HDFC BANK LTD
Form 6-K
February 04, 2014
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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 2014

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 x 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 x

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 x

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 x

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 4, 2014	By	/s/ Sashidhar Jagdishan
	Name:	Sashidhar Jagdishan
	Title:	Chief Financial Officer

* Print the name and title under the signature of the signing 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, 2012 and 2013.

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HDFC BANK LIMITED AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	As of		
	March 31, 2013	September 30, 2013 (unaudited)	September 30, 2013 (unaudited)
	(In millions, except number of shares)		
ASSETS:			
Cash and cash equivalents	Rs. 218,740.2	Rs. 251,218.9	US$ 4,014.4
Term placements	199,265.7	186,258.6	2,976.3
Investments held for trading, at fair value	87,383.5	82,570.6	1,319.4
Investments available for sale, at fair value [includes restricted investments of Rs. 805,912.3 and Rs. 809,211.8 (US$ 12,930.8), respectively]	1,018,071.5	944,416.1	15,091.3
Securities purchased under agreements to resell	67,000.0		
Loans [net of allowance of Rs. 33,694.2 and Rs. 38,815.3 (US$ 620.3), respectively]	2,504,551.6	2,798,389.3	44,717.0
Accrued interest receivable	34,370.9	37,849.9	604.8
Property and equipment, net	28,978.4	31,443.1	502.4
Intangible assets, net	1,769.5	935.3	14.9
Goodwill	74,937.9	74,937.9	1,197.5
Other assets	135,836.9	244,021.9	3,899.4
Total assets	Rs. 4,370,906.1	Rs. 4,652,041.6	US$ 74,337.4
LIABILITIES AND SHAREHOLDERS EQUITY:			
Liabilities:			
Interest-bearing deposits	Rs. 2,438,262.0	Rs. 2,652,938.4	US$ 42,392.8
Non-interest-bearing deposits	522,271.9	475,413.1	7,596.9
Total deposits	2,960,533.9	3,128,351.5	49,989.7
Securities sold under repurchase agreements	205,000.0	191,500.0	3,060.1
Short-term borrowings	145,617.2	212,299.6	3,392.5
Accrued interest payable	58,135.2	29,488.1	471.2
Long-term debt	295,219.7	288,818.4	4,615.2
Accrued expenses and other liabilities	236,022.2	323,880.2	5,175.3
Total liabilities	Rs. 3,900,528.2	Rs. 4,174,337.8	US$ 66,704.0
Commitments and contingencies (see note 14)			
Shareholders equity:			
	Rs. 4,758.8	Rs. 4,782.5	US$ 76.4

Equity shares: par value Rs. 2.0 each; authorized 2,750,000,000 shares; issued and outstanding 2,379,419,030 shares and 2,391,248,160 shares, as of March 31, 2013 and September 30, 2013, respectively			
Additional paid-in capital	259,966.3	267,050.6	4,267.3
Advance received pending allotment of shares	221.5		
Retained earnings	132,773.3	151,902.6	2,427.3
Statutory reserve	70,269.0	70,269.0	1,122.9
Accumulated other comprehensive income (loss)	485.4	(17,234.4)	(275.4)
Total HDFC Bank Limited shareholders equity	468,474.3	476,770.3	7,618.5
Noncontrolling interest in subsidiaries	1,903.6	933.5	14.9
Total shareholders equity	470,377.9	477,703.8	7,633.4
Total liabilities and shareholders equity	Rs. 4,370,906.1	Rs. 4,652,041.6	US$ 74,337.4

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,		
	2012	**2013**	**2013**
		(In millions)	
Interest and dividend revenue:			
Loans	Rs. 129,119.6	Rs. 154,036.3	US$ 2,461.5
Trading securities	2,334.8	3,412.5	54.5
Available for sale securities	33,188.1	38,460.8	614.6
Other	4,748.1	6,097.3	97.4
Total interest and dividend revenue	169,390.6	202,006.9	3,228.0
Interest expense:			
Deposits	78,878.7	88,448.4	1,413.4
Short-term borrowings	7,169.6	11,365.7	181.6
Long-term debt	8,642.0	11,784.7	188.3
Other	213.6	35.7	0.6
Total interest expense	94,903.9	111,634.5	1,783.9
Net interest revenue	74,486.7	90,372.4	1,444.1
Provision for credit losses	7,436.1	8,887.3	142.0
Net interest revenue after provision for credit losses	67,050.6	81,485.1	1,302.1
Non-interest revenue, net:			
Fees and commissions	24,774.9	27,923.0	446.2
Trading securities gain/(loss), net	83.3	(781.9)	(12.5)
Realized gain/(loss) on sales of available for sale securities, net	446.5	1,891.8	30.2
Other than temporary impairment losses on available for sale securities	(1,504.2)		
Foreign exchange transactions	4,998.0	(225.9)	(3.6)
Derivatives gain/(loss), net	110.8	4,575.5	73.1
Other, net	75.9	237.2	3.8
Total non-interest revenue, net	28,985.2	33,619.7	537.2

Total revenue, net		96,035.8		115,104.8		1,839.3
Non-interest expense:						
Salaries and staff benefits		26,814.3		29,132.2		465.5
Premises and equipment		8,200.3		9,733.6		155.5
Depreciation and amortization		3,110.3		3,537.7		56.5
Administrative and other		17,157.0		18,846.6		301.2
Amortization of intangible assets		1,155.2		834.2		13.3
Total non-interest expense		56,437.1		62,084.3		992.0
Income before income tax expense		39,598.7		53,020.5		847.3
Income tax expense		13,242.3		18,503.1		295.7
Net income before noncontrolling interest	Rs.	26,356.4	Rs.	34,517.4	US$	551.6
Less: Net income attributable to noncontrolling interest		130.8		5.8		0.1
Net income attributable to HDFC Bank Limited	Rs.	26,225.6	Rs.	34,511.6	US$	551.5
Per share information:						
Earnings per equity share basic	Rs.	11.14	Rs.	14.46	US$	0.23
Earnings per equity share diluted	Rs.	11.10	Rs.	14.35	US$	0.22
Per ADS information (where 1 ADS represents 3 shares):						
Earnings per ADS basic	Rs.	33.42	Rs.	43.38	US$	0.69
Earnings per ADS diluted	Rs.	33.30	Rs.	43.05	US$	0.66

