HDFC BANK LTD
Form 6-K
February 26, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16

UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of February 2018

Commission File Number 001-15216

HDFC BANK LIMITED

(Translation of registrant s name into English)

HDFC Bank House, Senapati Bapat Marg, Lower Parel, Mumbai. 400 013, India

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b) (1): Yes No

Note: Regulation S-T Rule 101(b) (1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b) (7): Yes No

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant s home country), or under the rules of the home country exchange on which the registrant s securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant s security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- Not Applicable.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	HDFC BANK LIMITED	
	(Registrant)	
Date: February 26, 2018	By	/s/ Sashidhar Jagdishan
	Name:	Sashidhar Jagdishan
	Title:	Chief Financial Officer

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EXHIBIT INDEX

The following documents (bearing the exhibit number listed below) are furnished herewith and are made a part of this Report pursuant to the General Instructions for Form 6-K.

Exhibit I

Description

Financial Statements of HDFC Bank Limited prepared in accordance with US GAAP as of and for the six month periods ended September 30, 2016 and 2017.

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Exhibit I

INDEX TO FINANCIAL STATEMENTS

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HDFC BANK LIMITED AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2017		As of September 30, 2017 (unaudited)		September 30, 2017 (unaudited)	
	(In millions, except number of shares)					
ASSETS:						
Cash and cash equivalents	Rs.	430,708.6	Rs.	456,068.0	US$	6,984.2
Term placements		131,069.5		125,232.6		1,917.8
Investments held for trading, at fair value		35,363.7		122,155.3		1,870.7
Investments available for sale, at fair value [includes restricted investments of Rs. 1,200,857.2 and Rs. 1,153,817.3 (US$ 17,669.5), as of March 31, 2017 and September 30, 2017, respectively]		2,111,385.6		2,292,864.2		35,112.8
Securities purchased under agreements to resell		50,000.0				
Loans [net of allowance of Rs. 78,496.9 and Rs. 98,855.7 (US$ 1,513.9), as of March 31, 2017 and September 30, 2017, respectively]		5,910,412.8		6,597,474.2		101,033.3
Accrued interest receivable		67,356.6		80,978.6		1,240.1
Property and equipment, net		38,969.3		38,143.5		584.1
Intangible assets, net		2.0		1.5		
Goodwill		74,937.9		74,937.9		1,147.6
Other assets		216,774.5		185,039.9		2,833.6
Total assets	Rs.	9,066,980.5	Rs.	9,972,895.7	US$	152,724.2
LIABILITIES AND SHAREHOLDERS EQUITY:						
Liabilities:						
Interest-bearing deposits	Rs.	5,277,644.0	Rs.	5,912,987.1	US$	90,551.1
Non-interest-bearing deposits		1,153,678.9		974,794.5		14,927.9
Total deposits		6,431,322.9		6,887,781.6		105,479.0
Securities sold under repurchase agreements				55,000.0		842.3
Short-term borrowings		322,265.6		545,533.3		8,354.3
Accrued interest payable		44,487.6		67,785.2		1,038.1
Long-term debt		730,920.7		920,967.7		14,103.6
Accrued expenses and other liabilities		510,082.6		396,641.5		6,074.1
Total liabilities	Rs.	8,039,079.4	Rs.	8,873,709.3	US$	135,891.4
Commitments and contingencies (see note 14)						
Shareholders equity:						

Equity shares: par value Rs. 2.0 each; authorized 3,250,000,000 shares and 3,250,000,000 shares; issued and outstanding 2,562,545,717 shares and 2,583,996,617 shares, as of March 31, 2017 and September 30, 2017, respectively	Rs.5,125.1	Rs.5,168.0	US$	79.1
Additional paid-in capital	442,721.8	464,696.6		7,116.3
Retained earnings	364,471.9	409,066.3		6,264.4
Statutory reserve	187,703.2	188,487.2		2,886.5
Accumulated other comprehensive income (loss)	26,031.6	29,719.6		455.1
Total HDFC Bank Limited shareholders equity	1,026,053.6	1,097,137.7		16,801.4
Noncontrolling interest in subsidiaries	1,847.5	2,048.7		31.4
Total shareholders equity	1,027,901.1	1,099,186.4		16,832.8
Total liabilities and shareholders equity	Rs. 9,066,980.5	Rs. 9,972,895.7	US$	152,724.2

See accompanying notes to condensed consolidated financial statements

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HDFC BANK LIMITED AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Six months ended September 30,		
	2016	2017	2017
	(In millions, except share and per share amounts)		
Interest and dividend revenue:			
Loans	Rs. 268,169.0	Rs. 318,175.4	US$ 4,872.5
Trading securities	2,766.3	2,096.6	32.1
Available for sale securities	73,661.5	76,137.5	1,166.0
Other	5,920.7	6,075.6	93.0
Total interest and dividend revenue	350,517.5	402,485.1	6,163.6
Interest expense:			
Deposits	153,141.9	159,550.6	2,443.3
Short-term borrowings	10,482.1	9,989.1	153.0
Long-term debt	18,647.3	32,056.0	490.9
Other	34.6	92.1	1.4
Total interest expense	182,305.9	201,687.8	3,088.6
Net interest revenue	168,211.6	200,797.3	3,075.0
Provision for credit losses	18,735.2	32,217.8	493.4
Net interest revenue after provision for credit losses	149,476.4	168,579.5	2,581.6
Non-interest revenue, net:			
Fees and commissions	44,564.4	53,371.3	817.3
Trading securities gain/(loss), net	227.2	64.8	1.0
Realized gain/(loss) on sales of available for sale securities, net	3,682.4	7,778.8	119.1
Other than temporary impairment losses on available for sale securities	(1.3)	(139.3)	(2.1)
Foreign exchange transactions	9,020.0	(2,852.6)	(43.7)
Derivatives gain/(loss), net	(7,736.8)	8,833.8	135.3
Other, net	500.4	255.1	3.9
Total non-interest revenue, net	50,256.3	67,311.9	1,030.8
Total revenue, net	199,732.7	235,891.4	3,612.4

Non-interest expense:			
Salaries and staff benefits	47,337.3	49,219.4	753.7
Premises and equipment	13,585.8	14,533.6	222.6
Depreciation and amortization	4,292.9	4,802.8	73.5
Administrative and other	36,666.2	42,879.3	656.7
Amortization of intangible assets	1.5	0.5	
Total non-interest expense	101,883.7	111,435.6	1,706.5
Income before income tax expense	97,849.0	124,455.8	1,905.9
Income tax expense	35,934.7	44,857.8	686.9
Net income before noncontrolling interest	Rs. 61,914.3	Rs. 79,598.0	US$ 1,219.0
Less: Net income attributable to shareholders of noncontrolling interest	108.0	131.2	2.0
Net income attributable to HDFC Bank Limited	Rs. 61,806.3	Rs. 79,466.8	US$ 1,217.0
Per share information:			
Earnings per equity share basic	Rs. 24.38	Rs. 30.90	US$ 0.47
Earnings per equity share diluted	Rs. 24.11	Rs. 30.51	US$ 0.46
Per ADS information (where 1 ADS represents 3 shares):			
Earnings per ADS basic	Rs. 73.14	Rs. 92.70	US$ 1.41
Earnings per ADS diluted	Rs. 72.33	Rs. 91.53	US$ 1.38

See accompanying notes to condensed consolidated financial statements

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HDFC BANK LIMITED AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Six months ended September 30,		
	2016	**2017**	**2017**
		(In millions)	
Net income before noncontrolling interest	Rs. 61,914.3	Rs. 79,598.0	US$ 1,219.0
Other comprehensive income, net of tax:			
Foreign currency translation adjustment:			
Net unrealized gain (loss) arising during the period [net of tax Rs. 15.9 and Rs. 42.3, as of September 30, 2016 and September 30, 2017, respectively]	29.9	80.1	1.2
Reclassification adjustment for net (gain) loss included in net income			
Available for sale securities:			
Net unrealized gain (loss) arising during the period [net of tax Rs. (15,358.2) and Rs. (5,286.0), as of September 30, 2016 and September 30, 2017, respectively]	29,019.2	9,987.3	152.9
Reclassification adjustment for net (gain) loss included in net income [net of tax Rs. 952.5 and Rs. 3,376.2, as of September 30, 2016 and September 30, 2017, respectively]	(1,799.8)	(6,379.4)	(97.7)
Other comprehensive income, net of tax	27,249.3	3,688.0	56.4
Total comprehensive income	89,163.6	83,286.0	1,275.4
Less: Comprehensive income attributable to shareholders of noncontrolling interest	108.0	131.2	2.0
Comprehensive income attributable to HDFC Bank Limited	Rs. 89,055.6	Rs. 83,154.8	US$ 1,273.4

See accompanying notes to condensed consolidated financial statements

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HDFC BANK LIMITED AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six months ended September 30,		
	2016	2017	2017
		(In millions)	
Cash flows from operating activities:			
Net income before noncontrolling interest	Rs. 61,914.3	Rs. 79,598.0	US$ 1,219.0
Adjustment to reconcile net income to net cash provided by operating activities			
Provision for credit losses	18,735.2	32,217.8	493.4
Depreciation and amortization	4,292.9	4,802.8	73.5
Amortization of intangible assets	1.5	0.5	
Amortization of deferred customer acquisition costs	3,834.9	3,984.9	61.0
Amortization of premium (discount) on investments	1,780.6	1,365.5	20.9
Other than temporary impairment losses on available for sale securities	1.3	139.3	2.1
Provision for deferred income taxes	(3,627.8)	(4,449.4)	(68.1)
Share-based compensation expense	5,702.4	3,894.7	59.6
Net realized (gain) loss on sale of available for sale securities	(3,682.4)	(7,778.8)	(119.1)
(Gain) loss on disposal of property and equipment, net	(1.9)	0.3	
Exchange (gain) loss	3,913.6	(453.8)	(6.9)
Net change in:			
Investments held for trading	31,618.4	(86,084.1)	(1,318.3)
Accrued interest receivable	(4,424.3)	(13,609.3)	(208.4)
Other assets	(13,164.6)	47,282.6	724.1
Accrued interest payable	14,166.2	23,276.8	356.5
Accrued expense and other liabilities	34,592.9	(125,709.4)	(1,925.1)
Net cash provided by operating activities	155,653.2	(41,521.6)	(635.8)
Cash flows from investing activities:			
Net change in term placements	14,946.6	5,836.9	89.4
Activity in available for sale securities:			
Purchases	(1,611,130.6)	(923,465.9)	(14,141.9)
Proceeds from sales	572,252.4	257,417.9	3,942.1
Maturities, prepayments and calls	905,866.1	496,329.2	7,600.8
Net change in repurchase options and reverse repurchase agreements	(379,929.1)	105,000.0	1,608.0
Loans purchased	(50,993.0)	(55,156.2)	(844.7)
Repayments on loans purchased	30,065.2	38,957.1	596.6

Increase in loans originated, net of principal collections	(272,645.7)	(703,478.7)	(10,773.0)
Additions to property and equipment	(6,758.0)	(4,268.0)	(65.4)
Proceeds from sale or disposal of property and equipment	42.4	33.9	0.5
Net cash used in investing activities	(798,283.7)	(782,793.8)	(11,987.6)

See accompanying notes to condensed consolidated financial statements

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HDFC BANK LIMITED AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Unaudited)

	Six months ended September 30,		
	2016	2017	2017
		(In millions)	
Cash flows from financing activities:			
Net increase in deposits	451,652.1	454,577.3	6,961.4
Net increase (decrease) in short-term borrowings	(8,216.0)	221,170.4	3,387.0
Purchase of subsidiary shares from noncontrolling interest			
Proceeds from issue of shares by a subsidiary to noncontrolling interests	18.3	41.4	0.6
Proceeds from issuance of long-term debt	312,139.1	244,497.4	3,744.2
Repayment of long-term debt	(82,896.0)	(54,265.0)	(831.0)
Proceeds from issuance of equity shares for options exercised	11,800.3	18,151.6	278.0
Payment of dividends and dividend tax	(28,988.9)	(34,088.4)	(522.0)
Net cash provided by financing activities	655,508.9	850,084.7	13,018.2
Effect of exchange rate changes on cash and cash equivalents	355.1	(409.9)	(6.3)
Net change in cash and cash equivalents	13,233.5	25,359.4	388.5
Cash and cash equivalents, beginning of year	377,671.7	430,708.6	6,595.8
Cash and cash equivalents, end of year	Rs. 390,905.2	Rs. 456,068.0	US$ 6,984.3
Supplementary cash flow information:			
Interest paid	Rs. 168,089.4	Rs. 178,390.2	US$ 2,731.9
Income taxes paid	Rs. 39,709.9	Rs. 49,738.3	US$ 761.7
Non-cash investment activities			
Payable for purchase of property and equipment	Rs. 343.2	Rs. 281.0	US$ 4.3

