs. 1,017.3 billion for the six month period ended September 30, 2014 and an increase in the average balance of our time deposits from Rs. 1,678.4 billion for the six month period ended September 30, 2013 to Rs. 2,160.7 billion for the six month period ended September 30, 2014. Our average cost of total deposits declined marginally from 5.9% for the six month period ended September 30, 2013 to 5.8% for the six month period ended September 30, 2014 as a result of a decrease in the average cost of time deposits from 8.4% for the six month period ended September 30, 2013 to 8.0% for the six month period ended September 30, 2014.

Our interest expense on short-term and other borrowings decreased from Rs. 11.4 billion for the six month period ended September 30, 2013 to Rs. 3.9 billion for the six month period ended September 30, 2014. This was on account of a decrease in our average balance of short-term borrowings which decreased from Rs. 352.3 billion for the six month period ended September 30, 2013 to Rs. 179.2 billion for the six month period ended September 30, 2014 and a decrease in the cost of our average short-term borrowings from 6.5% for the six month period ended September 30, 2013 to 4.4% for the six month period ended September 30, 2014. Our interest expense on long-term debt increased by 25.1% primarily on account of an increase in our average balance of long-term debt from Rs. 295.1 billion for the six month period ended September 30, 2013 to Rs. 387.7 billion for the six month period ended September 30, 2014. This was partially off-set by a decrease in our cost of long-term debt from 8.0% for the six month period ended September 30, 2013 to 7.6% for the six month period ended September 30, 2014.

Allowance for Credit Losses

Our loan loss allowance for credit losses consists of specific and unallocated components. Allowances for credit losses decreased by 17.5% from Rs. 8.9 billion for the six month period ended September 30, 2013 to Rs. 7.3 billion for the six month period ended September 30, 2014.

This decrease was mainly attributable to a decrease in the allowances for credit losses in our retail loan portfolio which decreased by 15.5% from Rs. 7.1 billion for the six month period ended September 30, 2013 to Rs. 6.0 billion for the six month period ended September 30, 2014. Our retail unallocated loan loss allowance had increased from Rs. 14.7 billion as of March 31, 2013 to Rs. 16.1 billion as of September 30, 2013, primarily attributable to higher expected losses in our commercial vehicle and equipment finance loan segment. Our retail unallocated loan loss allowance decreased from Rs. 19.2 billion as of March 31, 2014 to Rs. 19.0 billion as of September 30, 2014. The decrease in the allowances for credit losses in our retail loan portfolio was partially offset by an increase in our specific retail loan loss allowance. Our specific retail loan loss allowance increased from Rs. 5.7 billion for the six month period ended September 30, 2013 to Rs. 6.3 billion for the six month period ended September 30, 2014.

Our loan loss allowance for credit losses in our wholesale loan portfolio decreased by 25.5% from Rs. 1.8 billion for the six month period ended September 30, 2013 to Rs. 1.3 billion for the six month period

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ended September 30, 2014. This decrease was primarily attributable to our wholesale unallocated allowances, which decreased from Rs. 0.4 billion for the six month period ended September 30, 2013 to Rs. 0.1 billion for the six month period ended September 30, 2014.

Non-Interest Revenue

Our non-interest revenue decreased by 2.1% from Rs. 33.6 billion for the six month period ended September 30, 2013 to Rs. 32.9 billion for the six month period ended September 30, 2014. The following table sets forth the components of our non-interest revenue:

	Six month period ended September 30,			
	2013	2014	Increase/ (Decrease)	% Increase/ (Decrease)
	(in millions, except percentages)			
Fees and commissions	Rs. 27,923.0	Rs. 32,309.8	Rs. 4,386.8	15.7%
Trading securities gain/(loss), net	(781.9)	218.0	999.9	*
Realized gains/(losses) on AFS securities, net	1,891.8	242.4	(1,649.4)	(87.2)
Foreign exchange transactions	(225.9)	747.6	973.5	*
Derivatives gains/(loss)	4,575.5	(774.1)	(5,349.6)	(116.9)
Other, net	237.2	160.7	(76.5)	(32.3)
Total non-interest revenue	**Rs. 33,619.7**	**Rs. 32,904.4**	**Rs. (715.3)**	**(2.1)%**

* Not meaningful

Fees and commissions increased by 15.7% from Rs. 27.9 billion for the six month period ended September 30, 2013 to Rs. 32.3 billion for the six month period ended September 30, 2014 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 and transactional charges and fees on deposit accounts.

Gain on trading securities was primarily attributable to mark-to-market gains. We had higher realized gains on AFS securities in the six month period ended September 30, 2013 primarily on account of sale of Government of India securities and some of our other investment securities.

For the six month period ended September 30, 2014, derivative transactions (unadjusted for credit spread) resulted in a loss of Rs. 1.2 billion, primarily on account of a loss of Rs. 1.7 billion from forward exchange contracts, partially offset by a gain of Rs. 0.3 billion from currency options and currency swaps and Rs. 0.2 billion from interest rate derivatives. For the six month period ended September 30, 2013, derivative transactions (unadjusted for credit spread) resulted in income of Rs. 5.7 billion primarily due to a gain of Rs. 4.4 billion from forward exchange contracts, further augmented by a gain of Rs. 2.1 billion from currency options and currency swaps and partially offset by a loss of Rs. 0.8 billion from interest rate derivatives. Loss from derivative transactions (net of gain of Rs. 0.4 billion on account of credit spread) was Rs. 0.8 billion in the six month period ended September 30, 2014 as compared to a gain of Rs. 4.6 billion (net of loss of Rs. 1.1 billion on account of credit spread) in the six month period ended September 30, 2013. Income from foreign exchange transactions amounted to Rs. 0.7 billion for the six month period ended September 30, 2014 as compared to a loss of Rs. 0.2 billion for the six month period ended September 30, 2013.

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Non-Interest Expense

Our non-interest expense was comprised of the following:

	Six month period ended September 30,					
	2013	2014	Increase/ (Decrease)	% Increase/ (Decrease)	2013 % of net revenues	2014 % of net revenues
	(in millions, except percentages)					
Salaries and staff benefits	Rs. 29,132.2	Rs. 34,257.9	Rs. 5,125.7	17.6%	25.3%	24.7%
Premises and equipment	9,733.6	10,021.1	287.5	3.0	8.5	7.2
Depreciation and amortization	3,537.7	3,392.6	(145.1)	(4.1)	3.1	2.4
Administrative and other	18,846.6	23,264.6	4,418.0	23.4	16.4	16.8
Amortization of intangibles	834.2	210.5	(623.7)	(74.8)	0.7	0.2
Total non-interest expense	**Rs. 62,084.3**	**Rs. 71,146.7**	**Rs. 9,062.4**	**14.6%**	**53.9%**	**51.3%**

Total non-interest expense increased by 14.6% from Rs. 62.1 billion for the six month period ended September 30, 2013 to Rs. 71.1 billion for the six month period ended September 30, 2014. As of September 30, 2014, we had 3,600 branches and 11,515 ATMs across 2,272 locations, which increased from 3,251 branches and 11,177 ATMs across 2,022 locations as of September 30, 2013. This led to an overall increase in our non-interest expense. As a percentage of our net revenues, our non-interest expense was 51.3% for the six month period ended September 30, 2014 as compared to 53.9% for the six month period ended September 30, 2013.

Salaries and staff benefits increased by 17.6% from Rs. 29.1 billion for the six month period ended September 30, 2013 to Rs. 34.3 billion for the six month period ended September 30, 2014. This increase was primarily attributable to an increase in staff salaries and allowances on account of an increase in the number of employees and higher stock-based compensation expenses. The number of our employees increased from 69,662 as of September 30, 2013 to 75,339 as of September 30, 2014.

Premises and equipment costs increased from Rs. 9.7 billion for the six month period ended September 30, 2013 to Rs. 10.0 billion for the six month period ended September 30, 2014 primarily on account of higher rent, electricity, housekeeping, equipment maintenance and other infrastructure costs relating to the expanded branch network.

Depreciation and amortization expenses amounted to Rs. 3.4 billion for the six month period ended September 30, 2014 as compared to Rs. 3.5 billion for the six month period ended September 30, 2013.

Administrative and other expenses increased by 23.4% from Rs. 18.8 billion for the six month period ended September 30, 2013 to Rs. 23.3 billion for the six month period ended September 30, 2014 primarily on account of higher insurance costs, outsourcing expenses and credit card interchange fees.

We continued to amortize the remaining balance of 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 intangibles, and favorable leases over their estimated remaining useful life. This amortization resulted in a charge of

Rs. 0.2 billion for the six month period ended September 30, 2014.

Income Tax

Our net revenues after non-interest expense amounted to Rs. 67.6 billion for the six month period ended September 30, 2014 as compared to Rs. 53.0 billion for the six month period ended September 30, 2013. Our effective tax rate was 34.9% for the six month period ended September 30, 2013 and 36.4% for the six month period ended September 30, 2014. As a result, our income tax expense, net of interest earned on income tax refunds, increased by 32.8% from Rs. 18.5 billion for the six month period ended September 30, 2013 to Rs. 24.6 billion for the six month period ended September 30, 2014.

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Net Income

As a result of the foregoing factors, our net income after taxes increased by 24.5% from Rs. 34.5 billion for the six month period ended September 30, 2013 to Rs. 43.0 billion for the six month period ended September 30, 2014.