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,		
	2012	**2013**	**2013**
		(In millions)	
Net income before noncontrolling interest	Rs. 26,356.4	Rs. 34,517.4	US$ 551.6
Other comprehensive income, net of tax:			
Foreign currency translation reserve:			
Net unrealized gain (loss) arising during the period	18.4	275.8	4.4
Reclassification of net (gain)/ loss included in net income			
Available for sale securities:			
Net unrealized gain (loss) arising during the period [net of tax Rs. 2,419.9 and Rs. (9,095.5), respectively]	5,114.2	(17,676.7)	(282.5)
Net unrealized (gain)/ loss reclassified to earnings [net of tax Rs. (55.7) and Rs. (164.2), respectively]	(116.0)	(318.9)	(5.1)
Other comprehensive income, net of tax	5,016.6	(17,719.8)	(283.2)
Total comprehensive income	31,373.0	16,797.6	268.4
Less: Comprehensive income attributable to noncontrolling interest	130.8	5.8	0.1
Comprehensive income attributable to HDFC Bank Limited	31,242.2	16,791.8	268.3

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,		
	2012	**2013**	**2013**
		(In millions)	
Cash flows from operating activities:			
Net income before noncontrolling interest	Rs. 26,356.4	Rs. 34,517.4	US$ 551.6
Adjustment to reconcile net income to net cash provided by operating activities			
Provision for credit losses	7,436.1	8,887.3	142.0
Depreciation and amortization	3,110.3	3,537.7	56.5
Amortization of intangibles	1,155.2	834.2	13.3
Amortization of deferred acquisition costs	2,930.5	2,052.4	32.8
Amortization of premium (discount) on investments	(169.4)	(343.7)	(5.5)
Other than temporary impairment of investment	1,504.2		
Provision for deferred income taxes	(2,361.8)	(3,013.4)	(48.2)
Share-based compensation expense	2,682.9	1,710.7	27.3
Net realized (gain) loss on sale of available for sale securities	(446.5)	(1,891.8)	(30.2)
(Gain) loss on disposal of property and equipment, net	4.0	(1.7)	
Exchange (gain) loss	(1,767.2)	(6,283.3)	(100.3)
Net change in:			
Investments held for trading	31,290.0	10,152.9	162.3
Accrued interest receivable	(3,339.2)	(3,474.7)	(55.5)
Other assets	(18,470.3)	(101,284.9)	(1,618.4)
Accrued interest payable	15,050.8	(28,638.5)	(457.6)
Accrued expense and other liabilities	9,146.4	88,860.1	1,420.0
Net cash provided by operating activities	74,112.4	5,620.7	90.1
Cash flows from investing activities:			
Net change in term placements	(17,335.8)	13,007.1	207.8
Net change in available for sale securities	(15,112.4)	48,943.3	782.0
Net change in repurchase options and reverse repurchase options	45,625.6	53,500.0	854.9
Loans purchased	(25,565.9)	(11,338.0)	(181.2)
Repayments on loans purchased	20,318.2	19,533.1	312.1
Increase in loans originated, net of principal collections	(371,241.3)	(312,443.2)	(4,992.7)
Additions to property and equipment	(4,969.0)	(5,658.6)	(90.4)

Proceeds from sale or disposal of property and equipment	29.0	21.5	0.3
Net cash used in investing activities	(368,251.6)	(194,434.8)	(3,107.2)

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, 2012	2013	2013
		(In millions)	
Cash flows from financing activities:			
Net increase in deposits	268,423.7	164,070.8	2,621.8
Net increase (decrease) in short-term borrowings	4,807.0	64,124.1	1,024.7
Proceeds from issue of shares by a subsidiary to noncontrolling interests		140.4	2.2
Proceeds from issuance of long-term debt	88,921.9	28,683.2	458.3
Repayment of long-term debt	(12,028.3)	(34,697.5)	(554.5)
Proceeds from issuance of equity shares for options exercised	4,486.7	4,281.0	68.4
Proceeds from application for issuance of equity shares for options exercised pending allotment		(221.5)	(3.5)
Payment of dividends and dividend tax	(11,786.9)	(15,382.3)	(245.8)
Net cash provided by financing activities	342,824.1	210,998.2	3,371.6
Effect of exchange rate changes on cash and cash equivalents	644.8	10,294.6	164.5
Net change in cash and cash equivalents	49,329.7	32,478.7	519.0
Cash and cash equivalents, beginning of year	188,043.0	218,740.2	3,495.4
Cash and cash equivalents, end of period	Rs. 237,372.7	Rs. 251,218.9	US$ 4,014.4
Supplementary cash flow information:			
Interest paid	Rs. 79,857.7	Rs. 140,281.6	US$ 2,241.6
Income taxes paid	Rs. 18,589.3	Rs. 16,762.3	US$ 267.9
Non-cash investment activities			
Payable for purchase of property and equipment	Rs. 181.0	Rs. 1,035.7	US$ 16.6

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	Sha
					(In millions)				
	2,346,688,270	**Rs. 4,693.4**	**Rs. 244,564.7**	**Rs. 99,761.6**	**Rs. 53,248.3**	**Rs. (7,212.8)**	**Rs. 395,055.2**	**Rs. 1,537.5**	**Rs.**
d e	15,009,970	30.0	4,456.7				4,486.7		
n			2,682.9				2,682.9		
				(11,786.9)			(11,786.9)		
				26,225.6			26,225.6	130.8	
n									
ve						5,016.6	5,016.6		
30,	**2,361,698,240**	**Rs. 4,723.4**	**Rs. 251,704.3**	**Rs. 114,200.3**	**Rs. 53,248.3**	**Rs. (2,196.2)**	**Rs. 421,680.1**	**Rs. 1,668.3**	**Rs.**

See accompanying notes to condensed consolidated financial statements

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HDFC BANK LIMITED AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY (Continued)

(Unaudited)

ber of uity ares	Equity Share Capital	Additional Paid In Capital	Advance received pending allotment of shares	Retained Earnings	Statutory Reserve*	Accumulated Other Comprehensive Income (loss)	Total HDFC Bank Limited Shareholders Equity	Noncontr intere
				(In millions)				
419,030	**Rs. 4,758.8**	**Rs. 259,966.3**	**Rs. 221.5**	**Rs. 132,773.3**	**Rs. 70,269.0**	**Rs. 485.4**	**Rs. 468,474.3**	**Rs. 1,9**
829,130	23.7	4,257.3					4,281.0	
		1,710.7					1,710.7	
			(221.5)				(221.5)	
				(15,382.3)			(15,382.3)	
		1,116.3					1,116.3	(1,1
								1
				34,511.6			34,511.6	
						(17,719.8)	(17,719.8)	
248,160	**Rs. 4,782.5**	**Rs. 267,050.6**	**Rs.**	**Rs. 151,902.6**	**Rs. 70,269.0**	**Rs. (17,234.4)**	**Rs. 476,770.3**	**Rs. 9**

248,160	US$	76.4	US$	4,267.3	US$		US$	2,427.3	US$	1,122.9	US$	(275.4)	US$	7,618.5	US$

* In terms of local regulations the Bank is required to transfer 25% of its profit after tax (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 29, 2013.