See accompanying notes to condensed consolidated financial statements

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HDFC BANK LIMITED AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

(Unaudited)

	Number of Equity Shares	Equity Share Capital	Additional Paid In Capital	Retained Earnings	Statutory Reserve*	Accumulated Other Comprehensive Income (loss)	Total HDFC Bank Limited Shareholders Equity	Noncontrolling interest	T Share Eq
				(In millions, except for equity shares)					
nt l,	**2,528,186,517**	**Rs. 5,056.4**	**Rs. 412,264.5**	**Rs. 290,542.4**	**Rs. 149,931.6**	**Rs. 11,515.3**	**Rs. 869,310.2**	**Rs. 1,485.0**	**Rs. 87**
ued rcise s	17,447,200	34.9	11,765.4				11,800.3		1
ed tion			5,702.4				5,702.4		
s, tax				(28,988.9)			(28,988.9)		(2
n o . y			(1.4)				(1.4)	1.4	
ued to olling								18.3	
o				(567.5)	567.5				
ne				61,806.3			61,806.3	108.0	6
ge in ted nsive						27,249.3	27,249.3		2
nt er 30,	**2,545,633,717**	**Rs. 5,091.3**	**Rs. 429,730.9**	**Rs. 322,792.3**	**Rs. 150,499.1**	**Rs. 38,764.6**	**Rs. 946,878.2**	**Rs. 1,612.7**	**Rs. 94**

Number of Equity	Equity Share	Additional Paid In	Retained Earnings	Statutory Reserve*	Accumulated Other	Total HDFC Bank	Noncontrolling interest	S

Shares	Capital	Capital			Comprehensive Income (loss)	Limited Shareholders Equity		
			(In millions, except for equity shares)					
2,562,545,717	Rs. 5,125.1	Rs. 442,721.8	Rs. 364,471.9	Rs. 187,703.2	Rs. 26,031.6	Rs. 1,026,053.6	Rs. 1,847.5	Rs
21,450,900	42.9	18,108.7				18,151.6		
		3,894.7				3,894.7		
			(34,088.4)			(34,088.4)		
		(28.6)				(28.6)	28.6	
							41.4	
			(784.0)	784.0				
			79,466.8			79,466.8	131.2	
					3,688.0	3,688.0		
2,583,996,617	Rs. 5,168.0	Rs. 464,696.6	Rs. 409,066.3	Rs. 188,487.2	Rs. 29,719.6	Rs. 1,097,137.7	Rs. 2,048.7	Rs
2,583,996,617	US$ 79.1	US$ 7,116.3	US$ 6,264.4	US$ 2,886.5	US$ 455.1	US$ 16,801.4	US$ 31.4	US

* Under local regulations, the Bank is required to transfer 25% of its profit after tax (per Indian GAAP) to a non-distributable statutory reserve and to meet certain other conditions in order to pay dividends without prior RBI approval.

See accompanying notes to condensed consolidated financial statements

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HDFC BANK LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

These condensed consolidated financial statements should be read in conjunction with the financial statements of the Bank included in its Form 20-F filed with the Securities and Exchange Commission on July 31, 2017.

1. Summary of significant accounting policies

a. Principles of consolidation

The consolidated financial statements include the accounts of HDFC Bank Limited and its subsidiaries. The Bank consolidates subsidiaries in which, directly or indirectly, it holds more than 50% of the voting rights or has control. Entities where the Bank holds 20% to 50% of the voting rights and/or has the ability to exercise significant influence are accounted for under the equity method. These investments are included in other assets and the Bank s proportionate share of income or loss is included in Non-interest revenue, other. The Bank consolidates Variable Interest Entities (VIEs) where the Bank is determined to be the primary beneficiary (see note 2j to the Bank s consolidated financial statements in its Form 20-F filed with the Securities and Exchange Commission on July 31, 2017). All significant inter-company balances and transactions are eliminated on consolidation.

b. Basis of presentation

These financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (US GAAP). US GAAP differs in certain material respects from accounting principles generally accepted in India, the requirements of India s Banking Regulation Act 1949 and related regulations issued by the Reserve Bank of India (RBI) (collectively Indian GAAP), which form the basis of the statutory general purpose financial statements of the Bank in India. Principal differences, insofar as they relate to the Bank, 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 combination and the presentation format and disclosures of the financial statements and related notes.

c. Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of these financial statements and the reported amounts of revenues and expenses for the years presented. Actual results could differ from these estimates. Material estimates included in these financial statements that are susceptible to change include the allowance for credit losses, the valuation of unquoted investments, other than temporary impairment, valuation of derivatives, stock-based compensation, unrecognized tax benefits and impairment assessment of goodwill.

d. Allowance for credit losses

The Bank provides 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

The Bank s retail loan loss allowance consists of specific and unallocated allowances.

The Bank establishes 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 the Bank monitors loan to value ratios for loan against securities. The loans are charged off against allowances typically when the account becomes 180 to 1,083 days past due depending on the type of loan. The defined delinquency levels at which major loan types are charged off are 180 days past due for personal loans, credit card receivables, 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.

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HDFC BANK LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

The Bank also records unallocated allowances for its retail loans by product type. The Bank s retail loan portfolio is comprised of groups of large numbers of small value homogeneous loans. The Bank establishes an unallocated allowance for loans in each product group based on its estimate of the overall portfolio quality, asset growth, economic conditions and other risk factors. The Bank estimates its unallocated allowance for retail loans based on an internal credit slippage matrix, which measures the Bank s historic losses for its 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 which the loan exposure relates to and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. Loans are charged off against the allowance when management believes that the loan balance may not be recovered. Subsequent recoveries, if any, against write-off cases, are adjusted to provision for credit losses in the consolidated statement of income.

The Bank grades its 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 the Bank 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.

The Bank establishes 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.

The Bank has also established an unallocated allowance for wholesale standard loans based on the overall portfolio quality, asset growth, economic conditions and other risk factors. The Bank estimates its wholesale unallocated allowance based on an internal credit slippage matrix, which measures the Bank s historic losses for its standard loan portfolio.

e. Income tax

The Bank estimates its income tax expense for the interim periods based on its best estimate of the expected effective income tax rate for a full year.

f. 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.

Fees and commissions from guarantees issued are amortized over the contractual period of the commitment, provided the amounts are collectible.

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HDFC BANK LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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. The Bank amortizes annual fees on credit cards over the contractual period of the fees.

g. Recently adopted accounting standards

In March 2016, the FASB issued ASU 2016-05 Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships . The update clarifies the hedge accounting impact when there is a change in one of the counterparties to the derivative contract (i.e., a novation). It clarifies that a change in the counterparty to a derivative contract, in and of itself, does not require the dedesignation of a hedging relationship. An entity will, however, still need to evaluate whether it is probable that the counterparty will perform under the contract as part of its ongoing effectiveness assessment for hedge accounting. Entities have the option to adopt the update on a prospective basis to new derivative contract novations or on a modified retrospective basis. The Bank adopted the provisions of ASU 2016-05 effective April 1, 2017. The adoption of this guidance did not have a material impact on the Bank s consolidated financial position or results of operations or disclosures.

In March 2016, the FASB issued ASU 2016-06 Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments . The update clarifies the requirements for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. The guidance clarifies the steps required when assessing whether the economic characteristics and risks of call (put) options are clearly and closely related to the economic characteristics and risks of their debt hosts, which is one of the criteria for bifurcating an embedded derivative. Consequently, when a call (put) option is contingently exercisable, an entity does not have to assess whether the event that triggers the ability to exercise a call (put) option is related to interest rates or credit risks. The Bank adopted the provisions of ASU 2016-06 effective April 1, 2017. The adoption of this guidance did not have a material impact on the Bank s consolidated financial position or results of operations or disclosures.

In March 2016, the FASB issued ASU 2016-07 Investments Equity Method and Joint Ventures (Topic 323) . The update eliminates the requirement in Topic 323 that an entity retroactively adopt the equity method of accounting if an investment qualifies for use of the equity method as a result of an increase in the level of ownership or degree of influence. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor s previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. The Bank adopted the provisions of ASU 2016-07 effective April 1, 2017. The adoption of this guidance did not have a material impact on the Bank s consolidated financial position or results of operations or disclosures.

In March 2016, the FASB issued ASU 2016-09 Compensation Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting . The update simplifies certain aspects of the accounting for share-based payment award transactions pertaining to accounting for income tax consequences, forfeitures and classification of excess tax benefit on the statement of cash flows. The Bank adopted the provisions of ASU 2016-09 effective April 1, 2017. The adoption of this guidance did not have a material impact on the Bank s consolidated financial position or results of operations or disclosures.

h. 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 modifies the principles for revenue recognition in transactions involving contracts with customers. On March 17, 2016, the FASB issued Accounting Standards Update No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net) , that clarifies how to apply revenue recognition guidance related to whether an entity is a principal or an agent. The above referred guidance will be effective for the interim and annual reporting periods beginning after December 15, 2017. The Bank expects to adopt the guidance in fiscal 2019. In April 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers (Topic 606). This update clarifies in regard to identifying performance obligations and licensing. In May 2016, the FASB issued ASU 2016-12, Revenue from Contracts with Customers (Topic 606) . The Bank continues to evaluate the effect that the guidance will have on other revenue streams as well as changes in disclosures required by the new guidance.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

In January 2016, the FASB issued ASU 2016-01 Financial Instruments Overall (Subtopic 825-10) . The update requires all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under the equity method of accounting or those that result in consolidation of the investee). However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any. The amendments also require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. The amendments also require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset. This guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Bank expects to adopt the guidance in fiscal 2019. The preliminary examination carried out by the Bank indicates that the adoption of this guidance is not expected to have a material impact on the Bank s financial condition, results of operations, or disclosures.

In February 2016, the FASB issued ASU 2016-02 Leases (Topic 842) . The update generally requires recognition of lease assets and lease liabilities on the balance sheet and disclosure of key information about leasing arrangements. In particular, the guidance requires a lessee, of operating or finance leases, to recognize on the balance sheet a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. However, for leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and lease liabilities. Under previous GAAP, a lessee was not required to recognize lease assets and lease liabilities arising from operating leases. The guidance will be effective for the interim and annual reporting periods beginning after December 15, 2018 and early adoption is permitted. The Bank expects to adopt the guidance in fiscal 2020. The Bank is in the process of reviewing its existing lease portfolios to evaluate the impact of this proposed standard including the method of adoption it expects to follow. On completion of the inventory review and necessary estimations, the Bank will evaluate the impact of adopting the new guidance. The effect of the adoption will depend on the lease portfolio at the time of transition.

In March 2016, the FASB issued ASU 2016-04 Liabilities Extinguishments of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored-Value Products . The update addresses the current and potential future diversity in practice related to de-recognition of a prepaid stored-value product liability that may be unused wholly or partially for an indefinite time period. The current amendments specify how prepaid stored-value product liabilities within the update s scope should be derecognized, thereby eliminating the current and potential future diversity in practice. The amendments in this update are to be applied either using a modified retrospective transition method by means of a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year in which the guidance is effective or retrospectively to each period presented. The guidance will be effective for the interim and annual reporting periods beginning after December 15, 2017. The Bank expects to adopt the guidance in fiscal 2019. This guidance will not impact the Bank s financial condition, results of operations, or disclosures.

In June 2016, the FASB issued ASU 2016-13 Financial Instruments Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments . The ASU introduces a new accounting model, the Current Expected Credit Losses model (CECL), which requires earlier recognition of credit losses, while also providing transparency about credit risk.

The CECL model utilizes a lifetime expected credit loss measurement objective for the recognition of credit losses for loans, held to maturity securities and other receivables at the time the financial asset is originated or acquired. The expected credit losses is required to be adjusted each period for changes in expected lifetime credit losses. The update requires use of judgment in determining the relevant information and estimation methods that are appropriate for measurement of expected credit losses which is to be based on relevant information about past events, historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. In regard to Available-for-Sale Debt Securities, the credit losses is required to be recorded through an allowance and the ASU limits the amount of the allowance for credit losses to the amount by which fair value is below amortized cost. The amendments in the ASU are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Bank expects to adopt the guidance in fiscal 2021. The amendments represent a significant departure from the existing GAAP. The Bank expects the update will result in an increase in the allowance for credit losses given the change to estimated losses over the contractual life adjusted for expected prepayments with an anticipated material impact from longer duration portfolios, as well as the addition of an allowance for debt securities. The Bank is evaluating the effect the ASU 2016-13 will have on its Consolidated Financial Statements and related disclosures which will also depend on the nature of the Bank s portfolio s at the date of adoption.