Fiscal Year Ended March 31, 2014 Compared to Fiscal Year Ended March 31, 2013

Net Interest Revenue after Allowance for Credit Losses

Our net interest revenue after allowances for credit losses increased by 21.3% from Rs. 144.4 billion in fiscal 2013 to Rs. 175.1 billion in fiscal 2014. Our net interest margin increased to 4.7% in fiscal 2014. The following table sets out the components of net interest revenue after allowance for credit losses:

	Year ended March 31,			
	2013	2014	Increase/ (Decrease)	% Increase/ (Decrease)
	(in millions, except percentages)			
Interest on loans	Rs. 271,730.5	Rs. 326,755.3	Rs. 55,024.8	20.2%
Interest on securities, including dividends and interest on trading assets	72,334.2	83,380.5	11,046.3	15.3
Other interest revenue	9,813.8	12,075.5	2,261.7	23.0
Total interest and dividend revenue	**353,878.5**	**422,211.3**	**68,332.8**	**19.3**
Interest on deposits	163,092.7	187,574.7	24,482.0	15.0
Interest on short-term borrowings	13,888.4	18,075.0	4,186.6	30.1
Interest on long term debt	19,556.9	23,976.6	4,419.7	22.6
Other interest expense	264.0	12.9	(251.1)	(95.1)
Total interest expense	**196,802.0**	**229,639.2**	**32,837.2**	**16.7**
Net interest revenue	**Rs. 157,076.5**	**Rs. 192,572.1**	**Rs. 35,495.6**	**22.6%**
Less allowance for credit losses:				
Retail	11,107.1	14,942.4	3,835.3	34.5
Wholesale	1,580.9	2,485.7	904.8	57.2
Total	**Rs. 12,688.0**	**Rs. 17,428.1**	**Rs. 4,740.1**	**37.4%**
Net interest revenue after allowance for credit losses	**Rs. 144,388.5**	**Rs. 175,144.0**	**Rs. 30,755.5**	**21.3%**

Interest and Dividend Revenue

Interest income on loans increased by 20.2% primarily due to an increase in our average loan book. The average balance of our total loan book increased by 22.0% from Rs. 2,328.3 billion in fiscal 2013 to Rs. 2,839.5 billion in fiscal 2014. Our average balance of retail loans increased by 25.7% from Rs. 1,499.2 billion in fiscal 2013 to Rs. 1,884.5 billion in fiscal 2014. The growth in retail loans was across the product segments. Our average balance of wholesale loans increased by 15.2% from Rs. 829.2 billion in fiscal 2013 to Rs. 955.0 billion in fiscal 2014. Retail loan yields decreased to 12.4% in fiscal 2014 as compared to 12.6% in fiscal 2013. Wholesale loan yields marginally decreased from 9.9% in fiscal 2013 to 9.8% in fiscal 2014.

Interest on securities, including dividends, increased by 15.3% from Rs. 72.3 billion in fiscal 2013 to Rs. 83.4 billion in fiscal 2014, driven by an increase of Rs. 148.3 billion in the average balance of investments. Yields marginally declined from 8.1% in fiscal 2013 to 8.0% in fiscal 2014.

Other interest revenue increased by 23.0% for fiscal 2014 compared to fiscal 2013 due to an increase in interest from our placements with central government bodies which are made to comply with the extant RBI guidelines on shortfall in priority sector lending sub-limits and term placements with other banks. Average placements with central government bodies increased by Rs. 12.0 billion in fiscal 2014 and yields thereon increased from 4.9% in fiscal 2013 to 5.3% in fiscal 2014.

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Interest Expense

Our interest expense on deposits increased by 15.0% from Rs. 163.1 billion in fiscal 2013 to Rs. 187.6 billion in fiscal 2014 due to an increase in average interest bearing deposits by 21.9% from Rs. 2,245.5 billion in fiscal 2013 to Rs. 2,737.9 billion in fiscal 2014.

There was an increase in the average balance of our savings accounts from Rs. 764.2 billion in fiscal 2013 to Rs. 893.6 billion in fiscal 2014 and an increase in the average balance of our time deposits from Rs. 1,481.3 billion in fiscal 2013 to Rs. 1,844.2 billion in fiscal 2014. Our average cost of deposits declined marginally from 6.1% in fiscal 2013 to 5.9% in fiscal 2014 as a result of a decrease in the average cost of time deposits from 9.0% in fiscal 2013 to 8.2% in fiscal 2014.

Our interest expense on short-term borrowings increased by 27.8% from Rs. 14.2 billion in fiscal 2013 to Rs. 18.1 billion in fiscal 2014 mainly on account of an increase in our average balance of short-term borrowings which increased by 35.5% from Rs. 241.9 billion in fiscal 2013 to Rs. 327.9 billion in fiscal 2014. This was partially off-set by a decrease in our cost of short-term borrowings from 5.9% in fiscal 2013 to 5.5% in fiscal 2014. Our interest expense on long-term debt increased by 22.6% primarily on account of an increase in our average balance of long-term debt from Rs. 234.5 billion in fiscal 2013 to Rs. 296.8 billion in fiscal 2014. This was partially off-set by a decrease in our cost of long-term debt from 8.3% in fiscal 2013 to 8.1% in fiscal 2014.

Allowance for Credit Losses

Our loan loss allowance for credit losses consists of specific and unallocated components. Allowances for credit losses increased by 37.4% from Rs. 12.7 billion in fiscal 2013 to Rs. 17.4 billion in fiscal 2014.

This increase was mainly attributable to an increase in the allowances for credit losses in our wholesale loan portfolio which increased by 57.2% from Rs. 1.6 billion in fiscal 2013 to Rs. 2.5 billion in fiscal 2014. The increase was primarily due to higher specific loan loss allowances attributable to certain specific segments which were adversely affected by slower GDP growth, the ban on mining of iron ore in many areas due to environmental factors and a slowdown in industrial investments. The increase in our specific loan loss allowance in our wholesale loan portfolio was partially offset by a decrease in the wholesale unallocated loan loss allowance, which decreased from Rs. 1.3 billion in fiscal 2013 to Rs. 0.2 billion in fiscal 2014.

Our loan loss allowance for credit losses in our retail loan portfolio increased by 34.5% from Rs. 11.1 billion in fiscal 2013 to Rs. 14.9 billion in fiscal 2014. The increase was primarily due to higher allowances in our commercial vehicle and equipment finance loan segment. Unfavorable economic situation characterized by continued stress in the segment largely attributable to the moderation in industrial activity and continued stagnancy in mining activity led to an increase in the delinquency of these loans. This was further augmented by higher retail unallocated allowances, which increased by 34.2% from Rs. 3.3 billion in fiscal 2013 to Rs. 4.5 billion in fiscal 2014. This increase was mainly attributable to the growth in our retail loan portfolio and expected losses thereon. The average balance of our retail loans increased by 25.7% from Rs. 1,499.2 billion in fiscal 2013 to Rs. 1,884.5 billion in fiscal 2014.

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Non-Interest Revenue

Our non-interest revenue increased by 8.7% from Rs. 65.2 billion in fiscal 2013 to Rs. 70.8 billion in fiscal 2014. The following table sets forth the components of our non-interest revenue:

	Year ended March 31,			
	2013	2014	Increase/ (Decrease)	% Increase/ (Decrease)
	(in millions, except percentages)			
Fees and commissions	Rs. 53,989.6	Rs. 60,314.1	Rs. 6,324.5	11.7%
Realized gains/(losses) on AFS securities	681.5	1,091.0	409.5	60.1
Trading securities gain/(loss), net	105.0	(345.1)	(450.1)	(428.7)
Foreign exchange transactions	9,727.0	9,010.5	(716.5)	(7.4)
Derivatives gains/(loss)	241.9	119.5	(122.4)	(50.6)
Other	432.4	644.5	212.1	49.1
Total non-interest revenue	**Rs. 65,177.4**	**Rs. 70,834.5**	**Rs. 5,657.1**	**8.7%**

Fees and commissions increased by 11.7% from Rs. 54.0 billion in fiscal 2013 to Rs. 60.3 billion in fiscal 2014 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 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 certain transaction specific charges. An increase in volume of credit card spends led to higher interchange income. Increase in our fees and commissions earned from our wholesale banking business was partially offset by a decline in the income from our consignment bullion business attributable to the regulatory changes during the fiscal year to contain import of bullion in India.

Realized gains on AFS securities were primarily on account of sale of Government of India securities and some of our other investment securities. Loss on trading securities was primarily attributable to mark-to-market losses.

In fiscal 2014, derivative transactions (unadjusted for credit spread) resulted in income of Rs. 0.5 billion. The income during fiscal 2014 was primarily on account of income of Rs. 1.6 billion from forward exchange contracts which was primarily attributable to cancellations of forward exchange contracts by non-bank customers. This income was further augmented by a gain of Rs. 0.7 billion from currency options and currency swaps and partially off-set by loss of Rs. 1.8 billion from interest rate derivatives. Loss from interest rate derivatives was largely attributable to mark-to-market loss on account of increase in interest rates during fiscal 2014. In fiscal 2013, derivative transactions (unadjusted for credit spread) resulted in income of Rs. 0.3 billion primarily due to gain of Rs. 3.1 billion from forward exchange contracts, 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. Gain from derivative transactions (net of loss of Rs. 0.4 billion on account of credit spread) was Rs. 0.1 billion in fiscal 2014 as compared to a gain of Rs. 0.2 billion (net of loss of Rs. 0.1 billion on account of credit spread) in fiscal 2013. Income from foreign exchange transactions decreased from Rs. 9.7 billion in fiscal 2013 to Rs. 9.0 billion in fiscal 2014.