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 under Financial Accounting Standard Board Accounting Standard Codification FASB ASC Topic 810 Consolidations . All significant inter-company accounts and transactions are eliminated on consolidation.

b. Basis of presentation

These financial statements have been prepared in accordance with 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 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 periods 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 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 150 to 1,083 days past due depending on the type of loans. The defined delinquency levels at which major loan types are charged off are 150 days past due for personal loans and credit card receivables, 180 days past due for auto loans, commercial vehicle and construction equipment finance, 720 days past due for housing loans and on a customer by customer basis in respect of retail business banking when management believes that any future cash flows from these loans are remote including realization of collateral, if applicable, and where any restructuring or any other settlement arrangements are not feasible.

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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 cannot 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.

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. The Bank generally does not charge upfront loan origination fees. Nominal 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.

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

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In July 2012, FASB issued ASU 2012-02, Testing Indefinite-Lived Intangible Assets for Impairment (Topic 350) (ASU 2012-02), which amends the guidance in ASC 350-30. Under the revised guidance, entities testing indefinite-lived intangible assets for impairment have the option of performing a qualitative assessment before performing quantitative assessment steps. If based on the qualitative assessment, an entity concludes it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount, then the entity must complete the quantitative tests to determine if the asset is impaired. If an entity concludes otherwise, quantitative tests are not required. This new guidance is effective for the interim or annual periods beginning on or after September 15, 2012. The Bank adopted the provisions of ASU 2012-02 effective April 1, 2013. The adoption of this guidance did not have a material impact on the Bank s consolidated financial position or results of operations.

In February 2013, the FASB issued ASU 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (Topic 220) (ASU 2013-02). ASU 2013-02 requires an entity to disclose the effect on net income line items from significant amounts reclassified out of accumulated other comprehensive income and entirely into net income. However, for those reclassifications that are partially or entirely capitalized on the balance sheet, then entities must provide a cross-reference to disclosures that provide information about the effect of the reclassifications. ASU 2013-02 is effective for interim and annual periods beginning on or after December 15, 2012. The Bank adopted the provisions of ASU 2013-02 effective April 1, 2013. The adoption of this guidance did not have a material impact on the Bank s consolidated financial position or results of operations.

h. Recently issued accounting pronouncements not yet effective

In July 2013, the FASB issued ASU No. 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (ASU 2013-11). As per the amendment, an unrecognized tax benefit should be presented as a reduction of a deferred tax asset for a net operating loss (NOL) or other tax credit carryforward when settlement in this manner is available under the tax law. The assessment of whether settlement is available under the tax law would not consider future events (e.g., upcoming expiration of related NOL carryforwards). This classification should not affect an entity s analysis of the realization of its deferred tax assets. Gross presentation in the rollforward of unrecognized tax positions in the notes to the financial statements would still be required. ASU 2013-11 is effective for interim and annual periods beginning on or after December 15, 2013. Early adoption is also permitted. The adoption of this guidance is not expected to have a material impact on the Bank s consolidated financial position or results of operations.

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 month period ended September 30, 2013 have been translated into U.S. dollars at U.S.$1.00 = Rs. 62.58 as published by the Federal Reserve Board of New York on September 30, 2013. 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, 2013 and September 30, 2013 was as follows:

	As of March 31, 2013	
	Amortized Cost	**Fair Value**

		Gross Unrealized Gains	Gross Unrealized Losses	
		(In millions)		
Government of India securities	Rs. 63,468.6	Rs. 134.7	Rs. 58.5	Rs. 63,544.8
Other corporate/financial institution securities	13,856.2	11.7	59.1	13,808.8
Total debt securities	77,324.8	146.4	117.6	77,353.6
Other securities-mutual fund units	10,029.9			10,029.9
Total	Rs. 87,354.7	Rs. 146.4	Rs. 117.6	Rs. 87,383.5

	As of September 30, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In millions)			
Government of India securities	Rs. 75,520.8	Rs. 10.6	Rs. 612.2	Rs. 74,919.2
Other corporate/financial institution securities	7,909.8	0.3	262.4	7,647.7
Total debt securities	83,430.6	10.9	874.6	82,566.9
Equity securities	3.7			3.7
Total	Rs. 83,434.3	Rs. 10.9	Rs. 874.6	Rs. 82,570.6
Total	US$ 1,333.2	US$ 0.2	US$ 14.0	US$ 1,319.4

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3. Investments, available for sale

The portfolio of available for sale securities as of March 31, 2013 and September 30, 2013 was as follows:

	As of March 31, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In millions)			
Government of India securities	Rs. 924,701.5	Rs. 2,664.7	Rs. 3,538.9	Rs. 923,827.3
State government securities	234.0	0.9	0.2	234.7
Credit substitutes	46,596.4	53.3	27.1	46,622.6
Other corporate/financial institution bonds	3,655.6	62.3	0.1	3,717.8
Certificate of Deposit	18,763.1	66.0		18,829.1
Debt securities, other than asset and mortgage-backed securities	993,950.6	2,847.2	3,566.3	993,231.5
Mortgage-backed securities	2,353.3	126.2	4.5	2,475.0
Asset-backed securities	5,127.5	142.9	141.7	5,128.7
Other securities (including mutual fund units)	16,356.6	879.7		17,236.3
Total	Rs. 1,017,788.0	Rs. 3,996.0	Rs. 3,712.5	Rs. 1,018,071.5
Securities with gross unrealized losses				Rs. 687,522.0
Securities with gross unrealized gains				330,549.5
				Rs. 1,018,071.5

	As of September 30, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In millions)			
Government of India securities	Rs. 888,423.1	Rs. 839.6	Rs. 27,092.9	Rs. 862,169.8
State government securities	160.2		1.8	158.4
Credit substitutes	52,857.4	98.5	1,102.4	51,853.5
Other corporate/financial institution bonds	3,503.6	39.5	50.5	3,492.6