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In August 2016, the FASB issued ASU 2016-15 Statement of Cash Flows (Topic 230) . This is intended to reduce the diversity in practice around how certain transactions are classified within the statement of cash flows. The amendments in the ASU are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Bank expects to adopt the guidance in fiscal 2019. The preliminary evaluation carried out by the Bank indicate that the guidance will not have a material impact on the presentation and classification in the consolidated statement of cash flow. The adoption of this guidance is not expected to have any impact on the Bank s financial condition, results of operations, except for presentation classification in the Consolidated Statement of Cash Flow.

In October 2016, the FASB issued ASU 2016-16 Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory . In accordance with this guidance, an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The amendments in the ASU are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. The Bank expects to adopt the guidance in fiscal 2019. This guidance is not expected to impact the Bank s financial condition, results of operations, or disclosures.

In November 2016, the FASB issued ASU 2016-18 Statement of Cash Flows (Topic 230) Restricted Cash . The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in the ASU are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. The Bank expects to adopt the guidance in fiscal 2019. The update is to be applied using a retrospective transition method for each period presented. The update will not affect the Bank s financial condition or results of operations except the disclosures pertaining to restricted cash and restricted cash equivalents which is to be included with cash and cash equivalents while reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

In January 2017, the FASB issued ASU No. 2017-01 Business Combinations (Topic 805) - Clarifying the Definition of a Business . The amendment in this update narrows the definition of a business by introducing a quantitative screen as the first step, such that if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets, the set of transferred assets and activities is not a business. If the first step is not met, then an entity needs to evaluate whether the set meets the requirement that a business include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments in the ASU are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The amendment in this update will be applied prospectively, with early adoption permitted. The bank expects to adopt the guidance in fiscal 2019. The impact of this update will depend upon the acquisition and disposal activities of the Bank, if any.

In January 2017, the FASB issued ASU No. 2017-04 Intangibles-Goodwill and Other (Topic 350) - Simplifying the Test for Goodwill Impairment . The amendment in this update simplifies the subsequent measurement of goodwill impairment by eliminating the requirement to calculate the implied fair value of goodwill (i.e., the current Step 2 of the goodwill impairment test) to measure a goodwill impairment charge. The impairment test is simply the comparison of the fair value of a reporting unit with its carrying amount (the current Step 1), with the impairment charge being the deficit in fair value but not exceeding the total amount of goodwill allocated to that reporting unit. The simplified one-step impairment test applies to all reporting units (including those with zero or negative carrying amounts). The amendments in the ASU are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The bank expects to adopt the guidance in fiscal 2021. Early adoption is permitted for interim and annual goodwill impairment testing dates after January 1, 2017. The impact of the amendments in this update will depend upon the performance of the reporting units and the market conditions impacting the fair value of each reporting unit going forward.

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(Unaudited)

In March 2017, the FASB issued ASU 2017-07 Compensation Retirement Benefits (Topic 715) - Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost . The amendment in this update changes the income statement presentation of net benefit expense and requires restating the Company s financial statements for each of the earlier periods presented in annual and interim financial statements. The amendment requires that only the service cost component of net benefit expense be included in the Compensation and benefits line on the income statement. The other components of net benefit expense will be required to be presented outside of the Compensation and benefits line and will be presented in other operating expense. The total Operating expenses will not change. The new standard also changes the components of net benefit expense that are eligible for capitalization when employee costs are capitalized in connection with various activities, such as internally developed software, construction-in-progress, and loan origination costs. The amendments in this update are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The amendments in this update is to be applied retrospectively for the presentation of the service cost component and the other components of net periodic pension cost and net periodic postretirement benefit cost in the income statement and prospectively, on and after the effective date, for the capitalization of the service cost component of net periodic pension cost and net periodic postretirement benefit in assets. The bank expects to adopt the guidance in fiscal 2019. This guidance is not expected to impact the Bank s financial condition and results of operations

In March 2017, the FASB issued ASU 2017-08 Receivables Nonrefundable Fees and Other Costs (Subtopic 310-20)- Premium Amortization on Purchased Callable Debt Securities . This update amends the amortization period for certain purchased callable debt securities held at a premium. The update requires entities to amortize premiums on debt securities by the first call date when the securities have fixed and determinable call dates and prices. ASU 2017-08 does not change the accounting for discounts, which continue to be recognized over the contractual life of a security. The amendments in the ASU are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period but such adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. Adoption of the ASU is on a modified retrospective basis through a cumulative effect adjustment to retained earnings as of the beginning of the year of adoption. The bank expects to adopt the guidance in fiscal 2020. The impact of this ASU will depend upon the position of purchased callable debt securities held at a premium on date of adoption.

In May 2017, the FASB issued ASU 2017-09 Compensation - Stock Compensation (Topic 718) - Scope of Modification Accounting. The amendment in this update clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. Under ASU 2017-09, an entity will not apply modification accounting to a share-based payment award if all of the following are the same immediately before and after the change: (i) the award s fair value, (ii) the award s vesting conditions and (iii) the award s classification as an equity or liability instrument. The amendments in the ASU are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. The Bank expects to adopt the guidance in fiscal 2019. The impact of this update will depend upon the modification, if any, to the terms or conditions of a share-based payment award on or after adoption of the guidance in fiscal 2019.

In August 2017, the FASB issued ASU No. 2017-12 Derivatives and Hedging (Topic 815) - Targeted Improvements to Accounting for Hedging Activities . The amendment in the update better aligns the accounting and reporting of hedging relationships with the economics of risk management activities. ASU 2017-12 provides administrative reliefs to simplify the application of hedge accounting. The amendments in the ASU are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The transition requirements and elections in this update is to be applied to hedging relationships existing on the date of adoption. The amendment in the update requires the effect of adoption to be reflected as of the beginning of the fiscal year of adoption. The Bank expects to adopt the guidance in fiscal 2019. This guidance is not expected to impact the Bank s financial condition, results of operations, or disclosures.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

i. Convenience translation

The accompanying financial statements have been expressed in Indian Rupees (Rs.), the Bank s functional currency. For the convenience of the reader, the financial statements as of and for the six months period ended September 30, 2017 have been translated into U.S. dollars at U.S.$1.00 = Rs. 65.3 as published by the Federal Reserve Board of New York on September 29, 2017. Such translation should not be construed as a representation that the rupee amounts have been or could be converted into United States dollars at that or any other rate, or at all.

2. Investments, held for trading

The portfolio of trading securities as of March 31, 2017 and September 30, 2017 was as follows:

	As of March 31, 2017							
	Amortized Cost		Gross Unrealized Gains		Gross Unrealized Losses		Fair Value	
	(In millions)							
Government of India securities	Rs.	18,230.8	Rs.	38.5	Rs.	1.5	Rs.	18,267.8
Other corporate/financial institution securities		17,106.4		5.1		15.6		17,095.9
Total	Rs.	35,337.2	Rs.	43.6	Rs.	17.1	Rs.	35,363.7

	As of September 30, 2017							
	Amortized Cost		Gross Unrealized Gains		Gross Unrealized Losses		Fair Value	
	(In millions)							
Government of India securities	Rs.	14,663.5	Rs.	32.2	Rs.	14.5	Rs.	14,681.2
Other corporate/financial institution securities		47,507.7		1.3		44.0		47,465.0
Total debt securities		62,171.2		33.5		58.5		62,146.2
Other securities		60,009.1						60,009.1
Total	Rs.	122,180.3	Rs.	33.5	Rs.	58.5	Rs.	122,155.3
Total	US$	1,871.1	US$	0.5	US$	0.9	US$	1,870.7

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

3. Investments, available for sale

The portfolio of available for sale securities as of March 31, 2017 and September 30, 2017 was as follows:

	As of March 31, 2017 (In millions)			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Government of India securities	Rs. 1,528,484.8	Rs. 35,196.3	Rs. 2,811.3	Rs. 1,560,869.8
State government securities	90,652.8	5,537.0		96,189.8
Credit substitutes	419,320.5	957.9	737.8	419,540.6
Other corporate/financial institution bonds	10,653.0	83.5	12.1	10,724.4
Debt securities, other than asset and mortgage-backed securities	2,049,111.1	41,774.7	3,561.2	2,087,324.6
Mortgage-backed securities	114.1	5.9		120.0
Asset-backed securities	22,472.2	214.1	353.3	22,333.0
Other securities (including mutual fund units)	1,062.0	641.5	95.5	1,608.0
Total	Rs. 2,072,759.4	Rs. 42,636.2	Rs. 4,010.0	Rs. 2,111,385.6
Securities with gross unrealized losses				Rs. 431,324.6
Securities with gross unrealized gains				1,680,061.0
				Rs. 2,111,385.6

	As of September 30, 2017 (In millions)			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value

Government of India securities	Rs.	1,778,226.9	Rs.	34,301.3	Rs.	1,344.3	Rs.	1,811,183.9
State government securities		115,661.7		6,115.1		6.8		121,770.0
Government securities outside India		651.4				0.3		651.1
Credit substitutes		322,912.5		2,033.8		54.7		324,891.6
Other corporate/financial institution bonds		12,348.9		129.9		16.0		12,462.8
Debt securities, other than asset and mortgage-backed securities		2,229,801.4		42,580.1		1,422.1		2,270,959.4
Mortgage-backed securities		96.4		4.8				101.2
Asset-backed securities		17,864.1		185.4		287.8		17,761.7
Other securities (including mutual fund units)		955.5		3,086.4				4,041.9
Total	Rs.	2,248,717.4	Rs.	45,856.7	Rs.	1,709.9	Rs.	2,292,864.2
Total	US$	34,436.8	US$	702.2	US$	26.2	US$	35,112.8
Securities with gross unrealized losses							Rs.	612,681.0
Securities with gross unrealized gains								1,680,183.2
							Rs.	2,292,864.2
							US$	35,112.8

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

AFS investments of Rs. 1,657,059.6 million and Rs. 1,932,953.9 million (US$ 29,601.1 million) as of March 31, 2017 and September 30, 2017, respectively, are eligible towards the Bank s statutory liquidity reserve requirements. These balances are subject to withdrawal and usage restrictions towards the reserve requirements, but may be freely traded by the Bank. Of these investments, Rs. 1,200,857.2 million as of March 31, 2017 and Rs. 1,153,817.3 million (US$ 17,669.5 million) as of September 30, 2017, were kept as margins for clearing, collateral borrowing and lending obligation (CBLO), real time gross settlement (RTGS), with the Reserve Bank of India and other financial institutions.

The Bank evaluated the impaired investments and has fully recognized an expense of Rs. 1.3 million and Rs. 139.3 million (USD 2.1 million) as other than temporary impairment for six months periods ended September 30, 2016 and September 30, 2017, respectively, because the Bank intends to sell the securities before recovery of their amortized cost. The Bank is of the opinion that the other unrealized losses on its investments in equity and debt securities as of September 30, 2017 are temporary in nature. As of March 31, 2017 and September 30, 2017, the Bank did not hold any debt securities with credit losses for which a portion of other-than-temporary impairment was recognized in other comprehensive income.