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Non-Interest Expense

Our non-interest expense was comprised of the following:

	Year ended March 31,					
	2013	2014	Increase/ (Decrease)	% Increase/ (Decrease)	2013 % of net revenues	2014 % of net revenues
	(in millions, except percentages)					
Salaries and staff benefits	Rs. 53,954.1	Rs. 57,550.3	Rs. 3,596.2	6.7%	25.7%	23.4%
Premises and equipment	17,391.4	18,722.8	1,331.4	7.7	8.3	7.6
Depreciation and amortization	6,686.2	6,980.3	294.1	4.4	3.2	2.8
Administrative and other	37,254.9	39,436.2	2,181.3	5.9	17.8	16.0
Amortization of intangibles	2,304.5	1,538.5	(766.0)	(33.2)	1.1	0.6
Total non-interest expense	**Rs. 117,591.1**	**Rs. 124,228.1**	**Rs. 6,637.0**	**5.6%**	**56.1%**	**50.4%**

Total non-interest expense increased by 5.6% from Rs. 117.6 billion in fiscal 2013 to Rs. 124.2 billion in fiscal 2014. As of March 31, 2014, we had 3,403 branches and 11,256 ATMs across 2,171 locations, which increased from 3,062 branches and 10,743 ATMs across 1,845 locations as of March 31, 2013. This led to an overall increase in our non-interest expense. We undertook measures for cost management and productivity improvement of our staff during the fiscal. These measures also helped us in expanding our distribution network without a corresponding increase in the number of our employees. This caused the growth in our non-interest expense to be lower than the pace of our revenue growth. Our net interest revenue after allowances for credit losses increased by 21.3% from Rs. 144.4 billion in fiscal 2013 to Rs. 175.1 billion in fiscal 2014. As a result, our non-interest expense as a percentage of our net revenues was 50.4% in fiscal 2014 as compared to 56.1% in fiscal 2013.

Salaries and staff benefits increased by 6.7% from Rs. 54.0 billion in fiscal 2013 to Rs. 57.6 billion in fiscal 2014. This increase was primarily attributable to an increase in staff salaries and allowances partially offset by a decline in the number of employees from 69,065 employees as of March 31, 2013 to 68,165 employees as of March 31, 2014.

Premises and equipment costs increased by 7.7% from Rs. 17.4 billion in fiscal 2013 to Rs. 18.7 billion in fiscal 2014 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 by 4.4% from Rs. 6.7 billion in fiscal 2013 to Rs. 7.0 billion in fiscal 2014 due to the increase in our distribution network and higher spending on technology and infrastructure to support our growth.

Administrative and other expenses increased by 5.9% from Rs. 37.3 billion in fiscal 2013 to Rs. 39.4 billion in fiscal 2014 primarily on account of higher insurance, postage and communication and operating expenses for our credit cards and transactional banking businesses.

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. 1.5 billion in fiscal 2014.

Income Tax

Our income tax expense, net of interest earned on income tax refunds, increased by 41.8%, from Rs. 29.8 billion in fiscal 2013 to Rs. 42.3 billion in fiscal 2014. Our effective tax rate was 32.4% in fiscal 2013 and 34.7% in fiscal 2014. The effective tax rate was higher in fiscal 2014 primarily due to lower tax free income from our investments and an increase in the statutory income tax rate.

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The following table gives a reconciliation of the Indian statutory income tax rate to our annual effective income tax rate for fiscals 2013 and 2014:

	Year ended March 31, 2013	2014
Effective statutory income tax rate	32.45%	33.99%
Adjustments to reconcile statutory income tax rate to effective income tax rate:		
Stock-based compensation (net of forfeitures)	1.60	1.53
Income exempt from taxes	(0.65)	(0.37)
Interest on income tax refunds	(0.83)	(0.01)
Other, net	(0.13)	0.10
Effect of change in statutory tax rate		(0.50)
Annual effective income tax rate	32.44%	34.74%

Net Income

As a result of the foregoing factors, our net income after taxes increased by 28.3% from Rs. 61.8 billion in fiscal 2013 to Rs. 79.3 billion in fiscal 2014.

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. The average balance 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 balance of retail loans increased by 37.0% from

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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 balance 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 the average balance 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 RBI 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.

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 balance 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 balance 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 balance 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 balance 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. The average balance 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.

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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 balance 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

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.

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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.

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 due to lower tax free income from our investments.

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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.

Liquidity and Capital Resources

Our growth is 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.

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	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2014	Six month period ended September 30, 2013	Six month period ended September 30, 2014
			(in millions)		
Cash Flows from Operating Activities:					
Net income before non-controlling interest	Rs. 50,008.0	Rs. 62,134.7	Rs. 79,446.2	Rs. 34,517.4	Rs. 43,006.6
Non-cash adjustments to net income	22,137.7	21,323.4	23,298.2	5,488.4	19,385.4
Net change in other assets and liabilities	(34,653.4)	(11,944.6)	24,406.9	(32,119.3)	19,218.9
Net cash provided by operating activities	**Rs. 37,492.3**	**Rs. 71,513.5**	**Rs. 127,151.3**	**Rs. 7,886.5**	**Rs. 81,610.9**
Cash Flows from Investing Activities:					
Net change in term placements	(48,174.4)	(49,169.2)	22,784.0	13,007.1	(16,996.1)
Net change in investments	(181,331.0)	(200,007.5)	93,594.1	48,943.3	(192,252.6)
Net change in repurchase options and reverse repurchase options	(10,868.3)	88,868.3	(195,322.6)	53,500.0	34,006.5
Loans purchased net of repayments	(15,960.7)	(11,047.2)	(18,862.0)	8,195.1	(1,611.3)
Increase in loans originated, net of principal collections	(379,906.4)	(503,662.9)	(669,463.7)	(312,443.2)	(216,578.3)
Net additions to property and equipment	(7,878.5)	(9,951.0)	(9,601.2)	(5,637.1)	(3,344.2)
Net cash used in investing activities	**Rs. (644,119.3)**	**Rs. (684,969.5)**	**Rs. (776,871.4)**	**Rs. (194,434.8)**	**Rs. (396,776.0)**
Cash Flows from Financing Activities:					
Net increase in deposits	385,202.5	493,240.6	708,925.0	164,070.8	224,726.4
Net increase/(decrease) in short-term borrowings	38,641.2	33,123.4	477.7	64,124.1	(48,340.2)
Purchase of subsidiary shares from noncontrolling interest			(2,265.8)	(2,265.8)	(715.7)
Proceeds from issuance of shares by subsidiaries to non-controlling interest	12.3	34.6	162.4	140.4	
Net increase in long-term debt	82,141.2	116,830.3	95,278.0	(6,014.3)	7,092.3

Proceeds from issuance of equity shares for options exercised	5,302.8	10,949.5	7,232.9	4,059.5	6,154.1
Proceeds from application for issuance of equity shares for options exercised pending allotment		221.5			
Payment of dividends and dividend tax	(8,947.6)	(11,787.0)	(15,372.6)	(15,382.3)	(19,300.7)
Net cash provided by financing activities	**Rs. 502,352.4**	**Rs. 642,612.9**	**Rs. 794,437.6**	**Rs. 208,732.4**	**Rs. 169,616.2**
Effect of exchange rate changes on cash and cash equivalents	3,415.5	1,540.3	7,377.5	10,294.6	3,045.2
Net change in cash and cash equivalents	**(100,859.1)**	**30,697.2**	**152,095.0**	**32,478.7**	**(142,503.7)**
Cash and cash equivalents, beginning of year	288,902.1	188,043.0	218,740.2	218,740.2	370,835.2
Cash and cash equivalents, end of year	**Rs. 188,043.0**	**Rs. 218,740.2**	**Rs. 370,835.2**	**Rs. 251,218.9**	**Rs. 228,331.5**

Six Month Period Ended September 30, 2014 Compared to Six Month Period Ended September 30, 2013

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. 7.9 billion for the six month period ended September 30, 2013 to Rs. 81.6 billion for the six month period ended September 30, 2014, mainly due to higher cash flows for the six month period ended September 30, 2014 as compared to the six month period ended September 30, 2013 as a result of increase in our net income and a decrease 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. 218.2 billion for the six month period ended September 30, 2014 and Rs. 304.2 billion for the six month period ended September 30, 2013. The net increase in investments for the six month period ended September 30, 2014 was Rs. 192.3 billion primarily on account of an increase in available-for-sale Government of India securities.

Cash Flows from Financing Activities

Our primary sources of cash flows from financing activities are deposits and, to a lesser extent, borrowings. Net cash provided by our financing activities reduced from Rs. 208.7 billion in the six month period ended September 30, 2013 to Rs. 169.6 billion in the six month period ended September 30, 2014. During the six month period ended September 30, 2014, the net decrease in our short-term borrowings amounted to Rs. 48.3 billion, as compared to a net increase of Rs. 64.1 billion in the six month period ended September 30, 2013. During the six month period ended September 30, 2014, the net increase in our deposits amounted to Rs. 224.7 billion, as compared to a net increase of Rs. 164.1 billion during the six month period ended September 30, 2013. Our total deposits aggregated Rs. 3,903.9 billion as of September 30, 2014 and accounted for 88.4% of our non-equity sources of funds, which are comprised of deposits and borrowings. As of September 30, 2014, our short-term borrowings and long-term debt aggregated Rs. 104.6 billion and Rs. 406.2 billion, respectively.

Fiscal Year Ended March 31, 2014 Compared to Fiscal year ended March 31, 2013

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. 71.5 billion in fiscal 2013 to Rs. 127.2 billion in fiscal 2014, mainly due to higher cash flows in fiscal 2014 as compared to fiscal 2013 as a result of increase in our net income and a decrease 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. 688.3 billion in fiscal 2014 and Rs. 514.7 billion in fiscal 2013 on account of an increase in both our retail and wholesale loan portfolios. The decrease in investments in fiscal 2014 was Rs. 93.6 billion primarily on account of decrease in available-for-sale Government of India securities.