Certificate of Deposit		19,622.1				45.6		19,576.5
Debt securities, other than asset and mortgage-backed securities		964,566.4		977.6		28,293.2		937,250.8
Mortgage-backed securities		2,037.6		101.4		3.2		2,135.8
Asset-backed securities		4,086.2		161.3		115.7		4,131.8
Other securities (including mutual fund units)		692.2		205.5				897.7
Total	Rs.	971,382.4	Rs.	1,445.8	Rs.	28,412.1	Rs.	944,416.1
Total	US$	15,522.2	US$	23.1	US$	454.0	US$	15,091.3
Securities with gross unrealized losses							Rs.	861,696.8
Securities with gross unrealized gains								82,719.3
							Rs.	944,416.1
							US$	15,091.3

AFS investments of Rs. 924,062.0 million and Rs. 862,328.2 million as of March 31, 2013 and September 30, 2013, respectively, are eligible for placement towards the Bank s statutory liquidity ratio requirements. These balances are subject to withdrawal and usage restrictions, but may be freely traded by the Bank within those restrictions. Of these investments, Rs. 805,912.3 million as of March 31, 2013 and Rs. 809,211.8 million (US$ 12,930.8 million) as of September 30, 2013, respectively, were kept as margins for clearing, collateral borrowing and lending obligation (CBLO) and real time gross settlement (RTGS), with the Reserve Bank of India and other financial institutions.

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The Bank conducts a review each year to identify and evaluate investments that have indications of possible impairment. An investment in an equity or debt security is impaired if its fair value falls below its cost and the decline is considered other than temporary. Factors considered in determining whether a loss is temporary include length of time and extent to which fair value has been below cost, the financial condition and near-term prospects of the issuer and whether the Bank intends to sell or will be required to sell the security until the forecasted recovery. The Bank evaluated the impaired investments and has fully recognized an expense of Rs. 1,504.2 million and Nil as other than temporary impairment for six months periods ended September 30, 2012 and September 30, 2013, respectively, because the Bank intends to sell the securities before recovery of their amortized cost. The Bank believes that the other unrealized losses on its investments in equity and debt securities as of September 30, 2013 are temporary in nature. The Bank s review of impairment generally entails:

- identification and evaluation of investments that have indications of possible impairment;
- analysis of individual investments that have fair values of less than 95% of amortized cost, including consideration of the length of time the investment has been in an unrealized loss position;
- analysis of evidential matter, including an evaluation of factors or triggers that would or could cause individual investments to have other than temporary impairment; and
- documentation of the results of these analysis, as required under business policies.

As of March 31, 2013 and September 30, 2013, 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, 2013 was as follows:

	As of March 31, 2013					
	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. 282,968.1	Rs. 274.5	Rs. 372,054.9	Rs. 3,264.4	Rs. 655,023.0	Rs. 3,538.9
State government securities			41.6	0.2	41.6	0.2
Credit substitutes	27,280.8	26.3	532.4	0.8	27,813.2	27.1
Other corporate/financial institution bonds	9.7	0.1			9.7	0.1
Debt securities, other than asset and mortgage-backed securities	310,258.6	300.9	372,628.9	3,265.4	682,887.5	3,566.3

Mortgage-backed securities	176.1	4.5			176.1	4.5
Asset-backed securities	4,458.4	141.7			4,458.4	141.7
Total	Rs. 314,893.1	Rs. 447.1	Rs. 372,628.9	Rs. 3,265.4	Rs. 687,522.0	Rs. 3,712.5

The gross unrealized losses and fair value of available for sale securities at September 30, 2013 was as follows:

	As of September 30, 2013					
	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. 424,454.0	Rs. 14,783.0	Rs. 383,548.9	Rs. 12,309.9	Rs. 808,002.9	Rs. 27,092.9
State government securities	89.0	0.9	69.4	0.9	158.4	1.8
Credit substitutes	28,093.8	1,102.4			28,093.8	1,102.4
Other corporate/financial institution bonds	2,243.2	50.3	9.6	0.2	2,252.8	50.5
Certificate of deposit	19,576.5	45.6			19,576.5	45.6
Debt securities, other than asset and mortgage-backed securities	474,456.5	15,982.2	383,627.9	12,311.0	858,084.4	28,293.2
Mortgage-backed securities	152.4	3.2			152.4	3.2
Asset-backed securities	3,460.0	115.7			3,460.0	115.7
Total	Rs. 478,068.9	Rs. 16,101.1	Rs. 383,627.9	Rs. 12,311.0	Rs. 861,696.8	Rs. 28,412.1
Total	US$ 7,639.3	US$ 257.3	US$ 6,130.2	US$ 196.7	US$ 13,769.5	US$ 454.0

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The contractual residual maturity of available for sale debt securities other than asset and mortgage-backed securities as of September 30, 2013 is set out below:

	As of September 30, 2013		
	Amortized Cost	Fair Value	Fair Value
		(In millions)	
Within one year	Rs. 209,984.4	Rs. 208,963.3	US$ 3,339.1
Over one year through five years	453,946.4	443,448.2	7,086.1
Over five years through ten years	228,450.1	215,845.4	3,449.1
Over ten years	72,185.5	68,993.9	1,102.5
Total	Rs. 964,566.4	Rs. 937,250.8	US$ 14,976.8

The contractual residual maturity of available for sale mortgage-backed and asset-backed securities as of September 30, 2013 is set out below:

	As of September 30, 2013		
	Amortized Cost	Fair Value	Fair Value
		(In millions)	
Within one year	Rs. 2,299.9	Rs. 2,283.2	US$ 36.5
Over one year through five years	2,719.0	2,696.8	43.1
Over five years through ten years	537.9	554.0	8.9
Over ten years	567.0	733.6	11.7
Total	Rs. 6,123.8	Rs. 6,267.6	US$ 100.2

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

	Six months period ended September 30,		
	2012	2013	2013
		(In millions)	
Gross realized gains on sale	Rs. 446.9	Rs. 2,306.6	US$ 36.8
Gross realized losses on sale	(0.4)	(414.8)	(6.6)
Realized gains (losses), net	446.5	1,891.8	30.2
Dividends and interest	33,188.1	38,460.8	614.6
Total	Rs. 33,634.6	Rs. 40,352.6	US$ 644.8

4. Investments, held to maturity

There were no HTM securities as of March 31, 2013 and September 30, 2013.