The gross unrealized losses and fair value of available for sale securities at March 31, 2017 was as follows:

	As of March 31, 2017					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In millions)					
Government of India securities	Rs. 234,685.5	Rs. 2,811.3	Rs.	Rs.	Rs. 234,685.5	Rs. 2,811.3
Credit substitutes	178,908.2	737.8			178,908.2	737.8
Other corporate/financial institution bonds	3,521.0	12.1			3,521.0	12.1
Debt securities, other than asset and mortgage-backed securities	417,114.7	3,561.2			417,114.7	3,561.2
Mortgage-backed securities						
Asset-backed securities	9,149.5	257.9	4,929.6	95.4	14,079.1	353.3
Other securities (including mutual fund units)	130.8	95.5			130.8	95.5
Total	Rs. 426,395.0	Rs. 3,914.6	Rs. 4,929.6	Rs. 95.4	Rs. 431,324.6	Rs. 4,010.0

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

The gross unrealized losses and fair value of available for sale securities at September 30, 2017 was as follows:

	As of September 30, 2017					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In millions)					
Government of India securities	Rs. 541,978.0	Rs. 1,344.3	Rs.	Rs.	Rs. 541,978.0	Rs. 1,344.3
State government securities	1,472.4	6.8			1,472.4	6.8
Government securities outside India	651.1	0.3			651.1	0.3
Credit substitutes	49,414.7	54.7			49,414.7	54.7
Other corporate/financial institution bonds	7,749.4	16.0			7,749.4	16.0
Debt securities, other than asset and mortgage-backed securities	601,265.6	1,422.1			601,265.6	1,422.1
Mortgage-backed securities						
Asset-backed securities	6,931.5	212.4	4,483.9	75.4	11,415.4	287.8
Total	Rs. 608,197.1	Rs. 1,634.5	Rs. 4,483.9	Rs. 75.4	Rs. 612,681.0	Rs. 1,709.9
Total	US$ 9,313.9	US$ 25.0	US$ 68.7	US$ 1.2	US$ 9,382.6	US$ 26.2

The contractual residual maturity of available for sale debt securities other than asset and mortgage-backed securities as of September 30, 2017 is set out below:

	As of September 30, 2017		
	Amortized Cost	Fair Value	Fair Value
	(In millions)		
Within one year	Rs. 634,349.3	Rs. 635,095.6	US$ 9,725.8
Over one year through five years	562,260.5	576,597.7	8,830.0

Over five years through ten years	681,995.5	693,139.0	10,614.7
Over ten years	351,196.1	366,127.1	5,606.8
Total	Rs. 2,229,801.4	Rs. 2,270,959.4	US$ 34,777.3

The contractual residual maturity of available for sale mortgage-backed and asset-backed securities as of September 30, 2017 is set out below:

	As of September 30, 2017		
	Amortized Cost	Fair Value	Fair Value
		(In millions)	
Within one year	Rs. 8,694.3	Rs. 8,605.9	US$ 131.8
Over one year through five years	8,992.4	8,873.1	135.9
Over five years through ten years	32.7	33.2	0.5
Over ten years	241.1	350.7	5.4
Total	Rs. 17,960.5	Rs. 17,862.9	US$ 273.6

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(Unaudited)

Gross realized gains and gross realized losses from sale of available for sale securities and dividends and interest on such securities are set out below:

	Six months ended September 30,		
	2016	2017	2017
		(In millions)	
Gross realized gains on sale	Rs. 4,702.4	Rs. 7,919.4	US$ 121.3
Gross realized losses on sale	(1,020.0)	(140.6)	(2.2)
Realized gains (losses), net	3,682.4	7,778.8	119.1
Dividends and interest	73,661.5	76,137.5	1,166.0
Total	Rs. 77,343.9	Rs. 83,916.3	US$ 1,285.1

4. Investments, held to maturity

There were no HTM securities as of March 31, 2017 and September 30, 2017.

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(Unaudited)

5. Loans

Loan balances include Rs. 187,653.3 million and Rs. 560,237.6 million (US$ 8,579.4 million) as of March 31, 2017 and September 30, 2017, respectively, which have been pledged as collateral for borrowings and are therefore restricted.

Loans by facility as of March 31, 2017 and September 30, 2017 were as follows:

	As of,					
	March 31, 2017		September 30, 2017 (In millions)		September 30, 2017	
Retail loans:						
Auto loans	Rs.	720,657.8	Rs.	823,623.3	US$	12,612.9
Personal loans/Credit cards		841,806.8		1,012,665.6		15,507.9
Retail business banking		913,720.2		1,174,004.4		17,978.6
Commercial vehicle and construction equipment finance		460,365.2		509,448.1		7,801.7
Housing loans		383,866.9		400,359.1		6,131.1
Other retail loans		728,544.4		799,165.1		12,238.4
Subtotal	Rs.	4,048,961.3	Rs.	4,719,265.6	US$	72,270.6
Wholesale loans	Rs.	1,939,948.4	Rs.	1,977,064.3	US$	30,276.6
Gross loans		5,988,909.7		6,696,329.9		102,547.2
Less: Allowance for credit losses		78,496.9		98,855.7		1,513.9
Total	Rs.	5,910,412.8	Rs.	6,597,474.2	US$	101,033.3

Gross loans analyzed by performance are as follows:

	As of,		
	March 31, 2017	September 30, 2017	September 30, 2017

		(In millions)		
Performing	Rs. 5,905,930.0	Rs. 6,596,018.4	US$	101,011.0
Impaired	82,979.7	100,311.5		1,536.2
Total gross loans	Rs. 5,988,909.7	Rs. 6,696,329.9	US$	102,547.2

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HDFC BANK LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

The following table provides details of age analysis of loans as of March 31, 2017 and September 30, 2017.

	As of March 31, 2017			
	31-90 days past due	Impaired / 91 days or more past due	Total current 1,2	Total
	(in millions)			
Retail Loans				
Auto loans	Rs. 3,300.4	Rs. 6,105.6	Rs. 711,251.8	Rs. 720,657.8
Personal loans/Credit card	5,305.5	6,467.4	830,033.9	841,806.8
Retail business banking	7,959.1	21,060.1	884,701.0	913,720.2
Commercial vehicle and construction equipment finance	6,098.3	6,086.6	448,180.3	460,365.2
Housing loans	47.6	1,678.2	382,141.1	383,866.9
Other retail	11,635.5	11,306.1	705,602.8	728,544.4
Wholesale loans	1,062.7	30,275.7	1,908,610.0	1,939,948.4
Total	Rs. 35,409.1	Rs. 82,979.7	Rs. 5,870,520.9	Rs. 5,988,909.7

1) Loans up to 30 days past due are considered current
2) Includes crop related agricultural loans with days past due less than 366 as they are not considered as impaired

	As of September 30, 2017			
	31-90 days past due	Impaired / 91 days or more past due	Total current 1,2	Total
	(in millions)			
Retail Loans				
Auto loans	Rs. 4,001.2	Rs. 7,410.7	Rs. 812,211.4	Rs. 823,623.3
Personal loans/Credit card	6,797.1	8,030.0	997,838.5	1,012,665.6
Retail business banking	10,200.2	24,170.0	1,139,634.2	1,174,004.4
Commercial vehicle and construction equipment finance	9,319.9	7,402.7	492,725.5	509,448.1
Housing loans	34.4	1,673.7	398,651.0	400,359.1
Other retail	9,766.6	20,843.7	768,554.8	799,165.1
Wholesale loans	1,943.6	30,780.7	1,944,340.0	1,977,064.3

Total	Rs.	42,063.0	Rs.	100,311.5	Rs.	6,553,955.4	Rs.	6,696,329.9
Total	US$	644.2	US$	1,536.2	US$	100,366.8	US$	102,547.2

1) Loans up to 30 days past due are considered current
2) Includes crop related agricultural loans with days past due less than 366 as they are not considered as impaired

The Bank has a credit risk mitigating/monitoring mechanism which is comprised of target market definitions, credit approval process, post-disbursement monitoring and remedial management procedures.

For wholesale credit risk in addition to the credit approval process the Bank has an approved framework for the review and approval of credit ratings. Credit Policies and Procedures articulate 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. These are reviewed in detail at annual or more frequent intervals. To ensure adequate diversification of risk, concentration limits have been set up in terms of borrower/business group, industry and risk grading.

For retail credit the policy and approval processes are designed for the fact that the Bank has 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. The quantitative parameters considered include income, residence stability, the nature of the employment/business, while the qualitative parameters include accessibility, contractibility and profile. The credit policies/product programs are based on a statistical analysis of the Bank s experience and industry data, in combination with the judgment of the Bank s senior officers. The Bank mines data on its borrower account behavior as well as static data regularly to monitor the portfolio performance of each product segment and use these as inputs in revising the Bank s product programs, target market definitions and credit assessment criteria to meet the Bank s twin objectives of combining volume growth and maintenance of asset quality.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

As an integral part of the credit process, the Bank has a credit rating model appropriate to its wholesale and retail credit segments (see note 2d). The Bank monitors credit quality within its segments based on primary credit quality indicators. This internal grading is updated at least annually.

Retail Loans

Credit quality indicator based on payment activity as of March 31, 2017 and as of September 30, 2017 is given below.

	As of March 31, 2017						
	Auto loans	**Personal loans/ Credit card**	**Retail business banking**	**Commercial vehicle and Construction equipment finance**	**Housing loans**	**Other retail**	**Total**
				(In millions)			
erforming	Rs. 714,552.2	Rs. 835,339.4	Rs. 892,660.1	Rs. 454,278.6	Rs. 382,188.7	Rs. 717,238.3	Rs. 3,996,257.3
mpaired	6,105.6	6,467.4	21,060.1	6,086.6	1,678.2	11,306.1	52,704.0
otal	Rs. 720,657.8	Rs. 841,806.8	Rs. 913,720.2	Rs. 460,365.2	Rs. 383,866.9	Rs. 728,544.4	Rs. 4,048,961.3

	As of September 30, 2017						
	Auto loans	**Personal loans/ Credit card**	**Retail business banking**	**Commercial vehicle and Construction equipment finance**	**Housing loans**	**Other retail**	**Total**
				(In millions)			
erforming	Rs. 816,212.6	Rs. 1,004,635.6	Rs. 1,149,834.4	Rs. 502,045.4	Rs. 398,685.4	Rs. 778,321.4	Rs. 4,649,734.8
mpaired	7,410.7	8,030.0	24,170.0	7,402.7	1,673.7	20,843.7	69,530.8
otal	Rs. 823,623.3	Rs. 1,012,665.6	Rs. 1,174,004.4	Rs. 509,448.1	Rs. 400,359.1	Rs. 799,165.1	Rs. 4,719,265.6
otal	US$ 12,612.9	US$ 15,507.9	US$ 17,978.6	US$ 7,801.7	US$ 6,131.1	US$ 12,238.4	US$ 72,270.6

Wholesale Loans

The Bank has in place a process of grading each borrower according to its financial health and the performance of its business and each borrower is graded as pass/labeled/impaired. Wholesale loans that are not impaired are disclosed as pass or labeled and considered to be performing. Labeled loans are those with evidence of weakness where such exposures indicate deteriorating trends which if not corrected could adversely impact repayment of the obligations. The Bank s model assesses the overall risk over four major categories industry risk, business risk, management risk and financial risk. The inputs in each of the categories are combined to provide an aggregate numerical rating, which is a function of the aggregate weighted scores based on the assessment under each of these four risk categories.

		As of	
	March 31, 2017	**September 30, 2017**	**September 30, 2017**
		(In millions)	
Credit quality indicators-Internally assigned grade and payment activity			
Pass	Rs. 1,893,736.5	Rs. 1,928,191.1	US$ 29,528.1
Labeled	15,936.2	18,092.5	277.1
Impaired	30,275.7	30,780.7	471.4
Total	Rs. 1,939,948.4	Rs. 1,977,064.3	US$ 30,276.6

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Impaired loans are those for which the Bank believes that it is probable that it will not collect all amounts due according to the original contractual terms of the loans and includes troubled debt restructuring. The following table provides details of impaired loans as of March 31, 2017 and September 30, 2017.

	As of March 31, 2017				
	Recorded investments	Unpaid principal balance	Related specific allowance (In millions)	Average recorded investments	Finance receivable on non-accrual status
Retail Loans					
Auto loans	Rs. 6,105.6	Rs. 6,105.6	Rs. 2,792.9	Rs. 5,300.1	Rs. 6,105.6
Personal loans/Credit card	6,467.4	6,467.4	4,040.0	5,454.5	6,467.4
Retail business banking	21,060.1	21,060.1	15,278.4	18,273.1	21,060.1
Commercial vehicle and construction equipment finance	6,086.6	6,086.6	4,398.5	5,618.7	6,086.6
Housing loans	1,678.2	1,678.2	739.3	1,373.4	1,678.2
Other retail	11,306.1	11,306.1	6,767.5	9,043.9	11,306.1
Wholesale loans	30,275.7	30,275.7	11,713.5	22,917.7	30,275.7
Total	Rs. 82,979.7	Rs. 82,979.7	Rs. 45,730.1	Rs. 67,981.4	Rs. 82,979.7

	As of September 30, 2017				
	Recorded investments	Unpaid principal balance	Related specific allowance (In millions)	Average recorded investments	Finance receivable on non-accrual status
Retail Loans					
Auto loans	Rs. 7,410.7	Rs. 7,410.7	Rs. 3,191.0	Rs. 6,758.2	Rs. 7,410.7
Personal loans/Credit card	8,030.0	8,030.0	4,906.9	7,248.7	8,030.0
Retail business banking	24,170.0	24,170.0	17,013.6	22,615.1	24,170.0
Commercial vehicle and construction	7,402.7	7,402.7	4,782.9	6,744.7	7,402.7

equipment finance										
Housing loans		1,673.7		1,673.7		799.2		1,676.0		1,673.7
Other retail		20,843.7		20,843.7		11,730.5		16,074.9		20,843.7
Wholesale loans		30,780.7		30,780.7		14,247.5		30,528.2		30,780.7
Total	Rs.	100,311.5	Rs.	100,311.5	Rs.	56,671.6	Rs.	91,645.8	Rs.	100,311.5
Total	US$	1,536.2	US$	1,536.2	US$	867.9	US$	1,403.5	US$	1,536.2

Impaired loans by industry as of March 31, 2017 and September 30, 2017 are as follows:

		As of March 31, 2017
		(In millions)
Gross impaired loans by industry:		
Wholesale Trade- Consumer Goods	Rs.	15,722.9
Consumer Loans*		10,760.3
Iron & Steel		4,499.4
Agriculture Production Food		4,217.1
Others (none greater than 5% of impaired loans)		47,780.0
	Rs.	82,979.7

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

	As of September 30, 2017 (In millions)	
Gross impaired loans by industry:		
Wholesale Trade- Consumer Goods	Rs. 16,776.1	US$ 256.9
Consumer Loans*	12,315.8	188.6
Agriculture Production Food	11,206.8	171.6
Retail Trade	5,819.3	89.1
Agriculture Allied	5,623.3	86.1
Others (none greater than 5% of impaired loans)	48,570.2	743.9
Total	Rs. 100,311.5	US$ 1,536.2

* Primarily includes retail loans such as personal loans, auto loans and includes credit card receivables and housing loans.