Cash Flows from Financing Activities

Our primary sources of cash flows from financing activities are deposits and, to a lesser extent, borrowings. Our total deposits increased by 24.0% from Rs. 2,960.5 billion in fiscal 2013 to Rs. 3,670.0 billion in fiscal 2014. Savings account deposits at Rs. 1,031.3 billion and current account deposits at Rs. 612.8 billion accounted for approximately 45% of total deposits as of March 31, 2014. There was a 30.2% increase in our time deposits from Rs. 1,556.1 billion in fiscal 2013 to Rs. 2,025.8 billion in fiscal 2014. This included an inflow of US$ 3.4 billion of FCNR deposits raised under the prescribed RBI scheme for attracting foreign currency flows in India. Our short-term borrowings increased by Rs. 5.2 billion from Rs. 145.6 billion in fiscal 2013 to Rs. 150.8 billion in fiscal 2014. There was an increase in long-term debt from Rs. 295.2 billion in fiscal 2013 to Rs. 395.2 billion in fiscal 2014 mainly on account of issuance of debt instruments primarily to fund the growth in loans of our overseas branches.

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Financial Condition

Assets

The following tables set forth the principal components of our assets as of March 31, 2014 and September 30, 2014:

	As of March 31,	As of September 30,		
	2014	2014	Increase/ (decrease)	% Increase/ (decrease)
	(in millions, except percentages)			
Cash and cash equivalents	Rs. 370,835.2	Rs. 228,331.5	Rs. (142,503.7)	(38.4)%
Term placements	176,481.7	193,477.8	16,996.1	9.6
Investments held for trading	65,077.9	37,172.5	(27,905.4)	(42.9)
Investments available for sale	908,824.3	1,118,027.0	209,202.7	23.0
Securities purchased under agreements to resell	57,322.6	38,316.1	(19,006.5)	(33.2)
Loans, net	3,185,648.1	3,402,552.1	216,904.0	6.8
Accrued interest receivable	40,388.5	40,371.2	(17.3)	(0.1)
Property and equipment, net	31,369.1	31,099.3	(269.8)	(0.9)
Intangible assets, net	231.0	20.5	(210.5)	(91.1)
Goodwill	74,937.9	74,937.9		
Other assets	214,291.0	155,856.1	(58,434.9)	(27.3)
Total assets	**Rs. 5,125,407.3**	**Rs. 5,320,162.0**	**Rs. 194,754.7**	**3.8%**

Our total assets increased by 3.8% to Rs. 5,320.2 billion as of September 30, 2014 from Rs. 5,125.4 billion as of March 31, 2014.

Our cash and cash equivalents decreased from Rs. 370.8 billion as of March 31, 2014 to Rs. 228.3 billion as of September 30, 2014 primarily on account of net cash used in investing activities, partially off-set by net cash provided by our operating and financing activities. 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 RBI 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 increased primarily on account of an increase in our short-term deposits made in the six months ended September 30, 2014. This increase was partially off-set by a decrease in our placements with central government bodies. Placements with central government bodies are made to comply with the extant RBI guidelines on shortfalls in priority sector lending sub-limits and account for 73% of term placements as of September 30, 2014.

Securities held under the trading portfolio are for trading purposes and are generally sold within 90 days from purchase. Investments held for trading decreased by 42.9% from Rs. 65.1 billion as of March 31, 2014 to Rs. 37.2 billion as of September 30, 2014, primarily on account of the sale of Government of India securities.

Investments available for sale increased by 23.0% from Rs. 908.8 billion as of March 31, 2014 to Rs. 1,118.0 billion as of September 30, 2014 primarily on account of an increase in our investments in Government of India securities and credit substitutes.

Net loans increased on account of an increase in both our retail lending as well as wholesale lending. Our outstanding gross retail loan portfolio increased by 7.7% from Rs. 2,188.3 billion as of March 31, 2014 to

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Rs. 2,357.1 billion as of September 30, 2014. The growth in retail loans was across the product segments. Our gross wholesale loan book increased by 4.9% from Rs. 1,040.0 billion as of March 31, 2014 to Rs. 1,091.3 billion as of September 30, 2014 primarily on account of an increase in our corporate banking loan portfolio.

Accrued interest receivable was Rs. 40.4 billion as of September 30, 2014 and as of March 31, 2014.

Our property and equipment marginally decreased by 0.9% from Rs. 31.4 billion as of March 31, 2014 to Rs. 31.1 billion as of September 30, 2014. As of March 31, 2014 we had a network of 3,403 branches in 2,171 locations which grew to 3,600 branches across 2,272 locations as of September 30, 2014.

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 in 2008. 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. 0.2 billion for the six month period ended September 30, 2014. Consequently, these intangibles were carried at an amortized value of Rs. 20.5 million as of September 30, 2014.

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. The goodwill arising from the business combination is tested on an annual basis for impairment. There were no changes in the carrying amount of goodwill for the year ended March 31, 2014 and the six month period ended September 30, 2014.

Other assets decreased by 27.3% from Rs. 214.3 billion as of March 31, 2014 to Rs. 155.9 billion as of September 30, 2014 primarily on account of a decrease in derivatives from Rs. 142.5 billion as of March 31, 2014 to Rs. 85.5 billion as of September 30, 2014. This was largely attributable to the decrease in mark-to-market gains from forward exchange contracts.

Liabilities and Shareholders Equity

The following tables set forth the principal components of our liabilities and shareholders equity as of September 30, 2014 and March 31, 2014:

	As of March 31,	As of September 30,		
	2014	2014	Increase/ (decrease)	% Increase/ (decrease)
		(in millions, except percentages)		
Liabilities				
Interest bearing deposits	Rs. 3,057,154.5	Rs. 3,327,758.5	Rs. 270,604.0	8.9%
Non-interest bearing deposits	612,845.6	576,107.9	(36,737.7)	(6.0)
Total deposits	**3,670,000.1**	**3,903,866.4**	**233,866.3**	**6.4%**
Securities sold under repurchase agreements		15,000.0	15,000.0	*
Short-term borrowings	150,775.5	104,571.9	(46,203.6)	(30.6)
Accrued interest payable	27,734.7	38,870.5	11,135.8	40.2

Long-term debt	395,208.6	406,221.4	11,012.8	2.8
Accrued expenses and other liabilities	348,687.7	277,094.7	(71,593.0)	(20.5)
Total liabilities	**4,592,406.6**	**4,745,624.9**	**153,218.3**	**3.3%**
Non-controlling interest in subsidiaries	1,094.0	742.1	(351.9)	(32.2)
HDFC Bank Limited shareholders equity	531,906.7	573,795.0	41,888.3	7.9
Total liabilities and shareholders equity	**Rs. 5,125,407.3**	**Rs. 5,320,162.0**	**Rs. 194,754.7**	**3.8%**

* Not meaningful

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Our total liabilities increased by 3.3% from Rs. 4,592.4 billion as of March 31, 2014 to Rs. 4,745.6 billion as of September 30, 2014. The increase in our interest-bearing deposits was on account of an increase in savings deposits and time deposits. Savings account deposits increased by 7.4% from Rs. 1,030.9 billion as of March 31, 2014 to Rs. 1,107.6 billion as of September 30, 2014. Time deposits increased by 9.6% from Rs. 2,026.3 billion as of March 31, 2014 to Rs. 2,220.1 billion as of September 30, 2014. Our non-interest bearing deposits decreased by 6.0% from Rs. 612.8 billion as of March 31, 2014 to Rs. 576.1 billion as of September 30, 2014. Of our total deposits as of September 30, 2014, retail deposits accounted for 81% 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, that are comprised of deposits and borrowings, deposits accounted for 88.4%, short-term borrowings accounted for 2.4% and long-term debt accounted for 9.2% as of September 30, 2014. Our short-term borrowings, which were primarily comprised of money market borrowings, decreased by Rs. 46.2 billion from Rs. 150.8 billion as of March 31, 2014 to Rs. 104.6 billion as of September 30, 2014 and our long-term debt increased by 2.8% from Rs. 395.2 billion as of March 31, 2014 to Rs. 406.2 billion as of September 30, 2014.

Accrued interest payable increased by Rs. 11.1 billion from Rs. 27.7 billion as of March 31, 2014 to Rs. 38.9 billion as of September 30, 2014. This increase was primarily on account of interest accrued on our subordinated debt borrowings.

Accrued expenses and other liabilities decreased by 20.5% from Rs. 348.7 billion as of March 31, 2014 to Rs. 277.1 billion as of September 30, 2014, primarily because of a decrease in derivatives from Rs. 124.2 billion as of March 31, 2014 to Rs. 76.7 billion as of September 30, 2014. This was largely attributable to a decrease in the 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 (primarily on account of mark-to-market gains on available for sale securities).

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. The RBI issued detailed guidelines for implementation of Basel III capital regulations in May 2012. The minimum capital requirements under Basel III are being phased-in as per the guidelines prescribed by the RBI. Accordingly, we are required to maintain a minimum common equity tier I ratio of 5.0%, a minimum total tier I capital ratio of 6.5% and a minimum total capital ratio of 9.0% as of March 31, 2014. We migrated to the new framework effective April 1, 2013. Previous year figures of regulatory capital and capital adequacy ratios were calculated under the then applicable Basel I and Basel II frameworks. 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.

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Our regulatory capital and capital adequacy ratios measured in accordance with Indian GAAP and calculated under Basel III as of March 31, 2014 and September 30, 2014 are as follows:

	Basel III		
	March 31, 2014	September 30, 2014	
	(in millions, except percentages)		
Tier 1 capital	Rs. 406,545.2	Rs. 449,071.9	US$ 7,252.5
Tier 2 capital	148,555.5	148,417.9	2,396.9
Total capital	**Rs. 555,100.7**	**Rs. 597,489.8**	**US$ 9,649.4**
Total risk weighted assets and contingents	**Rs. 3,453,008.5**	**Rs. 3,805,443.4**	**US$ 61,457.4**
Capital ratios of the Bank:			
Tier 1	11.77%	11.80%	11.80%
Total capital	16.07%	15.70%	15.70%
Minimum capital ratios required by the RBI:			
Tier 1	6.50%	6.50%	6.50%
Total capital	9.00%	9.00%	9.00%

Our regulatory capital and capital adequacy ratios measured in accordance with Indian GAAP and calculated under both the Basel I and Basel II frameworks as of March 31, 2013 are as follows:

	Basel I	Basel II
	2013	2013
	(in millions, except percentages)	
Tier 1 capital	Rs. 339,282.0	Rs. 338,811.3
Tier 2 capital	175,192.3	175,192.3
Total capital	**Rs. 514,474.3**	**Rs. 514,003.6**
Total risk weighted assets and contingents	**Rs. 3,227,251.5**	**Rs. 3,058,788.9**
Capital ratios of the Bank:		
Tier 1	10.51%	11.08%
Total capital	15.94%	16.80%
Minimum capital ratios required by the RBI:		
Tier 1	4.50%	6.00%
Total capital	9.00%	9.00%

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. 8.1 billion in fiscal 2015. This budgeted amount includes Rs. 2.5 billion to expand our branch and back office network, Rs. 0.1 billion to expand our electronic data capture terminal network, Rs. 3.1 billion to upgrade and expand our hardware, data center, network and other systems and the balance primarily to add new equipments in and expand our existing premises, to relocate our branches and back-offices. 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.