Under Indian GAAP, transfer from an HTM portfolio to an AFS portfolio are permitted by RBI regulations once every year and the Bank has made transfers in accordance with these regulations. However, the Bank has not established an HTM portfolio under US GAAP and therefore the investment classification made under US GAAP and Indian GAAP varies materially.

5. Loans

Loan balances include Rs. 79,371.0 million and Rs. 29,800.0 million (US$ 476.2 million) as of March 31, 2013 and September 30, 2013, respectively, which have been pledged as collateral for borrowings and are therefore restricted.

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Loans by facility as of March 31, 2013 and September 30, 2013 were as follows:

	As of ,		
	March 31, 2013	September 30, 2013	September 30, 2013
	(In millions)		
Retail loans:			
Auto loans	Rs. 365,974.3	Rs. 380,137.3	US$ 6,074.4
Personal loans/ Credit cards	289,691.1	315,035.7	5,034.1
Retail business banking	399,623.1	438,584.3	7,008.4
Commercial vehicle and construction equipment finance	274,074.4	278,958.2	4,457.6
Housing loans	168,048.6	163,900.5	2,619.1
Other retail loans	232,092.2	263,321.5	4,207.8
Subtotal	Rs. 1,729,503.7	Rs. 1,839,937.5	US$ 29,401.4
Wholesale loans	Rs. 808,742.1	Rs. 997,267.1	US$ 15,935.9
Gross loans	2,538,245.8	2,837,204.6	45,337.3
Less: Allowance for credit losses	33,694.2	38,815.3	620.3
Total	Rs. 2,504,551.6	Rs. 2,798,389.3	US$ 44,717.0

Gross loans analyzed by performance are as follows:

	As of,		
	March 31, 2013	September 30, 2013	September 30, 2013
	(In millions)		
Performing	Rs. 2,517,113.7	Rs. 2,809,183.4	US$ 44,889.5
Impaired	21,132.1	28,021.2	447.8
Total gross loans	Rs. 2,538,245.8	Rs. 2,837,204.6	US$ 45,337.3

The following table provides details of age analysis of loans as of March 31, 2013 and September 30, 2013.

	As of March 31, 2013			
	31-90 days past due	Impaired / 91 days or more past due	Total current or less than 31 days past due	Total

		(in millions)		
Retail Loans				
Auto loans	Rs. 1,419.7	Rs. 1,238.7	Rs. 363,315.9	Rs. 365,974.3
Personal loans/Credit card	2,346.4	1,550.6	285,794.1	289,691.1
Retail business banking	3,466.7	5,790.1	390,366.3	399,623.1
Commercial vehicle and construction equipment finance	6,577.8	3,657.9	263,838.7	274,074.4
Housing loans	58.4	268.0	167,722.2	168,048.6
Other retail	2,263.9	2,073.8	227,754.5	232,092.2
Wholesale loans	2,941.8	6,553.0	799,247.3	808,742.1
Total	Rs. 19,074.7	Rs. 21,132.1	Rs. 2,498,039.0	Rs. 2,538,245.8

	As of September 30, 2013							
	31-90 days past due		Impaired / 91 days or more past due		Total current or less than 31 days past due		Total	
	(in millions)							
Retail Loans								
Auto loans	Rs.	1,795.7	Rs.	1,694.3	Rs.	376,647.3	Rs.	380,137.3
Personal loans/Credit card		2,066.2		1,947.3		311,022.2		315,035.7
Retail business banking		4,508.6		6,376.4		427,699.3		438,584.3
Commercial vehicle and construction equipment finance		9,667.0		5,946.3		263,344.9		278,958.2
Housing loans		88.3		277.5		163,534.7		163,900.5
Other retail		7,188.1		3,745.2		252,388.2		263,321.5
Wholesale loans		3,361.8		8,034.2		985,871.1		997,267.1
Total	Rs.	28,675.7	Rs.	28,021.2	Rs.	2,780,507.7	Rs.	2,837,204.6
Total	US$	458.2	US$	447.8	US$	44,431.3	US$	45,337.3

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 Procedure 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 process are designed for the fact that we have high volumes of relatively homogeneous, small value transactions in retail loans. There are product programs for each of these products, which define the target markets, credit philosophy and process, detailed underwriting criteria for evaluating individual credits, exception reporting systems and individual loan exposure caps. 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 our own experience and industry data, in combination with the judgment of our senior officers. We mine data on our borrower account behavior as well as static data regularly to monitor the portfolio performance of each product segment regularly, and use these as inputs in revising our product programs, target market definitions and credit assessment criteria to meet our twin objectives of combining volume growth and maintenance of asset quality.

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 1d). The Bank monitors credit quality within its segments based on primary credit quality indicators. This internal grading is updated minimum annually.

Retail Loans

Credit quality indicator based on payment activity as of March 31, 2013 and as of September 30, 2013 is given below.

	As of March 31, 2013						
	Auto loans	**Personal loans/Credit card**	**Retail business banking**	**Commercial vehicle and construction equipment finance**	**Housing Loans**	**Other retail**	**Total**
				(In millions)			
Performing	Rs. 364,735.6	Rs. 288,140.5	Rs. 393,833.0	Rs. 270,416.5	Rs. 167,780.6	Rs. 230,018.4	Rs. 1,714,924.6
Impaired	1,238.7	1,550.6	5,790.1	3,657.9	268.0	2,073.8	14,579.1
Total	Rs. 365,974.3	Rs. 289,691.1	Rs. 399,623.1	Rs. 274,074.4	Rs. 168,048.6	Rs. 232,092.2	Rs. 1,729,503.7

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	As of September 30, 2013						
	Auto loans	Personal loans/Credit card	Retail business banking	Commercial vehicle and construction equipment finance	Housing Loans	Other retail	Total
	(In millions)						
Performing	Rs. 378,443.0	Rs. 313,088.4	Rs. 432,207.9	Rs. 273,011.9	Rs. 163,623.0	Rs. 259,576.3	Rs. 1,819,950.5
Impaired	1,694.3	1,947.3	6,376.4	5,946.3	277.5	3,745.2	19,987.0
Total	Rs. 380,137.3	Rs. 315,035.7	Rs. 438,584.3	Rs. 278,958.2	Rs. 163,900.5	Rs. 263,321.5	Rs. 1,839,937.5
	US$ 6,074.4	US$ 5,034.1	US$ 7,008.4	US$ 4,457.6	US$ 2,619.1	US$ 4,207.8	US$ 29,401.4

Wholesale Loans

We have 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. Our 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, 2013	September 30, 2013	September 30, 2013
	(In millions)		
Credit quality indicators-Internally assigned grade and payment activity			
Pass	Rs. 800,423.7	Rs. 987,555.3	US$ 15,780.7
Labeled	1,765.4	1,677.6	26.8
Impaired	6,553.0	8,034.2	128.4
Total	Rs. 808,742.1	Rs. 997,267.1	US$ 15,935.9

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, 2013 and September 30, 2013.