Summary information relating to impaired loans during the year ended March 31, 2017 and six months period ended September 30, 2017 is as follows:

	As of, March 31, 2017	September 30, 2017	September 30, 2017
	(In millions)		
Average impaired loans, net of allowance	Rs. 29,612.1	Rs. 40,444.8	US$ 619.4
Interest income recognized on impaired loans	Rs. 3,472.7	Rs. 3,801.0	US$ 58.2

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HDFC BANK LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Allowance for credit losses as of March 31, 2017 are as follows:

As of March 31, 2017								
Specific							Unallocated	
Retail								
to loans	Personal Loans/ Credit card	Retail business banking	Commercial vehicle and Construction equipment finance	Housing loans	Other retail	Wholesale	Retail	Wholesale
(In millions)								
2,101.1	Rs. 2,638.6	Rs. 10,617.5	Rs. 3,876.7	Rs. 410.4	Rs. 3,950.4	Rs. 7,413.4	Rs. 22,548.6	Rs. 3,803.4
(5,155.0)	(11,639.3)	(1,453.4)	(3,227.4)	(32.9)	(2,793.5)	(2,261.7)		
5,846.8	13,040.7	6,114.3	3,749.2	361.8	5,610.6	6,561.8	5,562.0	852.8
2,792.9	Rs. 4,040.0	Rs. 15,278.4	Rs. 4,398.5	Rs. 739.3	Rs. 6,767.5	Rs. 11,713.5	Rs. 28,110.6	Rs. 4,656.2
2,792.9	Rs. 4,040.0	Rs. 15,278.4	Rs. 4,398.5	Rs. 739.3	Rs. 6,767.5	Rs. 11,713.5	Rs. 28,110.6	Rs. 4,656.2

						30,275.7		
6,105.6	6,467.4	21,060.1	6,086.6	1,678.2	11,306.1		3,996,257.3	1,909,672.7

* Net allowances for credit losses charged to expense does not include the recoveries against write-off cases amounting to Rs 9,748.6 million.

HDFC BANK LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Allowance for credit losses as of September 30, 2017 are as follows:

	As of September 30, 2017								
	Specific						Unallocated		
		Retail							
s	Personal Loans/ Credit card	Retail business banking	Commercial vehicle and Construction equipment finance	Housing loans	Other retail	Wholesale	Retail	Wholesale	Tota
	(In millions)								
9	Rs. 4,040.0	Rs. 15,278.4	Rs. 4,398.5	Rs. 739.3	Rs. 6,767.5	Rs. 11,713.5	Rs. 28,110.6	Rs. 4,656.2	Rs. 78
5)	(7,501.3)	(1,734.0)	(1,927.8)	(29.9)	(2,599.8)	(444.7)			(17
7	8,368.2	3,469.2	2,312.2	89.8	7,562.8	2,978.7	9,336.2	81.1	37
0	Rs. 4,906.9	Rs. 17,013.6	Rs. 4,782.9	Rs. 799.2	Rs. 11,730.5	Rs. 14,247.5	Rs. 37,446.8	Rs. 4,737.3	Rs. 98
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs. 14,247.5	Rs.	Rs.	Rs. 14
0	4,906.9	17,013.6	4,782.9	799.2	11,730.5		37,446.8	4,737.3	84

						30,780.7			30
7	8,030.0	24,170.0	7,402.7	1,673.7	20,843.7		4,649,734.8	1,946,283.6	6,665

* Net allowances for credit losses charged to expense does not include the recoveries against write-off cases amounting to Rs 5,501.4 million (US$ 84.2)

The unallocated allowance is assessed at each period end and the increase/(decrease) as the case may be is recorded in the income statement under allowances for credit losses. There is no transfer of amounts to or from the unallocated category to the specific category.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Troubled debt restructuring (TDR)

When the Bank grants concession, for economic or legal reasons related to a borrower s financial difficulties, for other than an insignificant period of time, the related loan is classified as a TDR. Concessions could include a reduction in the interest rate below current market rates, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection. Loans, for which the terms have been modified, and for which the borrower is experiencing financial difficulties, are considered TDRs. On restructuring, the loans are re-measured to reflect the impact, if any, on projected cash flows resulting from the modified terms. Modification may have little or no impact on the allowance established for the loan if there was no forgiveness of the principal and the interest was not decreased. A charge off may be recorded at the time of restructuring if a portion of the loan is deemed to be uncollectible.

The following table summarizes the Bank s TDR modifications during the year ended March 31, 2017 and for the six months period ended September 30, 2017 presented by primary modification type and includes the financial effects of these modifications.

	Fiscal year ended March 31, 2017					
	Carrying value	TDRs involving changes in the amount of principal payments (1)	TDRs involving changes in the amount of interest payments (2)	TDRs involving changes in the amount of both principal and interest payments	Balance of principal forgiven	Net P&L impact (3)
	(In millions)					
Retail Loans						
Retail business banking	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Commercial vehicle and construction equipment finance						
Wholesale loans	12,747.5			12,747.5		1,278.4
Total (4)	Rs. 12,747.5	Rs.	Rs.	Rs. 12,747.5	Rs.	Rs. 1,278.4

(1) TDRs involving changes in the amount of principal payment may include principal forgiveness or deferral of periodic and/or final principal payments.

(2) TDRs involving changes in the amount of interest payments may involve a reduction in interest rate.
(3) Balances reflect charge-offs and/or allowance for credit losses and/or income not recognized/deferred
(4) TDR modification during the year ended March 31, 2017 comprised of one case.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

	Six months period ended September 30, 2017					
	Carrying value	TDRs involving changes in the amount of principal payments (1)	TDRs involving changes in the amount of interest payments (2)	TDRs involving changes in the amount of both principal and interest payments	Balance of principal forgiven	Net P&L impact (3)
	(In millions)					
Retail Loans						
Retail business banking	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Commercial vehicle and construction equipment finance						
Wholesale loans						
Total (4)	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Total (4)	US$	US$	US$	US$	US$	US$

(1) TDRs involving changes in the amount of principal payment may include principal forgiveness or deferral of periodic and/or final principal payments.
(2) TDRs involving changes in the amount of interest payments may involve a reduction in interest rate.
(3) Balances reflect charge-offs and/or allowance for credit losses and/or income not recognized/deferred
(4) TDR modification during the six months period ended September 30, 2017 comprised of nil case.

The table below summarizes TDRs that have defaulted in the current period within 12 months of their modification date. The defaulted TDRs are based on a payment default definition of 90 days past due.

	As of September 30, 2017 recorded investments (In millions)
Retail loans	
Retail business banking	Rs.
Commercial vehicle and construction equipment finance	

Wholesale loans	
Total	Rs.
Total	US$

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HDFC BANK LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

6. Goodwill and other intangible assets

Goodwill arising from a business combination is tested at least on an annual basis for impairment. There were no changes in the carrying amount of goodwill of Rs. 74,937.9 million (US$ 1,147.6 million) for the year ended March 31, 2017 and six months period ended September 30, 2017. The entire amount of goodwill was allocated to the retail business. The table below presents the gross carrying amount, accumulated amortization and net carrying amount, in total and by class of intangible assets as of March 31, 2017 and September 30, 2017:

	As of March 31, 2017			As of September 30, 2017			
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount (In millions)	Accumulated amortization	Net carrying amount	Net carrying amount
Branch network	Rs. 8,335.0	Rs. 8,335.0	Rs.	Rs. 8,335.0	Rs. 8,335.0	Rs.	US$
Customer list	2,710.0	2,710.0		2,710.0	2,710.0		
Core deposit	4,414.0	4,414.0		4,414.0	4,414.0		
Favorable leases	543.0	541.0	2.0	543.0	541.5	1.5	
Total	Rs. 16,002.0	Rs. 16,000.0	Rs. 2.0	Rs. 16,002.0	Rs. 16,000.5	Rs. 1.5	US$

Branch network intangible represents the benefit that the Bank received through the acquisition of a ready branch network from Centurion Bank of Punjab Limited (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 the Bank would have generated if the Bank had set up its own branches/ATMs (the Hypothetical New Branch Network Earnings) and the earnings (net of costs) that were generated because of the acquisition of CBoP (the CBoP Branch Network Earnings). Similar streams of revenues and operating costs (and therefore profits) from CBoP s 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 the Bank 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 Reserve Bank of India (RBI). The Bank 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. The Bank 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 the Bank and future economic benefit until the lease expiry.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

The aggregate amortization charged for the six months periods ended September 30, 2016 and September 30, 2017 was Rs. 1.5 million and Rs. 0.5 million, respectively.

The estimated amortization expense for intangible assets for each of the five succeeding twelve months period is given in the table below:

	As of September 30, 2017	2017
	(In millions)	
To be amortized during the twelve months ending September 30:		
2018	Rs. 1.0	US$
2019	0.5	
2020		
2021		
2022		

7. Short-term borrowings

Short-term borrowings are mainly comprised of money market borrowings which are unsecured and are utilized by the Bank for its treasury operations. Short-term borrowings as of March 31, 2017 and September 30, 2017 were comprised of the following:

	As of, March 31, 2017		September 30, 2017		September 30, 2017
	(In millions)				
Borrowed in the call market	Rs. 21,202.2	Rs.	17,108.2	US$	262.0
Term borrowings from institutions/banks	127,400.0		321,274.4		4,920.0
Foreign currency borrowings	173,663.4		207,150.7		3,172.3
Total	Rs. 322,265.6	Rs.	545,533.3	US$	8,354.3

8. Long-term debt

Long-term debt as of March 31, 2017 and September 30, 2017 comprised of the following:

	As of		
	March 31, 2017	September 30, 2017	September 30, 2017
		(In millions)	
Subordinated debt	Rs. 149,020.0	Rs. 247,970.0	US$ 3,797.4
Others	581,969.0	673,067.7	10,307.3
Less: Debt issuance cost	(68.3)	(70.0)	(1.1)
Total	Rs. 730,920.7	Rs. 920,967.7	US$ 14,103.6

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

The below table presents the balance of long-term debt as of March 31, 2017 and September 30, 2017 and the related contractual rates and maturity dates:

	As of,						
	March 31, 2017			September 30, 2017			
	Maturity / Call dates	Stated interest rates	Total	Maturity / Call dates	Stated interest rates	Total	Total
				(In millions)			
Subordinated debt							
Lower Tier II							
Fixed rate	2018-2027	6.00% to 10.70%	Rs. 121,215.9	2018-2027	7.56% to 10.70%	Rs. 141,163.8	US$ 2,161.8
Upper Tier II							
Fixed rate	2018-2021	8.70% to 10.85%	27,797.7	2019-2021	8.70% to 10.85%	26,798.2	410.4
Variable rate							
Perpetual debt				2023	8.85%	79,997.0	1,225.1
Others*							
Variable rate (1)	2018-2022	2.20% to 3.70%	22,013.6	2020-2022	2.00% to 2.64%	28,682.9	439.2
Variable rate (2)	2018-2021	8.00% to 11.35%	74,677.8	2018-2021	7.54% to 11.35%	69,927.9	1,070.9
Fixed rate (1)	2018-2027	7.07% to 10.35%	444,930.8	2018-2027	6.90% to 10.35%	540,301.1	8,274.0
Fixed rate (2)	2018	1.62% to 4.30%	40,284.9	2018	3.00% to 4.30%	34,096.8	522.2
Total			Rs. 730,920.7			Rs. 920,967.7	US$ 14,103.6

* Variable rate (1) and fixed rate (2) represent foreign currency debt

The scheduled maturities of long-term debt are set out below:

	As of September 30, 2017 (In millions)	
Due in the twelve months ending September 30:		
2018	Rs. 194,837.8	US$ 2,983.7
2019	268,157.6	4,106.5
2020	64,860.0	993.3
2021	25,649.5	392.8

2022	7,160.0	109.6
Thereafter	280,305.8	4,292.6
Total	Rs. 840,970.7	US$ 12,878.5

(1) The scheduled maturities of long-term debt do not include perpetual bonds of Rs. 79,997.0 million(net of debt issuance cost).