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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 September 30, 2014, together with the fair values on each reporting date:

	As of September 30, 2014					
	Notional	**Gross Assets**	**Gross Liabilities**	**Net Fair Value**	**Notional**	**Net Fair Value**
			(in millions)			
Interest rate derivatives	Rs. 1,571,336.9	Rs. 6,235.1	Rs. 7,091.6	Rs. (856.5)	US$ 25,376.9	US$ (13.8)
Currency options	158,673.9	1,003.3	1,381.9	(378.6)	2,562.6	(6.1)
Currency swaps	72,146.2	5,657.7	3,094.2	2,563.5	1,165.2	41.4
Forward exchange contracts	6,931,001.7	72,611.1	65,159.1	7,452.0	111,934.8	120.3
Total	**Rs. 8,733,158.7**	**Rs. 85,507.2**	**Rs. 76,726.8**	**Rs. 8,780.4**	**US$ 141,039.5**	**US$ 141.8**

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 subsequent 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, 2014	As of September 30, 2014	
	(in millions)		
Nominal values:			
Bank guarantees:			
Financial guarantees	Rs. 161,259.8	Rs. 146,315.0	US$ 2,363.0
Performance guarantees	88,204.3	88,892.5	1,435.6
Documentary credits	192,095.2	288,095.1	4,652.7
Total	**Rs. 441,559.3**	**Rs. 523,302.6**	**US$ 8,451.3**

Guarantees and documentary credits outstanding increased by 18.5% to Rs. 523.3 billion as of September 30, 2014 as compared to Rs. 441.6 billion as of March 31, 2014, principally due to growth in our trade finance business.

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. 617.0 billion as of September 30, 2014. 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 11 to our unaudited interim condensed consolidated financial statements for the six month period ended September 30, 2014 included elsewhere in this report or incorporated herein by reference.

Contractual Obligations and Commercial Commitments

The table below summarizes our principal contractual obligations as of September 30, 2014 by expected settlement period.

Contractual Obligations

	Payments due by period, as of September 30, 2014				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
			(in millions)		
Subordinated debt	Rs. 172,774.0	Rs. 6,450.0	Rs. 9,720.0	Rs. 13,000.1	Rs. 143,603.9
Other long term debt	233,447.4	20,604.1	206,945.4	5,897.9	

Operating leases[(a)]	46,062.8	7,139.7	19,221.7	4,579.5	15,121.9
Short-term borrowings	104,571.9	104,571.9			
Securities sold under repurchase agreements	15,000.0	15,000.0			
Unconditional purchase obligations[(b)]	2,719.5	2,719.5			
Total	**Rs. 574,575.6**	**Rs. 156,485.2**	**Rs. 235,887.1**	**Rs. 23,477.5**	**Rs. 158,725.8**

(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 September 30, 2014. See Note 14 Commitments and contingencies of the unaudited interim condensed consolidated financial statements for the six month period ended September 30, 2014.

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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. 1.4 billion as of September 30, 2014 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. 0.9 billion as of September 30, 2014.

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 September 30, 2014 are set forth in the following table:

	Amount of commitment expiration per period, as of September 30, 2014				
	Total amounts Committed	**Less than 1 year**	**1-3 years**	**3-5 years**	**Over 5 years**
			(in millions)		
Documentary credits	Rs. 288,095.1	Rs. 281,138.7	Rs. 6,533.1	Rs. 422.7	Rs. 0.6
Guarantees	235,207.5	151,364.7	68,951.0	8,143.5	6,748.3
Derivatives*	8,733,158.7	7,434,712.2	728,936.0	502,408.2	67,102.3
Total	**Rs. 9,256,461.3**	**Rs. 7,867,215.6**	**Rs. 804,420.1**	**Rs. 510,974.4**	**Rs. 73,851.2**

* 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.

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Our exposures to our ten largest borrowers as of September 30, 2014, computed as per RBI guidelines, based on the higher of the outstanding balances of or limits on, funded and non-funded exposures as per Indian GAAP were as follows. None of these exposures were impaired as of September 30, 2014:

		September 30, 2014			
	Borrower Industry	Funded Exposure	Non-Funded Exposure	Total Exposure	Total Exposure
		(in millions)			
Borrower 1	Banks and Financial Institutions	Rs. 111,649.1	Rs. 159.3	Rs. 111,808.4	US$ 1,805.7
Borrower 2	Coal and Petroleum Products	25,280.0	50,000.0	75,280.0	1,215.8
Borrower 3	Coal & Petroleum Products	17,446.9	57,003.7	74,450.6	1,202.4
Borrower 4	Iron and Steel	24,074.6	21,580.0	45,654.6	737.3
Borrower 5	NBFC / Financial Intermediaries	42,500.0	12.5	42,512.5	686.6
Borrower 6	Automobile & Auto Ancillary	35,344.4	2,056.3	37,400.7	604.0
Borrower 7	Non-ferrous Metals	1,467.8	33,933.3	35,401.1	571.7
Borrower 8	NBFC / Financial Intermediaries	30,000.0		30,000.0	484.5
Borrower 9	NBFC / Financial Intermediaries	28,372.7		28,372.7	458.2
Borrower 10	Engineering	12,506.7	15,225.0	27,731.7	447.9

As of September 30, 2014, our exposure to our ten largest borrowers was, for each such borrower, equal to or more than 5% of our capital funds, which was mainly comprised of large credit facilities to these borrowers. Of the total exposure to these ten borrowers, 37% was secured by collateral.

Our top single customer exposure is to a financial institution that was established by an act passed by the Indian Parliament for agricultural and rural development. Our exposure to the said organization is in the nature of placements made to comply with the extant RBI guidelines on shortfall in directed lending sub-limits. The regulatory ceiling prescribed by RBI is not applicable to exposures to this organization.

There were no exposures that exceeded the regulatory ceiling established by RBI.

Cross border exposures

The RBI requires banks in India to implement RBI prescribed guidelines on country risk management in respect of those countries where a bank has net funded exposure in excess of a prescribed percentage of its total assets. In the normal course of business, we have both direct and indirect exposure to risks related to counter parties and entities in foreign countries. We monitor such cross-border exposures on an ongoing basis. As of September 30, 2014, our aggregate country risk exposure was 3.1% of our total assets and our net funded exposure to any other country did not exceed 1% of our total assets. The level of our exposure to countries in Europe (primarily in the nature of commercial credits) which has been impacted by the sovereign debt crisis is not significant; it aggregates to 0.03% of our total assets.

Cyber Security

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 hacking, 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 reputational damage to us; and data theft, wherein cyber criminals may intrude into our network with the intention of stealing our internal data or our customer information or to extort money.

We have implemented various measures to mitigate risks that emanate from offering online banking to our customers. These are briefly enumerated below:

Phishing: We identify phishing sites and trojans targeting our customers and then shut down such sites. Forensic information such as customers details which may have been compromised are retrieved from such sites and acted upon. We have implemented Secure Access which provides an additional layer of security beyond customer id and password for internet banking transactions. This system evaluates every transaction based on our risk model and helps us determine whether the incumbent transaction is a genuine one or suspicious. Should the transaction be deemed suspicious, the system has the option of either declining the transaction or asking for additional authentication. As a practice, we send awareness mails to our customers educating them about phishing and the measures that they need to take to protect themselves in falling prey to it.

Hacking and Data Theft: We have implemented firewalls and Intrusion Prevention System at the perimeter of our network to block any attempts made to hack or intrude into our network. Our 24 by 7 Security Operations Center (SOC) analyzes logs of its perimeter defenses to identify any attempts made to intrude into our network. We have an incident management process to ensure that in the event of any incident, relevant stakeholders are made aware of what their role is in resolving the incident. We also test our internet facing infrastructure and applications for vulnerability. Any vulnerability thus identified is remediated in a time bound manner. We have defined baseline security standards for the technologies in use. These standards were created taking into consideration industry best practices and are reviewed on a regular basis to counter new threat vectors and avoid obsolescence.

We have also undertaken internal data security measures that are taken with respect to breaches or theft of material or sensitive customer data. These are briefly enumerated below:

Data Loss Prevention (DLP): Information is an important asset of any organization that supports business processes and management decisions. Usage and protection of business information can be heavily influenced by individuals in the end user environment, where most of the corporate data is processed, shared and stored. We have implemented enterprise solutions such as DLP to monitor sensitive data stored, transmitted and shared by users, and to prevent and detect data breaches. Individual business functions are also involved in incident reviews which helps create a sense of ownership and awareness amongst our employees.

Laptop Encryption: Data Encryption helps ensure that business-critical and sensitive data does not fall into the wrong hands, thereby preventing reputational damage or curtailing any monetary losses. The cost arising out of loss of data residing in a laptop is far higher than the cost of replacing the actual device. We have therefore introduced a laptop encryption tool which is being implemented on the Bank s laptops in a phased manner.