	As of March 31, 2013				
	Recorded investments	Unpaid principal balance	Related specific allowance	Average Recorded investments	Finance Receivable on Non-Accrual Basis
	(In millions)				
Retail Loans					
Auto loans	Rs. 1,238.7	Rs. 1,238.7	Rs. 556.7	Rs. 1,095.6	Rs. 1,238.7

Personal loans/ Credit card	1,550.6	1,550.6	1,067.1	1,319.0	1,550.6
Retail business banking	5,790.1	5,790.1	5,058.2	5,402.8	5,790.1
Commercial vehicle and construction equipment finance	3,657.9	3,657.9	2,094.4	2,623.7	3,657.9
Housing loans	268.0	268.0	185.0	335.1	268.0
Other retail	2,073.8	2,073.8	1,751.0	2,169.2	2,073.8
Wholesale loans	6,553.0	6,553.0	5,754.5	7,138.3	6,299.7
Total	Rs. 21,132.1	Rs. 21,132.1	Rs. 16,466.9	Rs. 20,083.7	Rs. 20,878.8

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	As of September 30, 2013									
	Recorded investments		Unpaid principal balance		Related specific allowance (In millions)		Average Recorded investments		Finance Receivable on Non-Accrual Basis	
Retail Loans										
Auto loans	Rs.	1,694.3	Rs.	1,694.3	Rs.	729.5	Rs.	1,466.5	Rs.	1,694.3
Personal loans/ Credit card		1,947.3		1,947.3		1,293.2		1,749.0		1,947.3
Retail business banking		6,376.4		6,376.4		5,246.1		6,083.3		6,376.4
Commercial vehicle and construction equipment finance		5,946.3		5,946.3		3,244.0		4,802.1		5,946.3
Housing loans		277.5		277.5		172.4		272.8		277.5
Other retail		3,745.2		3,745.2		2,121.0		2,909.5		3,745.2
Wholesale loans		8,034.2		8,034.2		6,994.7		7,293.6		7,804.1
Total	Rs.	28,021.2	Rs.	28,021.2	Rs.	19,800.9	Rs.	24,576.8	Rs.	27,791.1
Total	US$	447.8	US$	447.8	US$	316.4	US$	392.7	US$	444.1

The Bank holds no recorded impaired loans for which there is no related allowance.

Impaired loans by industry as of March 31, 2013 and September 30, 2013 by facility are as follows:

	As of March 31, 2013 (In millions)	
Gross impaired loans by industry:		
Non-Banking Finance Companies/ Financial Intermediaries	Rs.	1,124.2
Land Transport		1,316.0
Others (none greater than 5% of impaired loans)		18,691.9
Total	Rs.	21,132.1

	As of September 30, 2013 (In millions)			
Gross impaired loans by industry:				
Land Transport	Rs.	2,172.6	US$	34.7
Iron and Steel		1,766.9		28.2
Others (none greater than 5% of impaired loans)		24,081.7		384.9
Total	Rs.	28,021.2	US$	447.8

Summary information relating to impaired loans during the periods ended March 31, 2013 and September 30, 2013 is as follows:

	As of		
	March 31, 2013	**September 30, 2013**	**September 30, 2013**
	(in millions)		
Average impaired loans, net of allowance	Rs. 4,191.7	Rs. 6,442.8	US$ 103.0
Interest income recognized on impaired loans	Rs. 1,647.8	Rs. 1,045.1	US$ 16.7

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Allowance for credit losses as of March 31, 2013 are as follows:

As of March 31, 2013 (In millions)									
Specific							Unallocated		
Retail									
Auto loans	Personal Loans/ Credit card	Retail business banking	Commercial vehicle and construction equipment finance	Housing loans	Other retail	Wholesale	Retail	Wholesale	
Rs. 461.7	Rs. 755.9	Rs. 4,542.7	Rs. 978.0	Rs. 269.4	Rs. 1,875.3	Rs. 6,433.7	Rs. 11,382.5	Rs. 1,207.7	Rs.
(1,547.5)	(5,516.5)	(155.3)	(2,498.4)	(38.5)	(1,124.7)	(995.1)			
1,642.5	5,827.7	670.8	3,614.8	(45.9)	1,000.4	315.9	3,349.1	1,288.0	
Rs. 556.7	Rs. 1,067.1	Rs. 5,058.2	Rs. 2,094.4	Rs. 185.0	Rs. 1,751.0	Rs. 5,754.5	Rs. 14,731.6	Rs. 2,495.7	Rs.
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs. 5,754.5	Rs.	Rs.	Rs.
556.7	1,067.1	5,058.2	2,094.4	185.0	1,751.0		14,731.6	2,495.7	
						6,553.0			

1,238.7	1,550.6	5,790.1	3,657.9	268.0	2,073.8		1,714,924.6	802,189.1

* Net allowances for credit losses charged to expense does not include the recoveries against write-off cases amounting to Rs 4,975.3 million.

Allowance for credit losses as of September 30, 2013 are as follows:

	As of September 30, 2013								
	Specific						Unallocated		
	Retail								
ans	Personal Loans/ Credit card	Retail business banking	Commercial vehicle and construction equipment finance	Housing loans	Other retail	Wholesale	Retail	Wholesale	Total
					(In millions)				
56.7	Rs. 1,067.1	Rs. 5,058.2	Rs. 2,094.4	Rs. 185.0	Rs. 1,751.0	Rs. 5,754.5	Rs. 14,731.6	Rs. 2,495.7	Rs. 33,69
00.8)	(2,534.3)	(72.8)	(2,315.9)	(11.0)	(489.7)	(155.9)			(6,48
73.6	2,760.4	260.7	3,465.5	(1.6)	859.7	1,396.1	1,389.1	398.0	11,60
29.5	Rs. 1,293.2	Rs. 5,246.1	Rs. 3,244.0	Rs. 172.4	Rs. 2,121.0	Rs. 6,994.7	Rs. 16,120.7	Rs. 2,893.7	Rs. 38,81
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs. 6,994.7	Rs.	Rs.	Rs. 6,99
29.5	1,293.2	5,246.1	3,244.0	172.4	2,121.0		16,120.7	2,893.7	31,82

							8,034.2			8,03
94.3	1,947.3	6,376.4	5,946.3	277.5	3,745.2			1,819,950.5	989,232.9	2,829,17

* Net allowances for credit losses charged to expense does not include the recoveries against write-off cases amounting to Rs 2,714.2 million.