During the six months period ended September 30, 2017 the Bank issued subordinated debt qualifying for Additional Tier I capital and Lower Tier II capital, under RBI regulatory guidelines, amounting to Rs. 80,000.0 million (previous period nil) and Rs. 20,000.0 million (previous period nil), respectively, and raised other long-term debt Rs. 144,497.4 million (previous period Rs. 312,139.1 million).

As of March 31, 2017 and September 30, 2017, other long-term debt includes foreign currency borrowings from other banks aggregating to Rs. 62,353.1 million and Rs. 62,831.8 million, respectively, and functional currency borrowings aggregating to Rs. 519,615.9 million and Rs. 610,235.9 million, respectively.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

9. Accumulated other comprehensive income

The below table presents the changes in accumulated other comprehensive income (OCI) after tax for the year ended March 31, 2017 and the six months period ended September 30, 2017.

	Available for sale securities	Foreign currency translation reserve (In millions)	Total
Balance, March 31, 2016	Rs. 10,707.6	Rs. 807.7	Rs. 11,515.3
Net unrealized gain/(loss) arising during the period	17,910.7	(209.2)	17,701.5
Amounts reclassified to income	(3,185.2)		(3,185.2)
Balance, March 31, 2017	Rs.25,433.1	Rs. 598.5	Rs. 26,031.6
Balance, March 31, 2017	Rs. 25,433.1	Rs. 598.5	Rs. 26,031.6
Net unrealized gain/(loss) arising during the period	9,987.3	80.1	10,067.4
Amounts reclassified to income	(6,379.4)		(6,379.4)
Balance, September 30, 2017	Rs. 29,041.0	Rs. 678.6	Rs. 29,719.6
Balance, September 30, 2017	US$ 444.7	US$ 10.4	US$ 455.1

The below table presents the reclassification out of accumulated other comprehensive income (OCI) by income line item and the related tax effect for six months periods ended September 30, 2016 and September 30, 2017.

	As of September 30,		
	2016	2017 (In millions)	2017
Available for sale securities:			
Realized (gain)/loss on sales of available for sale securities, net	Rs. (2,753.6)	Rs. (9,894.9)	US$ (151.5)
Other than temporary impairment losses on available for sale securities	1.3	139.3	2.1

Total before tax	Rs. (2,752.3)	Rs. (9,755.6)	US$ (149.4)
Income tax	952.5	3,376.2	51.7
Net of tax	Rs. (1,799.8)	Rs. (6,379.4)	US$ (97.7)

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10. Stock-based compensation

For details of the Bank s employee stock option scheme refer to the Bank s Form 20-F filed with the Securities and Exchange Commission on July 31, 2017.

On April 4, 2017 and April 21, 2017, the Nomination and Remuneration Committee of the Board approved, under plan F, the grant of 16,865,850 options (Scheme XXVII) and the grant of 16,200 options (Scheme XXVIII), respectively, to the employees of the Bank.

Assumptions used

The fair value of options has been estimated on the dates of each grant using a binomial option pricing model with the following assumptions:

	Six months period ended September 30, 2016	Six months period ended September 30, 2017
Dividend yield		0.65% - 0.66%
Expected volatility		19.94% - 21.65%
Risk-free interest rate		6.73% - 7.20%
Expected term (in years)		4.66-6.06

The Bank recognizes compensation expense related to stock and option awards over the requisite service period, generally based on the instruments grant-date fair value, reduced by expected forfeitures. Ultimately, the compensation cost for all awards that vest is recognized.

Activity and other details

Activity in the options available to be granted under the Employee Stock Option Scheme is as follows:

	Options available to be granted six months period ended September 30, 2016	Options available to be granted six months period ended September 30, 2017
Options available to be granted, beginning of period*	31,534,850	33,673,650
Equity shares allocated for grant under the plan		
Options granted		(16,882,050)
Forfeited/lapsed*	1,117,200	662,200

Options available to be granted, end of period	32,652,050	17,453,800

* Does not include options exchanged on acquisition of CBoP since these options on forfeiture/ lapse are not available for re-issue.

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Activity in the options outstanding under the Employee Stock Option Scheme is as follows:

	Six months period ended September 30, 2016		2017	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Options outstanding, beginning of period	128,654,300	Rs. 840.19	92,156,300	Rs. 904.97
Granted			16,882,050	1,433.23
Exercised	(17,447,200)	676.35	(21,450,900)	846.20
Forfeited	(1,052,000)	956.45	(628,800)	1,037.81
Lapsed	(65,200)	804.20	(33,400)	1,027.21
Options outstanding, end of period	110,089,900	Rs. 865.07	86,925,250	Rs. 1,021.06
Options exercisable, end of period	73,200,400	Rs. 789.76	57,929,800	Rs. 885.97
Weighted average fair value of options granted during the year		Rs.		Rs. 464.27

The following summarizes information about stock options outstanding as of September 30, 2017:

Plan	Range of exercise price	As of September 30, 2017 Number Of shares arising out of options	Weighted average remaining life (years)	Weighted average exercise price
Plan C	Rs.680.00 to Rs.835.50 (or US$ 10.41 to US$ 12.79)	3,777,700	1.78	Rs 687.83
Plan D	Rs.680.00 (or US$ 10.41)	2,286,700	1.84	680.00
Plan E	Rs.468.40 to Rs.680.00 (or US$ 7.17 to US$ 10.41)	9,482,400	1.73	652.46
Plan F	Rs.835.50 to Rs. 1,462.15 (or US$ 12.79 to US$ 22.39)	71,378,450	4.00	1,098.59

The intrinsic value, of options exercised during the six months ended September 30, 2016 and September 30, 2017 at grant date was Rs. 48.2 million and Rs. 12.2 million, respectively, and at exercise date was Rs. 10,407.3 million and

Rs. 20,582.2 million, respectively. The aggregate intrinsic value as of grant date and as at September 30, 2017 attributable to options which are outstanding as on September 30, 2017 was Rs. 17.2 million (previous period Rs. 121.4 million) and Rs. 68,205.2 million (previous period Rs. 44,892.3 million), respectively. The aggregate intrinsic value as at grant date and as at September 30, 2017 attributable to options exercisable as on September 30, 2017 was Rs. 16.7 million (previous period Rs. 121.4 million) and was Rs. 53,279.7 million (previous period Rs. 35,362.2 million), respectively. Total stock compensation cost (including on modification) recognized under these plans was Rs. 5,702.4 million and Rs. 3,894.7 million during the six months periods ended September 31, 2016 and September 30, 2017, respectively. There is no tax benefit recognized associated with share-based compensation expense. As of September 30, 2017, there were 28,995,450 (previous period 36,889,500) unvested options with weighted average exercise price of Rs. 1,290.9 (previous period Rs. 1,014.5) and aggregate intrinsic value at grant date and as at September 30, 2017, was Rs. 0.6 million (previous period nil) and was Rs. 14,925.5 million (previous period Rs. 9,530.1 million), respectively. As at September 30, 2017, the total estimated compensation cost to be recognized in future periods was Rs. 6,683.1 million (previous period Rs. 5,934.8 million). This is expected to be recognized over a weighted average period of 1.0 year.

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(Unaudited)

11. Financial instruments

Foreign exchange and derivative contracts

The Bank enters into forward exchange contracts, currency options, forward rate agreements, currency swaps and rupee interest rate swaps with inter-bank participants on its own account and for customers. These transactions enable customers to transfer, modify or reduce their foreign exchange and interest rate risks.

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 amount at maturity based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating rate interest cash flows. 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 market and credit risk associated with these products, as well as the operating risks, are similar to those relating to other types of financial instruments. Market risk is the exposure created by movements in interest rates and exchange rates during the tenure of the transaction. The extent of market risk affecting such transactions depends on the type and nature of the transaction, the value of the transaction and the extent to which the transaction is uncovered. Credit risk is the exposure to loss in the event of default by counterparties. The extent of loss on account of a counterparty default will depend on the replacement value of the contract at the ongoing market rates.

The Bank uses its pricing models to determine fair values of its derivative financial instruments. The Bank records credit risk valuation adjustments on derivative financial instruments in order to reflect the credit quality of the counterparties and its own credit quality. The Bank calculates valuation adjustments on derivatives based on observable market credit risk spreads.

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The following table presents the aggregate notional principal amounts of the Bank s outstanding forward exchange and other derivative contracts as of March 31, 2017 and September 30, 2017, together with the fair values on each reporting date.

	As of March 31, 2017			
	Notional	Gross Assets	Gross Liabilities	Net Fair Value
	(In millions)			
Interest rate derivatives	Rs. 2,391,507.8	Rs. 9,099.4	Rs. 8,722.7	Rs. 376.7
Forward rate agreements				
Currency options	189,005.0	2,072.5	2,066.0	6.5
Currency swaps	142,555.8	4,154.6	4,084.1	70.5
Forward exchange contracts	4,699,301.4	123,890.6	130,187.7	(6,297.1)
Total	Rs. 7,422,370.0	Rs. 139,217.1	Rs. 145,060.5	Rs. (5,843.4)

	As of September 30, 2017					
	Notional	Gross Assets	Gross Liabilities	Net Fair Value	Notional	Net Fair Value
	(In millions)					
Interest rate derivatives	Rs. 2,772,131.9	Rs. 11,811.7	Rs. 10,377.1	Rs. 1,434.6	US$ 42,452.2	US$ 22.0
Forward rate agreements						
Currency options	308,615.2	1,843.9	2,461.2	(617.3)	4,726.1	(9.5)
Currency swaps	160,304.1	4,242.1	4,519.6	(277.5)	2,454.9	(4.2)
Forward exchange contracts	4,370,403.4	63,575.4	64,503.6	(928.2)	66,928.1	(14.2)
Total	Rs. 7,611,454.6	Rs. 81,473.1	Rs. 81,861.5	Rs. (388.4)	US$ 116,561.3	US$ (5.9)

The Bank has not designated the above contracts as accounting hedges and accordingly the contracts are recorded at fair value on the balance sheet with changes in fair value recorded in net income. The gross assets and the gross liabilities are recorded in other assets and accrued expenses and other liabilities , respectively.

The following table summarizes certain information related to derivative amounts recognized in income:

	Non-interest revenue, net Derivatives for the six months ended September 30,		
	2016	2017	2017
	(In millions)		
Interest rate derivatives	Rs. (557.6)	Rs. 968.8	US$ 14.8
Forward rate agreements	1.2		
Currency options	245.4	(454.1)	(7.0)
Currency swaps	(633.1)	(1,386.3)	(21.2)
Forward exchange contracts	(6,792.7)	9,705.4	148.7
Total gains/(losses)	Rs. (7,736.8)	Rs. 8,833.8	US$ 135.3

Offsetting

The following table shows the impact of netting arrangements on derivative financial instruments, repurchase and reverse repurchase agreements that are subject to enforceable master netting arrangements or similar agreements, but are not offset in accordance with ASC 210-20-45 and ASC 815-10-45.

The Bank enters into International Swaps and Derivatives Association, Inc. (ISDA) master netting agreements or similar agreements with substantially all of the Bank s foreign exchange and derivative contract counterparties. These master netting agreements, give the Bank, in the event of default by the counterparty, the right to liquidate collaterals held or placed and to offset receivables and payables with the same counterparty. In the table below the Bank has presented the gross derivative assets and liabilities adjusted for the effects of master netting agreements and collaterals received or pledged.

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Transactions with counterparties for Securities sold under agreements to repurchase (repos) and securities purchased under agreements to resell (reverse repos) are settled through the Clearing Corporation of India Limited (CCIL), a centralized clearing house. Collaterals received or pledged comprise of highly liquid investments. For undertaking the above transactions, power of attorney is executed by the Bank and the counterparties in favor of CCIL to liquidate the securities pledged in the event of default.