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SELECTED STATISTICAL INFORMATION

The following information should be read together with our financial statements included in or incorporated by reference in this prospectus supplement as well as Management s Discussion and Analysis of Financial Condition and Results of Operations. Certain amounts presented in this section are in accordance with U.S. GAAP and certain figures are presented according to RBI guidelines where noted. In certain instances below, we provide summary information for the six month period ended September 30, 2014 following the detailed presentation of prior fiscal years when the detailed presentation for such information is only prepared at fiscal year end. Whenever relevant, ratios for the six month periods are presented on an annualized basis. Footnotes appear at the end of each related section of tables where applicable.

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.

	Year ended March 31,								
	2012			2013			2014		
	Average balance	Interest revenue/ expense	Average yield/ cost	Average balance	Interest revenue/ expense	Average yield/ cost	Average balance	Interest revenue/ expense	A
				(in millions, except percentages)					
earning									
ivalents	Rs. 11,730.2	Rs. 576.7	4.9%	Rs. 20,848.9	Rs. 1,222.3	5.9%	Rs. 48,915.8	Rs. 1,699.8	
cements	119,812.5	5,970.4	5.0	160,690.5	8,591.5	5.3	179,718.7	10,375.7	
nts for sale	711,217.8	56,621.0	8.0	832,972.8	66,554.2	8.0	975,076.8	77,497.1	
nts held to									
nts held for	49,214.5	4,056.2	8.2	60,784.6	5,780.0	9.5	66,980.4	5,883.4	
et:									
ans	1,094,555.1	140,535.9	12.8	1,499,163.5	189,571.3	12.6	1,884,500.8	233,307.2	
le loans	759,809.1	69,779.8	9.2	829,157.1	82,159.2	9.9	954,976.9	93,448.1	
earning	Rs. 2,746,339.2	Rs. 277,540.0	10.1%	Rs. 3,403,617.4	Rs. 353,878.5	10.4%	Rs. 4,110,169.4	Rs. 422,211.3	
rest-earning	182,544.0			174,638.0			178,960.0		

and nt	23,068.4			26,365.1			30,529.7	
sets	145,211.0			170,011.8			185,460.4	
n-interest ssets	350,823.4			371,014.9			394,950.1	
sets	**Rs. 3,097,162.6**	**Rs. 277,540.0**	**9.0%**	**Rs. 3,774,632.3**	**Rs. 353,878.5**	**9.4%**	**Rs. 4,505,119.5**	**Rs. 422,211.3**
es:								
bearing :								
account	Rs. 657,063.0	Rs. 26,024.6	4.0%	Rs. 764,180.0	Rs. 30,432.0	4.0%	Rs. 893,648.0	Rs. 35,653.9
posits	1,167,955.8	100,758.5	8.6	1,481,272.4	132,660.7	9.0	1,844,247.6	151,920.8
m gs(1)	195,493.8	12,376.4	6.3	241,905.5	14,152.4	5.9	327,891.7	18,087.9
m debt	148,201.6	11,988.5	8.1	234,489.1	19,556.9	8.3	296,782.8	23,976.6
bearing .	Rs. 2,168,714.2	Rs. 151,148.0	7.0%	Rs. 2,721,847.0	Rs. 196,802.0	7.2%	Rs. 3,362,570.1	Rs. 229,639.2
rest-bearing :								
rest-bearing	390,682.9			414,590.2			448,165.2	
bilities	163,251.2			202,155.3			186,627.8	
est-bearing .	553,934.1			616,745.5			634,793.0	
bilities	**Rs. 2,722,648.3**	**Rs. 151,148.0**	**5.6%**	**Rs. 3,338,592.5**	**Rs. 196,802.0**	**5.9%**	**Rs. 3,997,363.1**	**Rs. 229,639.2**
reholders	374,514.3			436,039.8			507,756.4	
bilities and ders equity	Rs. 3,097,162.6	Rs. 151,148.0	4.9%	Rs. 3,774,632.3	Rs. 196,802.0	5.2%	Rs. 4,505,119.5	Rs. 229,639.2

(1) Includes securities sold under repurchase agreements.

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	Six months ended September 30,					
	2013			2014		
	Average balance	Interest revenue/ expense	Average yield/ cost	Average balance	Interest revenue/ expense	Average yield/ cost
	(in millions, except percentages)					
Assets:						
Interest-earning assets:						
Cash equivalents	Rs. 26,970.5	Rs. 795.3	5.9%	Rs. 75,712.8	Rs. 1,848.6	4.9%
Term placements	185,677.9	5,302.0	5.7%	168,724.2	5,542.2	6.6%
Investments available for sale	966,639.6	38,460.8	7.9	1,059,608.9	44,038.0	8.3
Investments held to maturity						
Investments held for trading	83,630.0	3,412.5	8.1	71,486.7	2,459.3	6.9
Loans, net:						
Retail loans	1,750,014.0	110,291.1	12.6	2,216,948.4	133,060.0	12.0
Wholesale loans	910,186.5	43,745.2	9.6	1,022,739.1	51,657.1	10.1
Total interest-earning assets	Rs. 3,923,118.5	Rs. 202,006.9	10.3%	Rs. 4,615,220.1	Rs. 238,605.2	10.3%
Non-interest-earning assets:						
Cash	Rs. 174,581.0			Rs. 189,577.0		
Property and equipment	29,938.5			30,740.2		
Other assets	162,453.6			194,229.7		
Total non-interest earning assets	366,973.1			414,546.9		
Total assets	**Rs. 4,290,091.6**	**Rs. 202,006.9**	**9.4%**	**Rs. 5,029,767.0**	**Rs. 238,605.2**	**9.5%**
Liabilities:						
Interest-bearing liabilities:						
Savings account deposits	Rs. 867,972.0	Rs. 17,366.5	4.0%	Rs. 1,017,298.0	Rs. 20,350.1	4.0%
Time deposits	1,678,438.6	71,081.9	8.4	2,160,693.9	86,426.3	8.0
Short-term borrowings[(1)]	352,283.4	11,401.4	6.5	179,222.1	3,926.1	4.4
Long-term debt	295,124.7	11,784.7	8.0	387,718.6	14,744.6	7.6
Total interest-bearing liabilities	Rs. 3,193,818.7	Rs. 111,634.5	7.0%	Rs. 3,744,932.6	Rs. 125,447.1	6.7%
Non-interest-bearing liabilities:						
Non-interest-bearing deposits	Rs. 436,002.4			Rs. 499,022.3		
Other liabilities	196,433.8			233,252.7		
Total non-interest-bearing liabilities	632,436.2			732,275.0		
Total liabilities	**Rs. 3,826,254.9**	**Rs. 111,634.5**	**5.8%**	**Rs. 4,477,207.6**	**Rs. 125,447.1**	**5.6%**
Total shareholders equity	463,836.7			552,559.4		

Total liabilities and shareholders equity	Rs. 4,290,091.6	Rs. 111,634.5	5.2%	Rs. 5,029,767.0	Rs. 125,447.1	5.0%

(1) Includes securities sold under repurchase agreements

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Analysis of Changes in Interest Revenue and Interest Expense

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

	Fiscal 2013 vs. Fiscal 2012 Increase (decrease)(1) due to			Fiscal 2014 vs. Fiscal 2013 Increase (decrease)(1) due to			Six months ended September 30 six months ended September 3 Increase (decrease)(1) due		
	Net change	**Change in Average balance**	**Change in average rate**	**Net change**	**Change in Average balance (in millions)**	**Change in average rate**	**Net change**	**Change in Average balance**	**C a**
enue:									
alents	Rs. 645.6	Rs. 448.3	Rs. 197.3	Rs. 477.5	Rs. 1,645.5	Rs. (1,168.0)	Rs. 1,053.3	Rs. 1,437.3	Rs
ments	2,621.1	2,037.0	584.1	1,784.2	1,017.4	766.8	240.2	(484.1)	
. r sale	9,933.2	11,593.5	(1,660.3)	10,942.9	11,390.5	(447.6)	5,577.2	3,699.1	
s held									
s held	1,723.8	953.6	770.2	103.4	589.2	(485.8)	(953.2)	(495.5)	
	49,035.4	51,949.9	(2,914.5)	43,735.9	48,726.4	(4,990.5)	22,768.9	29,427.6	
oans	12,379.4	6,368.8	6,010.6	11,288.9	12,467.2	(1,178.3)	7,911.9	5,409.5	
rning	**Rs. 76,338.5**	**Rs. 73,351.1**	**Rs. 2,987.4**	**Rs. 68,332.8**	**Rs. 75,836.2**	**Rs. (7,503.4)**	**Rs. 36,598.3**	**Rs. 38,993.9**	**Rs**
ense:									
ount	Rs. 4,407.4	Rs. 4,242.6	Rs. 164.8	Rs. 5,221.9	Rs. 5,221.9		Rs. 2,983.6	Rs. 2,983.6	
its	31,902.2	27,029.5	4,872.7	19,260.1	32,507.6	(13,247.5)	15,344.4	20,423.5	
	1,776.0	2,938.3	(1,162.3)	3,935.5	5,030.5	(1,095.0)	(7,475.3)	(5,601.0)	
debt	7,568.4	6,980.1	588.3	4,419.7	5,195.4	(775.7)	2,959.9	3,697.4	
aring	**Rs. 45,654.0**	**Rs. 41,190.5**	**Rs. 4,463.5**	**Rs. 32,837.2**	**Rs. 47,955.4**	**Rs. (15,118.2)**	**Rs. 13,812.6**	**Rs. 21,503.5**	**Rs**
	Rs. 30,684.5	Rs. 32,160.6	Rs. (1,476.1)	Rs. 35,495.6	Rs. 27,880.8	Rs. 7,614.8	Rs. 22,785.7	Rs. 17,490.4	Rs