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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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.

There were no TDR modifications during the six months period ended September 30, 2013.

There were no TDRs that have defaulted in six months period ended September 30, 2013 within 12 months of their modification date. The defaulted TDRs are based on a payment default definition of 90 days past due.

6. Goodwill and other intangible assets

The Goodwill arising from a business combination is tested on an annual basis for impairment. There were no changes in the carrying amount of goodwill of Rs. 74,937.9 million for the year ended March 31, 2013 and six months period ended September 30, 2013. 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, 2013 and September 30, 2013:

	As of March 31, 2013			As of September 30, 2013			
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount	Net carrying amount
			(In millions)				
Branch network	Rs. 8,335.0	Rs. 6,744.5	Rs. 1,590.5	Rs. 8,335.0	Rs. 7,440.7	Rs. 894.3	US$ 14.3
Customer list	2,710.0	2,710.0		2,710.0	2,710.0		
Core deposit	4,414.0	4,288.0	126.0	4,414.0	4,414.0		
Favorable leases	543.0	490.0	53.0	543.0	502.0	41.0	0.6
Total	Rs. 16,002.0	Rs. 14,232.5	Rs. 1,769.5	Rs. 16,002.0	Rs. 15,066.7	Rs. 935.3	US$ 14.9

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.

The aggregate amortization charged for the six months ended September 30, 2012 and September 30, 2013 was Rs. 1,155.2 million and Rs. 834.2 million (US$ 13.3 million), respectively.

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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, 2013	2013
	(In millions)	
To be amortized during the twelve months ending September 30:		
2014	Rs. 914.8	US$ 14.6
2015	12.0	0.2
2016	5.0	0.1
2017	2.0	
2018	1.0	

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, 2013 and September 30, 2013 were comprised of the following:

	As of March 31, 2013	September 30, 2013	September 30, 2013
	(In millions)		
Borrowed in the call market	Rs. 7,246.8	Rs. 21,134.9	US$ 337.7
Term borrowings from institutions/banks	37,550.0	33,379.0	533.5
Foreign currency borrowings	80,224.7	128,219.9	2,048.9
Bills rediscounted	20,595.7	29,565.8	472.4
Total	Rs. 145,617.2	Rs. 212,299.6	US$ 3,392.5

8. Long-term debt

Long-term debt as of March 31, 2013 and September 30, 2013 was comprised of the following:

	As of March 31, 2013	September 30, 2013	September 30, 2013
	(In millions)		
Subordinated debt	Rs. 171,867.5	Rs. 172,699.5	US$ 2,759.7
Others	123,352.2	116,118.9	1,855.5
Total	Rs. 295,219.7	Rs. 288,818.4	US$ 4,615.2

The below table presents the balance of long term debt as of March 31, 2013 and September 30, 2013 and the related contractual rates and maturity dates:

	As of						
	March 31, 2013			September 30, 2013			
	Maturity / Call dates	**Stated interest rates**	**Total**	**Maturity / Call dates**	**Stated interest rates**	**Total**	**Total**
				(In millions)			
Subordinated debt							
Lower Tier II							
Fixed rate	2014 - 2023	5.90% to 10.70%	Rs. 130,280.0	2014 - 2023	5.90% to 10.70%	Rs. 130,280.0	US$2,081.8
Upper Tier II							
Fixed rate	2016 - 2021	8.70% to 10.85%	34,159.0	2016 - 2021	8.70% to 10.85%	34,159.0	545.8
Variable rate	2016 - 2017	LIBOR+1.2	5,428.5	2016 - 2017	LIBOR+1.2	6,260.5	100.0
Perpetual debt	2016 - 2017	9.92%	2,000.0	2016 - 2017	9.92%	2,000.0	32.0
Others							
Variable rate (1)	2013 - 2017	1.30% to 2.94%	49,586.9	2015 - 2018	1.36% to 3.00%	48,744.3	779.0
Variable rate (2)	2014 - 2018	9.75 % to 11.10%	55,285.1	2014 - 2018	10.20% to 11.25%	42,734.6	682.9
Fixed rate	2014 - 2018	8.00% to 10.30%	18,480.2	2014 - 2018	8.54% to 10.81%	24,640.0	393.7
Total			Rs. 295,219.7			Rs. 288,818.4	US$4,615.2

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

	As of September 30, 2013 (In millions)	
Due in the twelve months ending September 30:		
2014	Rs. 12,461.1	US$ 199.1
2015	30,339.5	484.8
2016	36,523.3	583.6
2017	21,726.8	347.2
2018	35,378.4	565.3
Thereafter (1)	150,389.3	2,403.2
Total	Rs. 286,818.4	US$ 4,583.2

(1) The scheduled maturities of long-term debt do not include perpetual bonds of Rs. 2.0 billion.

During the six months period ended September 30, 2012 and September 30, 2013, the Bank issued subordinated debt qualifying for Lower Tier II capital, under RBI regulatory guidelines, amounting to Rs. 37,270.0 million and Nil respectively.

As of March 31, 2013 and September 30, 2013, other long-term debt includes foreign currency borrowings from other banks aggregating to Rs. 49,586.9 million and Rs.48,744.3 million, respectively, and functional currency borrowings aggregating to Rs. 73,765.3 million and Rs. 67,374.6 million, respectively.

9. Accumulated other comprehensive income

The below table presents the changes in accumulated other comprehensive income (OCI) after tax for the fiscal year ended March 31, 2013 and six months period ended September 30, 2013.