	As of March 31, 2017					
	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on balance sheet			Related amounts not offset		
	Gross Amounts	Amounts offset	Net amounts reported in the balance sheet	Financial instruments	Financial collateral (1)	Net amount
	(In millions)					
Financial assets						
Derivative assets	Rs. 139,217.1	Rs.	Rs.139,217.1	Rs. 106,010.2	Rs. 2,911.9	Rs. 30,295.0
Securities purchased under agreements to resell	50,000.0		50,000.0		50,000.0	
Financial liabilities						
Derivative liabilities	Rs. 145,060.5	Rs.	Rs.145,060.5	Rs. 106,010.2	Rs. 2,772.7	Rs. 36,277.6
Securities sold under repurchase agreements						

(1) Comprised of securities and cash collaterals. These amounts are limited to the asset/liability balance, and accordingly, do not include excess collateral received/pledged.

	As of September 30, 2017					
	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on balance sheet			Related amounts not offset		
	Gross Amounts	Amounts offset	Net amounts reported in the balance sheet	Financial instruments	Financial collateral (1)	Net amount
	(In millions)					
Financial assets						

Derivative assets	Rs. 81,473.1	Rs.	Rs. 81,473.1	Rs. 59,648.3	Rs. 6,981.4	Rs. 14,843.4	US$ 227.3
Securities purchased under agreements to resell							
Financial liabilities							
Derivative liabilities	Rs. 81,861.5	Rs.	Rs. 81,861.5	Rs. 59,648.3	Rs. 1,193.7	Rs. 21,019.5	US$ 321.9
Securities sold under repurchase agreements	55,000.0		55,000.0		55,000.0		

(1) Comprised of securities and cash collaterals. These amounts are limited to the asset/liability balance, and accordingly, do not include excess collateral received/pledged.

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Guarantees

As a part of its commercial banking activities, the Bank has issued guarantees and documentary credits, such as letters of credit, to enhance the credit standing of its customers. These generally represent irrevocable assurances that the Bank 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 tenure of the guarantees issued or renewed by the Bank is normally in line with requirements on case by case basis as may be assessed by the Bank. The remaining tenure of guarantees presently issued by the Bank and currently outstanding ranges from 1 day to 15.4 years.

The credit risk associated with these products, as well as the operating risks, is similar to those relating to other types of financial instruments.

In accordance with FASB ASC 460-10 the Bank has recognized a liability of Rs. 2,339.2 million and Rs. 2,645.2 million as of March 31, 2017 and September 30, 2017, respectively, in respect of guarantees issued or modified. Based on historical trends, in accordance with FASB ASC 450, the Bank has recognized a liability of Rs. 977.2 million and Rs. 1,133.7 million as of March 31, 2017 and September 30, 2017, respectively.

Details of guarantees and documentary credits outstanding are set out below:

	As of,		
	March 31, 2017	September 30, 2017	September 30, 2017
		(In millions)	
Nominal values:			
Bank guarantees:			
Financial guarantees	Rs. 202,430.1	Rs. 220,783.2	US$ 3,381.1
Performance guarantees	166,964.2	181,901.3	2,785.6
Documentary credits	359,613.7	371,401.9	5,687.6
Total	Rs. 729,008.0	Rs. 774,086.4	US$ 11,854.3
Estimated fair values:			
Guarantees	Rs. (2,339.2)	Rs. (2,645.2)	US$ (40.5)
Documentary credits	(340.2)	(328.8)	(5.0)
Total	Rs. (2,679.4)	Rs. (2,974.0)	US$ (45.5)

As part of its risk management activities, the Bank continuously monitors the credit-worthiness of customers as well as guarantee exposures. If a customer fails to perform a specified obligation, a beneficiary may draw upon the guarantee by presenting documents in compliance with the guarantee. In that event, the Bank makes payment on account of the defaulting customer to the beneficiary up to the full notional amount of the guarantee. The customer is obligated to reimburse the Bank for any such payment. If the customer fails to pay, the Bank liquidates any collateral held and sets off accounts; if insufficient collateral is held, the Bank recognizes a loss. Margins in the form of cash and fixed deposit available to the Bank to reimburse losses realized under guarantees amounted to Rs. 73.2 billion and Rs. 86.5 billion as of March 31, 2017 and September 30, 2017, respectively. Other property or security may also be available to the Bank to cover losses under these guarantees.

Undrawn commitments

The Bank has outstanding undrawn commitments to provide loans and financing to customers. These commitments aggregated to Rs. 419.0 billion and Rs. 392.5 billion (US$ 6.0 billion) as of March 31, 2017 and September 30, 2017, respectively. Among other things, the making of a loan is subject to a review of the credit-worthiness of the customer at the time the customer seeks to borrow, at which time the Bank has the unilateral right to decline to make the loan. If the Bank were to make such loans, the interest rates would be dependent on the lending rates in effect when the loans were disbursed. Further, the Bank has unconditional cancellable commitments aggregating to Rs. 2,159.0 billion and Rs. 2,452.3 billion (US$ 37.6 billion) as of March 31, 2017 and September 30, 2017, respectively.

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12. Estimated fair value of financial instruments

The Bank s financial instruments include financial assets and liabilities recorded on the balance sheet, including instruments such as foreign exchange and derivative contracts. Management uses its best judgment in estimating the fair value of the Bank s financial instruments; however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates presented herein are not necessarily indicative of all the amounts the Bank could have realized in a sales transaction as of March 31, 2017 and September 30, 2017. The estimated fair value amounts as of March 31, 2017 and September 30, 2017 have been measured as of the respective period ends, and have not been re-evaluated or updated for purposes of these financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each period end.

Financial instruments valued at carrying value

The respective carrying values of certain on-balance-sheet financial instruments approximated their fair value. These financial instruments include cash and amounts due from banks, non-interest-bearing deposits in banks, securities purchased and sold under resale and repurchase agreements, accrued interest receivable, acceptances, accrued interest payable, and certain other assets and liabilities that are considered financial instruments. Carrying values were assumed to approximate fair values for these financial instruments as they are short-term in nature and their recorded amounts approximate fair values or are receivable or payable on demand.

Trading securities

Trading securities are carried at fair value based on quoted market prices. If quoted market prices did not exist, fair values were estimated using market yield on balance period to maturity on similar instruments and similar credit risk. For more information on the fair value of these securities, refer to note 2.

Available for sale securities

Available for sale investments principally comprise of debt securities and are carried at fair value. Such fair values were based on quoted market prices, if available. If quoted market prices did not exist, fair values were estimated using a market yield on the balance period to maturity on similar instruments and similar credit risks. The fair values of asset-backed and mortgage-backed securities are estimated based on revised estimated cash flows at each balance sheet date, discounted at current market pricing for transactions with similar risk. A reduction in the estimated cash flows of these instruments will adversely impact the value of these securities. A change in the timing of these estimated cash flows will also impact the value of these securities. For more information on the fair value of these securities, refer to note 3.

Loans

The fair values of consumer installment loans and other consumer loans that do not reprice or mature frequently are estimated using discounted cash flow models. The discount rates are based on internal models. The fair value of loans would decrease (increase) in value based upon an increase (decrease) in discount rate. Since substantially all individual lines of credit and other variable rate consumer loans reprice frequently, with interest rates reflecting current market pricing, the carrying values of these loans approximate their fair values.

The fair values of commercial loans that do not reprice or mature within relatively short time frames are estimated using discounted cash flow models. The discount rates are based on internal models. The fair value of loans would decrease (increase) in value based upon an increase (decrease) in discount rate. For commercial loans that reprice within relatively short time frames, the carrying values approximate their fair values.

For purposes of these fair value estimates, the fair values of impaired loans were computed by deducting an estimated market discount from their carrying values to reflect the uncertainty of future cash flows.

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(Unaudited)

Deposits

The fair value of demand deposits, savings deposits, and money market deposits without defined maturities are the amounts payable on demand. For deposits with defined maturities, the fair values were estimated using discounted cash flow models that apply market interest rates corresponding to similar deposits and timing of maturities.

Short-term borrowings

The fair values of the Bank s short-term debt were calculated based on a discounted cash flow model. The discount rates were based on yield curves appropriate for the remaining maturities of the instruments.

Long-term debt

The fair values of the Bank s unquoted long-term debt instruments were calculated based on a discounted cash flow model. The discount rates were based on yield curves appropriate for the remaining maturities of the instruments.

Term placements

The fair values of term placements were estimated using discounted cash flow models. The discount rates were based on current market pricing for placements with similar characteristics and risk factors.

Derivatives

See note 11

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A comparison of the fair values and carrying values of financial instruments is set out below:

As of,								
March 31, 2017				**September 30, 2017**				
Estimated Fair Value					**Estimated Fair Value**			
				Carrying				
Level 1	**Level 2**	**Level 3**	**Total**	**Value**	**Level 1**	**Level 2**	**Level 3**	
(In millions)								
430,708.6	Rs.	Rs.	Rs. 430,708.6	Rs. 456,068.0	Rs. 456,068.0	Rs.	Rs.	Rs.
	130,997.9		130,997.9	125,232.6		125,192.6		
4.8	35,358.9		35,363.7	122,155.3		122,155.3		
8,198.7	2,080,579.6	21,899.1	2,110,677.4	2,292,230.7	21,028.0	2,253,761.3	17,441.4	2
	50,000.0		50,000.0					
	1,791,981.2	4,169,757.8	5,961,739.0	6,597,474.2		1,991,112.0	4,680,334.0	6
	67,356.6		67,356.6	80,978.6		80,978.6		
	189,085.7		189,085.7	144,005.8		142,539.1		
	5,316,226.4		5,316,226.4	5,912,987.1		5,940,311.7		5
	1,153,678.9		1,153,678.9	974,794.5		974,794.5		
				55,000.0		55,000.0		
	321,708.0		321,708.0	545,533.3		545,046.9		
	44,487.6		44,487.6	67,785.2		67,785.2		
	758,454.8		758,454.8	920,967.7		949,778.5		
	449,454.6		449,454.6	317,755.5		317,755.5		

* *excluding investments carried at cost Rs. 633.5 million (US$9.7 million) (as at March 31, 2017, Rs.708.2 million)*

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(Unaudited)

13. Segment information

The Bank operates in three reportable segments: wholesale banking, retail banking and treasury services. The revenue and related expense recognition policies are set out in note 2. Substantially all operations and assets are based in India.

The retail banking segment serves retail customers through a branch network and other delivery channels. This segment raises deposits from customers and grant loans, provides credit cards and debit cards, distributes third-party financial products, such as mutual funds and insurance, and provides advisory services to such customers. Revenues of the retail banking segment are derived from interest earned on retail loans, fees for banking and advisory services, profit from foreign exchange and derivative transactions and interest earned from other segments for surplus funds placed with those segments. Expenses of this segment are primarily comprised of interest expense on deposits, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses. The Bank s retail banking loan products also include loans to small and medium enterprises for commercial vehicles, construction equipment and other business purposes. Such grouping ensures optimum utilization and deployment of specialized resources in the retail banking business.

The wholesale banking segment provides loans and transaction services to corporate customers. As discussed above, loans to small and medium enterprises for commercial vehicles, construction equipment and other business purposes are included in the retail banking segment. Revenues of the wholesale banking segment consist of interest earned on loans given to corporate customers, investment income from credit substitutes, interest earned on the cash float arising from transaction services, fees from such transaction services and profits from foreign exchange and derivative transactions with wholesale banking customers. The principal expenses of the segment consist of interest expense on funds borrowed from other segments, premises expenses, personnel costs, other direct overheads and allocated expenses.

The treasury services segment undertakes trading operations on proprietary account (including investments in government securities), foreign exchange operations and derivatives trading both on proprietary account and customer flows and borrowings. Revenues of the treasury services segment primarily consist of fees and gains and losses from trading operations and of net interest revenue/expense from investments in government securities and borrowings. Revenues from foreign exchange and derivative operations and customer flows are classified under the retail or wholesale segments depending on the profile of the customer.

Segment income and expenses include certain allocations. Interest income is charged by a segment that provides funding to another segment, based on yields benchmarked to an internally developed composite yield curve which broadly tracks market-discovered interest rates.

Directly identifiable overheads are attributed to a segment at actual amounts incurred. Indirect shared costs, principally corporate office expenses, are generally allocated to each segment on the basis of area occupied, number of staff, volume and nature of transactions. Wholesale banking segment includes unallocated tax balances and other items.