(1) The changes in net interest revenue between periods have been reflected as attributed either to average balance or rate changes. For purposes of this table, changes which are due to both average balance and rate have been allocated solely to changes in average 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,			Six months ended September 30,	
	2012	2013	2014	2013	2014
	(in millions, except percentages)				
Interest revenue	Rs. 277,540.0	Rs. 353,878.5	Rs. 422,211.3	Rs. 202,006.9	Rs. 238,605.2
Average interest-earning assets	2,746,339.2	3,403,617.4	4,110,169.4	3,923,118.5	4,615,220.1
Interest expense	151,148.0	196,802.0	229,639.2	111,634.5	125,447.1
Average interest-bearing liabilities	2,168,714.2	2,721,847.0	3,362,570.1	3,193,818.7	3,744,932.6
Average total assets	3,097,162.6	3,774,632.3	4,505,119.5	4,290,091.6	5,029,767.0
Average interest-earning assets as a percentage of average total assets	88.7%	90.2%	91.2%	91.4%	91.8%
Average interest-bearing liabilities as a percentage of average total assets	70.0%	72.1%	74.6%	74.4%	74.5%
Average interest-earning assets as a percentage of average interest-bearing liabilities	126.6%	125.0%	122.2%	122.8%	123.2%
Yield	10.1%	10.4%	10.3%	10.3%	10.3%
Cost of funds(1)	5.6%	5.9%	5.7%	5.8%	5.6%
Spread(2)	4.2%	4.1%	4.2%	4.1%	4.4%
Net interest margin(3)	4.6%	4.6%	4.7%	4.6%	4.9%

(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.

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Returns on Equity and Assets

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

	Year ended March 31,			Six months ended September 30,	
	2012	2013	2014	2013	2014
	(in millions, except percentages)				
Net income	Rs. 49,783.4	Rs. 61,819.4	Rs. 79,319.7	Rs. 34,511.6	Rs. 42,976.5
Average total assets	3,097,162.6	3,774,632.3	4,505,119.5	4,290,091.6	5,029,767.0
Average total shareholders equity	374,514.3	436,039.8	507,756.4	463,836.7	552,559.4
Net income as a percentage of average total assets	1.6%	1.6%	1.8%	1.6%	1.7%
Net income as a percentage of average total shareholders equity	13.3%	14.2%	15.6%	14.8%	15.5%
Average total shareholders equity as a percentage of average total assets	12.1%	11.6%	11.3%	10.8%	11.0%
Dividend payout-ratio	20.3%	21.2%	20.7%		

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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, 2013				2014			
lue	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair Value
				(in millions)				
590.3	Rs. 924,935.5	Rs. 2,665.6	Rs. 3,539.1	Rs. 924,062.0	Rs. 839,410.1	Rs. 919.1	Rs. 19,763.4	Rs. 820,565.
373.8	69,015.1	181.6	27.2	69,169.5	70,902.1	244.8	32.8	71,114.
964.1	Rs. 993,950.6	Rs. 2,847.2	Rs. 3,566.3	Rs. 993,231.5	Rs. 910,312.2	Rs. 1,163.9	Rs. 19,796.2	Rs. 891,679.
16.3	23,837.4	1,148.8	146.2	24,840.0	16,972.7	585.9	414.2	17,144.
080.4	Rs. 1,017,788.0	Rs. 3,996.0	Rs. 3,712.5	Rs. 1,018,071.5	Rs. 927,284.9	Rs. 1,749.8	Rs. 20,210.4	Rs. 908,824.

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

Held to Maturity Investments

As of March 31, 2012, 2013 and 2014 and September 30, 2014, 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, 2013				2014				
d	Fair value	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair Value	A
					(in millions)					
2	Rs. 51,017.4	Rs. 63,468.6	Rs. 134.7	Rs. 58.5	Rs. 63,544.8	Rs. 56,409.0	Rs. 3.5	Rs. 191.1	Rs. 56,221.4	R
9	26,026.0	13,856.2	11.7	59.1	13,808.8	8,874.2	11.7	55.2	8,830.7	
1	Rs. 77,043.4	Rs. 77,324.8	Rs. 146.4	Rs. 117.6	Rs. 77,353.6	Rs. 65,283.2	Rs. 15.2	Rs. 246.3	Rs. 65,052.1	R

		10,029.9			10,029.9	25.2	0.7	0.1	25.8	
1	Rs. 77,043.4	Rs. 87,354.7	Rs. 146.4	Rs. 117.6	Rs. 87,383.5	Rs. 65,308.4	Rs. 15.9	Rs. 246.4	Rs. 65,077.9	R

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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 other debt securities classified as available-for-sale securities and their market yields.

	At September 30, 2014							
	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. 375,212.4	8.6%	Rs.227,490.4	8.4%	Rs.267,157.0	8.8%	Rs.126,288.0	8.7%
Other debt securities	94,105.8	8.8	11,612.0	6.1	734.5	9.6		
Total debt securities, fair value	Rs. 469,318.2	8.6%	Rs.239,102.4	8.3%	Rs.267,891.5	8.8%	Rs.126,288.0	8.7%
Total amortized cost	Rs. 470,589.6		Rs.241,516.7		Rs.273,882.0		Rs.124,461.1	

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 81% of total deposits as of September 30, 2014, 78% of total deposits as of March 31, 2014 and 75% of total deposits as of March 31, 2013. Wholesale banking deposits represented 19% of total deposits as of September 30, 2014, 22% as of March 31, 2014 and 25% as of March 31, 2013.

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 4.0% in fiscals 2012, 2013 and 2014 and in the six months ended September 30, 2014. The average cost of time deposits was 8.6% in fiscal 2012, 9.0% in fiscal 2013, 8.2% in fiscal 2014 and 8.0% in the six months ended September 30, 2014. The average deposits for the periods set forth are as follows:

	Year ended March 31,						Six months ended September 30,	
	2012		2013		2014		2014	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions, except percentages)							
Current deposits	Rs. 390,682.9	17.6%	Rs. 414,590.2	15.6%	Rs. 448,165.2	14.1%	Rs. 499,022.3	13.6%
	657,063.0	29.7	764,180.0	28.7	893,648.0	28.0	1,017,298.0	27.7

Savings deposits								
Time deposits	1,167,955.8	52.7	1,481,272.4	55.7	1,844,247.6	57.9	2,160,693.9	58.7
Total	Rs. 2,215,701.7	100.0%	Rs. 2,660,042.6	100.0%	Rs. 3,186,060.8	100.0%	Rs. 3,677,014.2	100.0%

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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, 2012	2013	2014	Six months ended September 30, 2014
	(in millions, except percentages)			
Period end	Rs. 182,642.8	Rs. 350,617.2	Rs. 150,775.5	Rs. 119,571.9
Average balance during the period	Rs. 195,493.8	Rs. 241,905.5	Rs. 327,891.7	Rs. 179,222.1
Average interest rate during the period(1)	6.3%	5.9%	5.5%	4.4%
Average interest rate at period end(2)	6.1%	6.6%	3.3%	4.2%

(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, 2012, 2013 and 2014 and September 30, 2014.

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 September 30, 2014 are Rs. 130.44 billion, Rs. 40.33 billion, and 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 (Rs. in billion)
Lower Tier II	INR	2003-04	2017-18	13.3	6.00			0.05
Lower Tier II	INR	2005-06	2015-16	9.7	7.50			0.70
Lower Tier II	INR	2005-06	2015-16	9.7	7.50			0.91
Lower Tier II	INR	2005-06	2015-16	9.6	7.50			2.53
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	2027-28	15.0	9.45	2022-23	34.77
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

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Type	Currency	Year of issue	Year of maturity	Average tenor (years)	Interest rate (%)	Year of call	Step-up rate (%)	Face value (Rs. in billion)
Lower Tier II	INR	2013-14	2023-24	10.0	10.20			1.00
Lower Tier II	INR	2013-14	2023-24	10.0	10.05			0.50
Lower Tier II	INR	2013-14	2023-24	10.0	10.19			0.80
Lower Tier II	INR	2014-15	2024-25	10.0	9.70			2.00
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	6.18
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. 61.75 = 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.

Asset Liability Gap

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

	As of September 30, 2014[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	
	(Rs. in millions, except percentages)								
sh)(3)	87,794.4	9,180.1	6,850.6	10,623.8	114,448.9	65,348.0	2,058.7	46,475.9	2
	5,887.6	14,273.9	41,943.5	19,383.3	81,488.3	35,431.8	40,241.8	36,315.9	1
held	21,964.9	15,207.6			37,172.5				
	339,863.9	91,426.9	60,912.8	54,708.3	546,911.9	317,291.2	27,455.6	226,368.3	1,1
	35,667.4	648.7	2,000.0		38,316.1				
nder s									

(8)	280,310.8	344,705.5	303,249.1	353,711.9	1,281,977.3	1,592,098.1	280,533.9	247,942.8	**3,4**
rest	23,440.6	9,265.3	5,915.0	260.4	38,881.3	492.5	515.6	481.8	
13)	18,111.8	2,682.8			20,794.6	117,423.7			1
al	813,041.4	487,390.8	420,871.0	438,687.7	2,159,990.9	2,128,085.3	350,805.6	557,584.7	**5,1**
0)	372,806.8	222,725.9	169,471.3	255,974.7	1,020,978.7	1,745,826.4	100,083.7	1,036,977.6	**3,9**
	45,189.1	35,806.2	36,493.2	34,552.6	152,041.1	163,982.0	93,562.7	101,207.5	5
ld hase	15,000.0				15,000.0				
)(13)	142,595.6	2,877.9	36,458.3	8,660.1	190,591.9	125,369.0	4.3		3
al	575,591.5	261,410.0	242,422.8	299,187.4	1,378,611.7	2,035,177.4	193,650.7	1,138,185.1	**4,7**
y	237,449.9	225,980.8	178,448.2	139,500.3	781,379.2	92,907.9	157,154.9	(580,600.4)	4
gap	237,449.9	463,430.7	641,878.9	781,379.2	781,379.2	874,287.1	1,031,442.0	450,841.6	4
gap ge cial	29.2%	35.6%	37.3%	36.2%	36.2%	20.4%	22.2%	8.7%	

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(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, if any, 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, if any, 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.
(13) Other assets and other liabilities are classified under various maturity categories based on historical behavioral analysis that we have performed to determine the appropriate maturity categorization of such other assets and other liabilities. Other assets exclude deferred tax assets.