Summarized segment information for the six months periods ended September 30, 2016 and September 30, 2017:

	Six months period ended September 30, 2016			
	Retail Banking	Wholesale Banking	Treasury Services	Total
	(In millions)			
Net interest income/(expense) (External)	Rs. 87,906.4	Rs. 73,984.8	Rs. 6,320.4	Rs. 168,211.6
Net interest income/(expense) (Internal)	47,291.9	(47,130.5)	(161.4)	
Net interest revenue	135,198.3	26,854.3	6,159.0	168,211.6
Less: Provision for credit losses	17,054.1	1,681.1		18,735.2
Net interest revenue, after allowance for credit losses	118,144.2	25,173.2	6,159.0	149,476.4
Non-interest revenue	45,668.1	5,856.3	(1,268.1)	50,256.3
Non-interest expense	(93,760.7)	(7,452.0)	(671.0)	(101,883.7)
Income before income tax	Rs. 70,051.6	Rs. 23,577.5	Rs. 4,219.9	Rs. 97,849.0
Income tax expense				Rs. 35,934.7
Segment assets:				
Segment total assets	Rs. 4,616,437.6	Rs. 2,967,896.1	Rs. 661,999.3	Rs. 8,246,333.0

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HDFC BANK LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

	Six months period ended September 30, 2017				
	Retail Banking	**Wholesale Banking**	**Treasury Services**	**Total**	**Total**
			(In millions)		
nterest income/(expense) (External)	Rs. 132,255.9	Rs. 58,833.7	Rs. 9,707.7	Rs. 200,797.3	US$ 3,07
nterest income/(expense) (Internal)	33,213.2	(25,539.4)	(7,673.8)		
nterest revenue	165,469.1	33,294.3	2,033.9	200,797.3	3,07
: Provision for credit losses	29,186.3	3,031.5		32,217.8	49
nterest revenue, after allowance for credit losses	136,282.8	30,262.8	2,033.9	168,579.5	2,58
interest revenue	54,740.2	6,448.0	6,123.7	67,311.9	1,03
interest expense	(102,089.4)	(8,673.2)	(673.0)	(111,435.6)	(1,70
me before income tax	Rs. 88,933.6	Rs. 28,037.6	Rs. 7,484.6	Rs. 124,455.8	US$ 1,90
me tax expense				Rs. 44,857.8	US$ 68
nent assets:					
nent total assets	Rs. 5,684,552.5	Rs. 3,509,150.1	Rs. 779,193.1	Rs. 9,972,895.7	US$ 152,72

14. Commitments and contingencies

Commitments and contingent liabilities other than for off balance sheet financial instruments (see note 11) are as follows:

Capital commitments

The Bank has entered into committed capital contracts, principally for branch expansion and technology upgrades. The estimated amounts of contracts remaining to be executed on the capital account as of March 31, 2017 and September 30, 2017 aggregated Rs. 4,010.7 million and Rs. 5,197.0 million, respectively.

Contingencies

The Bank is party to various legal proceedings in the normal course of business. The Bank estimates the provision for contingencies which majorly include indirect taxes since no precedents exist which could be used as points of reference. The amount of claims against the Bank towards indirect taxes and other claims which are not acknowledged as debts as of March 31, 2017 and September 30, 2017 aggregated to Rs. 7,759.1 million and Rs. 8,458.6 million, respectively. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank s results of operations, financial condition or cash flows. The Bank intends to vigorously defend these claims. Although the results of other legal actions cannot be predicted with certainty, it is the opinion of management, after taking appropriate legal advice, that the likelihood of these claims becoming obligations of the Bank is remote and hence the resolution of these actions will not have a material adverse effect, if any, on the Bank s business, financial condition or results of operations.

Lease commitments

The Bank is party to operating leases for certain of its office premises, employee residences and ATMs, with a renewal at the option of the Bank. The Bank has sub-leased certain of its properties taken on lease. The rental expenses and sub-lease income is as follows:

	Six months period ended September 30,		
	2016	2017	2017
		(In millions)	
The total minimum lease expense during the year recognized in the consolidated statement of income	Rs. 5,573.8	Rs. 6,088.5	US$ 93.2

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The future minimum lease payments as of September 30, 2017 were as follows:

Period ending September 30,	Payments (In millions)	
2018	Rs. 10,139.3	US$ 155.3
2019	9,131.4	139.8
2020	8,515.4	130.4
2021	7,725.1	118.3
2022	6,723.3	103.0
Thereafter	32,679.7	500.5
Total	Rs. 74,914.2	US$ 1,147.3

The terms of renewal and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreements.

15. Earnings per equity share

A reconciliation of the equity shares used in the computation of basic and diluted earnings per equity share has been provided below. Potential equity shares in the nature of ESOPs with average outstanding balance of 42.7 million and 16.9 million were excluded from the calculation of diluted earnings per share for the six months periods ended September 30, 2016 and September 30, 2017, respectively, as these were anti-dilutive.

	As of September 30, 2016	2017
Weighted average number of equity shares used in computing basic earnings per equity share	2,534,712,324	2,571,623,913
Effect of potential equity shares for stock options outstanding	28,402,427	33,096,931
Weighted average number of equity shares used in computing diluted earnings per equity share	2,563,114,751	2,604,720,844

The following are reconciliations of basic and diluted earnings per equity share and earnings per ADS.

	Six months period ended September 30,		
	2016	**2017**	**2017**
Basic earnings per share	Rs. 24.38	Rs. 30.90	US$ 0.47
Effect of potential equity shares for stock options outstanding	0.27	0.39	0.01
Diluted earnings per share	Rs. 24.11	Rs. 30.51	US$ 0.46
Basic earnings per ADS	Rs. 73.14	Rs. 92.70	US$ 1.41
Effect of potential equity shares for stock options outstanding	0.81	1.17	0.03
Diluted earnings per ADS	Rs. 72.33	Rs. 91.53	US$ 1.38

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16. Fair value measurement

FASB Accounting Standards Codification ASC 820 (Topic 820) Fair Value Measures and Disclosures, defines fair value, establishes a framework for measuring fair value in US GAAP, and expands disclosures about fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level of input	Definition
Level 1	Unadjusted quoted market prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities.
Level 2	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 that are both significant to the fair value measurement and unobservable (i.e. supported with little or no market activity).

The following is a description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy. These valuation methodologies were applied to all of the Bank s financial assets and financial liabilities carried at fair value. For Level 1 instruments the valuation is based upon the unadjusted quoted prices of identical instruments traded in active markets. For Level 2 instruments, where such quoted market prices are not available, the valuation is based upon the quoted prices for similar instruments in active markets, the quoted prices for identical or similar instruments in markets that are not active, prices quoted by market participants and prices derived from standard valuation methodologies or internally developed models that primarily use, as inputs, such as interest rates, yield curves, volatilities and credit spreads, which are available from public sources such as Reuters, Bloomberg and the Fixed Income Money Markets and Derivatives Association of India. The valuation methodology primarily includes discounted cash flow techniques. 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 and the Bank s creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. The valuation of Level 3 instruments is based on valuation techniques or models which use significant market unobservable inputs or assumptions.

The Bank uses its quantitative pricing models to determine the fair value of its derivative instruments. These models use multiple market inputs including interest rates, prices and indices to generate continuous yield or pricing curves and volatility factors to value the position that are observable directly or indirectly. 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 and the Bank s creditworthiness, among other things, as well as unobservable parameters.

Any such valuation adjustments are applied consistently over time.

Financial assets and financial liabilities measured at fair value on a recurring basis:

Available for sale securities: Available for sale investments are principally comprised of debt securities and are carried at fair value. Such fair values were based on quoted market prices, if available. If quoted market prices did not exist, fair values were estimated using the market yield on the balance period to maturity on similar instruments and similar credit risks. The fair values of asset-backed and mortgage-backed securities is estimated based on revised estimated cash flows at each balance sheet date, discounted at current market pricing for transactions with similar risk. A reduction in the estimated cash flows of these instruments will adversely impact the value of these securities. A change in the timing of these estimated cash flows will also impact the value of these securities.

Trading securities: Trading securities are carried at fair value based on quoted market prices or market observable inputs.

Held to maturity securities: There were no HTM securities as of March 31, 2017 and September 30, 2017.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

The following table summarizes investments measured at fair value excluding investments carried at cost of Rs. 708.2 million on a recurring basis as of March 31, 2017, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

		Fair Value Measurements Using		
Particulars	**Total**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
		(In millions)		
Trading account securities	Rs. 35,363.7	Rs. 4.8	Rs. 35,358.9	Rs.
Securities Available-for-Sale	2,110,677.4	8,198.7	2,080,579.6	21,899.1
Total	Rs. 2,146,041.1	Rs. 8,203.5	Rs. 2,115,938.5	Rs. 21,899.1

The following table summarizes investments measured at fair value excluding investments carried at cost of Rs.633.5 million (US$ 9.7 million) on a recurring basis as of September 30, 2017, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

		Fair Value Measurements Using		
Particulars	**Total**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
		(In millions)		
Trading account securities	Rs. 122,155.3	Rs.	Rs. 122,155.3	Rs.
Securities Available-for-Sale	2,292,230.7	21,028.0	2,253,761.3	17,441.4
Total	Rs. 2,414,386.0	Rs. 21,028.0	Rs. 2,375,916.6	Rs. 17,441.4
Total	US$ 36,973.8	US$ 322.0	US$ 36,384.7	US$ 267.1

There have been no transfers between level 1, 2 and 3 for the year ended March 31, 2017 and six months period ended September 30, 2017.

The following table summarizes, certain additional information about changes in the fair value of Level 3 assets pertaining to instruments carried at fair value for the six months periods ended September 30, 2016 and September 30, 2017:

Particulars		**As of September 30, 2016 (in millions)**
Beginning balance at April 1, 2016	Rs.	17,008.1
Total gains or losses (realized/unrealized)		
-Included in net income		
-Included in other comprehensive income		118.2
Purchases/additions		6,126.1
Sales		
Issuances		
Settlements		(6,332.8)
Transfers in Level 3		
Transfers out of Level 3		
Foreign currency translation adjustment		
Ending balance at September 30, 2016	Rs.	16,919.6
Total amount of gains or (losses) included in net income attributable to change in unrealized gains or (losses) relating to assets still held at reporting date	Rs	

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Particulars		**As of September 30, 2017 (in millions)**
Beginning balance at April 1, 2017	Rs.	21,899.1
Total gains or losses (realized/unrealized)		
-Included in net income		
-Included in other comprehensive income		62.7
Purchases/additions		3,265.7
Sales		
Issuances		
Settlements		(7,786.1)
Transfers in Level 3		
Transfers out of Level 3		
Foreign currency translation adjustment		
Ending balance at September 30, 2017	Rs.	17,441.4
Total amount of gains or (losses) included in net income attributable to change in unrealized gains or (losses) relating to assets still held at reporting date	Rs	

Derivatives: The Bank enters into forward exchange contracts, currency options, forward rate agreements, currency swaps and rupee interest rate swaps with inter-bank participants on its own account and for customers. These transactions enable customers to transfer, modify or reduce their foreign exchange and interest rate risks. 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 amount at maturity based on predetermined rates. Rupee interest rate swaps are commitments to exchange fixed and floating rate cash flows in rupees.

The Bank uses its pricing models to determine the fair value of its derivative instruments. These models use market inputs that are observable directly or indirectly.

The following table summarizes derivative instruments measured at fair value on a recurring basis as of March 31, 2017, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

		Fair Value Measurements Using		
Particulars	**Total**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**

			(In millions)		
Derivative assets	Rs. 139,217.1	Rs.	Rs.	139,217.1	Rs.
Derivative liabilities	Rs. 145,060.5	Rs.	Rs.	145,060.5	Rs.

The following table summarizes derivative instruments measured at fair value on a recurring basis as of September 30, 2017, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

Particulars	Total	Fair Value Measurements Using Quoted prices in active markets for identical assets (Level 1)		Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
			(In millions)		
Derivative assets	Rs. 81,473.1	Rs.	Rs.	81,473.1	Rs.
Derivative liabilities	Rs. 81,861.5	Rs.	Rs.	81,861.5	Rs.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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17. Subsequent events

The Extra-Ordinary General Meeting (EGM) of the Bank held on January 19, 2018 approved the raising of funds aggregating up to Rs. 240.0 billion, of which an amount up to a maximum of Rs. 85.0 billion shall be through the issuance of equity shares of face value of Rs 2.0 each pursuant to a preferential issue to Housing Development Finance Corporation Limited (the Bank s promoters) and the balance shall be through the issuance of equity shares/ convertible securities/ depository receipts pursuant to a Qualified Institutions Placement (QIP)/ American Depository Receipts (ADR)/ Global Depository Receipt (GDR) program. The said raising of funds is subject to the approval of the applicable regulatory authorities.

The Bank has evaluated subsequent events from the balance sheet date through February 26, 2018 and determined that there are no other items to disclose.