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

Loan Portfolio and Credit Substitutes

As of March 31, 2014, our gross loan portfolio amounted to Rs. 3,228.3 billion. As of that date, our gross credit substitutes outstanding were Rs. 65.1 billion. Almost all our gross loans and credit substitutes are to borrowers in India and approximately 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,				
	2010	2011	2012	2013	2014
			(in millions)		
Retail loans	Rs. 732,984.2	Rs. 980,144.6	Rs. 1,344,966.8	Rs. 1,729,503.7	Rs. 2,188,337.7
Wholesale loans	587,956.8	668,605.7	689,314.4	808,742.1	1,039,923.6

Gross loans	Rs. 1,320,941.0	Rs. 1,648,750.3	Rs. 2,034,281.2	Rs. 2,538,245.8	Rs. 3,228,261.3
Credit substitutes (at fair value)	2,476.3	14,491.1	11,800.5	46,622.6	65,147.1
Gross loans plus credit substitutes	Rs. 1,323,417.3	Rs. 1,663,241.4	Rs. 2,046,081.7	Rs. 2,584,868.4	Rs. 3,293,408.4

As of September 30, 2014, our gross loan portfolio amounted to Rs. 3,448.4 billion.

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Maturity and Interest Rate Sensitivity of Loans and Credit Substitutes

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

	At March 31, 2014		
	Due in one year or less	Due in one to five years (in millions)	Due after five years
Retail loans	Rs. 635,302.6	Rs. 1,358,785.1	Rs. 194,250.0
Wholesale loans	587,409.9	381,381.1	71,132.6
Gross loans	Rs. 1,222,712.5	Rs. 1,740,166.2	Rs. 265,382.6
Credit substitutes (at fair value)	47,275.2	8,492.2	9,379.7
Gross loans plus credit substitutes	Rs. 1,269,987.7	Rs. 1,748,658.4	Rs. 274,762.3

	At March 31, 2014		
	Due in one year or less	Due in one to five years (in millions)	Due after five years
Interest rate classification of loans by maturity:			
Variable rates	Rs. 196,599.5	Rs. 739,100.6	Rs. 220,746.6
Fixed rates	1,026,113.0	1,001,065.6	44,636.0
Gross loans	Rs. 1,222,712.5	Rs. 1,740,166.2	Rs. 265,382.6
Interest rate classification of credit substitutes by maturity:			
Variable rates	Rs.	Rs.	Rs.
Fixed rates	47,275.2	8,492.2	9,379.7
Gross credit substitutes	Rs. 47,275.2	Rs. 8,492.2	Rs. 9,379.7
Interest rate classification of loans and credit substitutes by maturity:			
Variable rates	Rs. 196,599.5	Rs. 739,100.6	Rs. 220,746.6
Fixed rates	1,073,388.2	1,009,557.8	54,015.7
Gross loans and credit substitutes	Rs. 1,269,987.7	Rs. 1,748,658.4	Rs. 274,762.3

Of our gross loan portfolio of Rs. 3,448.4 billion as of September 30, 2014, Rs. 1,282.0 billion were due in one year or less, Rs. 1,881.6 billion were due in one to five years and Rs. 284.8 billion were due after five years. As of that date, our gross credit substitutes outstanding were Rs. 99.8 billion, of which Rs. 90.9 billion were due in one year or less, Rs. 8.3 billion were due in one to five years and Rs. 0.6 billion were due after five years.

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 the 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 and 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.

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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,								
	2010		2011		2012		2013		2014
	(in millions, except percentages)								
	Rs. 46,003.6	3.5%	Rs. 68,948.3	4.1%	Rs. 110,828.9	5.4%	Rs. 178,552.2	6.9%	Rs. 235,811.8
	31,493.6	2.4	49,024.3	2.9	45,591.8	2.2			155,559.1
port	59,080.3	4.5	91,140.0	5.5	129,736.4	6.3	157,938.8	6.1	150,177.4
e & lary	73,833.6	5.6	79,226.6	4.8	70,175.3	3.4	109,667.7	4.2	150,954.5
			34,458.0	2.1	46,444.1	2.3	70,405.2	2.7	100,588.6
							73,757.3	2.9	96,580.6
e			38,203.9	2.3	52,373.5	2.6	71,102.3	2.8	90,086.2
el			39,203.3	2.4			53,229.3	2.1	85,283.2
ng . ries	53,802.5	4.1	56,852.9	3.3	52,596.5	2.6	58,346.2	2.3	80,993.0
			36,646.8	2.2	44,135.9	2.2			72,469.7
									69,725.4
e &	27,051.3	2.0	39,964.8	2.4	47,422.1	2.3			
.	37,590.1	2.8	45,070.1	2.7					
	54,830.1	4.1	34,157.5	2.1					
.	35,697.6	2.7							
d	904,034.6	68.3	1,050,344.9	63.2	1,446,777.2	70.7	1,811,869.4	70.0	2,005,178.9
	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%	Rs. 3,293,408.4

As of March 31, 2014, our 10 largest exposures totaled approximately Rs. 496.7 billion and represented 96.6% of our capital funds as per RBI guidelines. The largest group of companies under the same management control accounted for 38.3% of our capital funds as per RBI guidelines.

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The following table sets forth 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) as of September 30, 2014:

	At September 30, 2014 (in millions, except percentages)	
Wholesale Trade	Rs. 255,090.3	7.2%
Activities allied to agriculture	169,713.2	4.8
Automobile & Auto Ancillary	160,839.6	4.5
Land transport	153,199.8	4.3
Retail trade	109,334.7	3.1
Non-Banking Financial Companies /Financial Intermediaries	100,023.5	2.8
Services	99,100.6	2.8
Food and Beverage	96,520.6	2.7
Power	93,495.9	2.6
Iron and Steel	88,303.3	2.5
Others (including unclassified retail)	2,222,587.5	62.7
Total	**Rs. 3,548,209.0**	**100.0%**

As of September 30, 2014, our 10 largest exposures totaled Rs. 508.6 billion and represented 91.6% of our capital funds as per RBI guidelines. As of that date, the largest group of companies under the same management control accounted for 35.7% of our capital funds 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 (PSL) requirements as of March 31 of each fiscal year, a date specified by the RBI for reporting. We have met our overall priority sector lending targets of 40% and our total PSL achievement for fiscal 2014 stood at 46.06%. However, in fiscal 2014, agricultural loans made under the direct category were 12.2% of ANBC, against the requirement of 13.5%, with a shortfall of Rs. 29.03 billion, and advances to sections termed weaker by the RBI were 6.25% against the requirement of 10.0%, with a shortfall of Rs. 83.97 billion. We may be required by the RBI to deposit with the Indian Development Banks certain amounts as specified by the RBI due to the shortfall in certain sub-categories of priority sector lending targets. As of March 31, 2014, our total investments as directed by RBI in such deposits were Rs. 151.19 billion yielding returns ranging from 3% to 8.25%.

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

			As of March 31,		
	2010	**2011**	**2012**	**2013**	**2014**
			(in millions)		
Directed lending:					
Agriculture	Rs. 155,383.0	Rs. 204,506.2	Rs. 246,506.4	Rs. 291,689.2	Rs. 324,173.2
Micro and small enterprises	181,739.6	222,933.8	248,497.9	296,012.3	363,485.8
Other	107,206.0	123,550.0	148,296.9	184,872.3	214,786.0
Total directed lending	Rs. 444,328.6	Rs. 550,990.0	Rs. 643,301.2	Rs. 772,573.8	Rs. 902,445.0

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Non-Performing Loans

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

	As of March 31,					As of September 30,
	2010	2011	2012	2013	2014	2014
	(in millions, except percentages)					
Non-performing loans:						
Retail loans	Rs. 13,038.0	Rs. 11,159.5	Rs. 11,311.3	Rs. 14,579.1	Rs. 20,928.3	Rs. 25,175.4
Wholesale loans	6,224.9	9,502.9	7,723.6	6,553.0	8,758.2	9,552.1
Gross non-performing loans	Rs. 19,262.9	Rs. 20,662.4	Rs. 19,034.9	Rs. 21,132.1	Rs. 29,686.5	Rs. 34,727.5
Specific valuation allowances	Rs. 13,820.3	Rs. 16,089.8	Rs. 15,316.7	Rs. 16,466.9	Rs. 20,649.2	Rs. 24,063.8
Unallocated valuation allowances	9,940.3	9,804.5	12,590.2	17,227.3	21,964.0	21,759.9
Non-performing loans net of specific valuation allowance	5,442.6	4,572.6	3,718.2	4,665.2	9,037.3	10,663.7
Gross loan assets	1,320,941.0	1,648,750.3	2,034,281.2	2,538,245.8	3,228,261.3	3,448,375.8
Net loan assets	Rs. 1,297,180.4	Rs. 1,622,856.0	Rs. 2,006,374.3	Rs. 2,504,551.6	Rs. 3,185,648.1	Rs. 3,402,552.1
Gross non-performing loans as a percentage of gross loans	1.5%	1.3%	0.9%	0.8%	0.9%	1.0%
Gross unsecured non-performing loans as a percentage of gross non-performing loans	25.5%	16.0%	14.4%	15.2%	15.8%	14.6%
Unsecured non-performing loans as a percentage of gross unsecured	1.4%	0.9%	0.6%	0.6%	0.7%	

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