	Available for sale securities	Foreign currency translation reserve (In millions)	Total
Balance, March 31, 2012	Rs. (7,414.9)	Rs. 202.1	Rs. (7,212.8)
Net unrealized gain/ (loss) arising during the period	7,753.3	60.9	7,814.2
Amounts reclassified to income	(116.0)		(116.0)
Balance, March 31, 2013	Rs. 222.4	Rs. 263.0	Rs. 485.4
Balance, March 31, 2013	Rs. 222.4	Rs. 263.0	Rs. 485.4

Net unrealized gain/ (loss) arising during the period		(17,676.7)		275.8		(17,400.9)
Amounts reclassified to income		(318.9)				(318.9)
Balance, September 30, 2013	Rs.	(17,773.2)	Rs.	538.8	Rs.	(17,234.4)
	US$	(284.0)	US$	8.6	US$	(275.4)

The below table presents the reclassification out of accumulated other comprehensive income (OCI) by income line item and the related tax effect for the six months period ended September 30, 2012 and September 30, 2013.

	As of September 30,		
	2012	**2013**	**2013**
		(In millions)	
Available for sale securities:			
Realized (gain)/ loss on sales of available for sale securities, net	Rs. (168.0)	Rs. (483.1)	US$ (7.7)
Other than temporary impairment losses on available for sale securities	(3.7)		
Total before tax	Rs. (171.7)	Rs. (483.1)	US$ (7.7)
Income tax	55.7	164.2	2.6
Net of tax	Rs. (116.0)	Rs. (318.9)	US$ (5.1)

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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 29, 2013.

On July 20, 2013 the Compensation Committee of the Board approved the grant of 32,926,500 options (Scheme XIX), 7,085,000 (Scheme XX) and 7,017,000 options (Scheme XXI) to the employees of the Bank, respectively.

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, 2012*	Six months period ended September 30, 2013
Dividend yield		0.81%
Expected volatility		28.57%-36.95%
Risk-free interest rate		8.21%-8.30%
Expected lives		1.0-7.0 years

* *No options were granted during the period.*

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, 2012	Options available to be granted Six months period ended September 30, 2013
Options available to be granted, beginning of period*	57,116,000	58,080,400
Equity shares allocated for grant under the plan		100,000,000**
Options granted		(47,028,500)
Forfeited/lapsed*	613,500	535,700
Options available to be granted, end of period	57,729,500	111,587,600

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

**

The annual general meeting held on June 27, 2013, reserved 100.0 million equity shares with aggregate nominal value of Rs. 200.0 million for grant under the Bank s employee stock option scheme.

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

	Six months period ended September 30,			
	2012		2013	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options outstanding, beginning of period	99,872,740	Rs. 389.52	65,443,045	Rs. 417.32
Granted			47,028,500	680.00
Exercised	(15,009,970)	298.92	(11,100,840)	365.69
Forfeited	(533,300)	462.29	(517,500)	585.96
Lapsed	(82,995)	253.96	(18,200)	413.66
Options outstanding, end of period	84,246,475	Rs. 405.34	100,835,005	Rs. 544.65
Options exercisable, end of period	41,597,775	Rs. 345.83	45,717,605	Rs. 420.24
Weighted average fair value of options granted during the period		Rs.		Rs. 258.52

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The following summarizes information about stock options outstanding as of September 30, 2013:

		As of September 30, 2013		
Plan	**Range of exercise price**	**Number Of Shares Arising Out Of Options**	**Weighted Average Remaining Life Years**	**Weighted Average Exercise Price**
Plan B	Rs. 198.97 (or US$ 3.18)	201,300	0.10	**Rs.** 198.97
Plan C	Rs. 198.97 to Rs. 680.00 (or US$ 3.18 to US$ 10.87)	7,048,600	5.63	673.41
Plan D	Rs. 225.29 to Rs. 680.00 (or US$ 3.60 to US$ 10.87)	15,454,850	3.16	468.79
Plan E	Rs. 440.16 to Rs. 680.00 (or US$ 7.03 to US$ 10.87)	77,550,200	4.25	551.54
General ESOP	Rs. 107.30 to Rs. 251.72 (or US$ 1.71 to US$ 4.02)	580,055	0.77	Rs. 199.50

The intrinsic value of options exercised during the six months period ended September 30, 2012 and September 30, 2013 was Rs. 53.2 million and Rs. 59.8 million, respectively. The aggregate intrinsic value of options outstanding and options exercisable as at September 30, 2013 was Rs. 430.7 million and Rs. 317.6 million, respectively. Total stock compensation cost (including on modification) recognized under these plans was Rs. 2,682.9 million and Rs. 1,710.7 million during the six months period ended September 30, 2012 and September 30, 2013, respectively. As of September 30, 2013, there were 55,117,400 unvested options with weighted average exercise price of Rs. 647.8 and aggregate intrinsic value of Rs. 113.1. As at September 30, 2013, the total estimated compensation cost to be recognized in future periods was Rs. 9,651.0 million. This is expected to be recognized over a weighted average period of 1.76 years.

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

The 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.

The following table presents the aggregate notional principal amounts of the Bank s outstanding forward exchange and other derivative contracts as of March 31, 2013 and September 30, 2013, together with the fair values on each reporting date

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

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	As of September 30, 2013					
	Notional	Gross Assets	Gross Liabilities	Net Fair Value	Notional	Net Fair Value
	(In millions)					
Interest rate derivatives	Rs. 2,049,678.4	Rs. 14,394.8	Rs. 16,616.3	Rs. (2,221.5)	US$ 32,752.9	US$ (35.5)
Currency options	149,852.1	2,257.3	2,207.1	50.2	2,394.6	0.7
Currency swaps	73,348.5	7,199.3	4,028.5	3,170.8	1,172.1	50.7
Forward exchange contracts	4,674,573.8	156,756.4	149,623.8	7,132.6	74,697.6	114.0
Total	Rs. 6,947,452.8	Rs. 180,607.8	Rs. 172,475.7	Rs. 8,132.1	US$ 111,017.2	US$ 129.9

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 earnings. 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:

Derivatives	Non-interest revenue, net for the six months period ended September 30,		
	2012	2013	2013
	(In millions)		
Interest rate derivatives	Rs. (883.9)	Rs. (899.3)	US$ (14.4)
Forward rate agreements	3.8		
Currency options	(931.4)	327.2	5.2
Currency swaps	(1.8)	1,696.2	27.1
Forward exchange contracts	1,924.1	3,451.4	55.2
Total gains/(losses)	Rs. 110.8	Rs. 4,575.5	US$ 73.1

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. The local regulations do not permit receivables/ payables from/ to the same counterparty to be netted including that related to a single derivative contract to be netted since legal position regarding bilateral netting is not unambiguously clear. Accordingly, for consolidated balance sheet presentation we do not net derivative balances or collateral within the balance sheet.

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 his 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 outstanding range from 1 day to 20 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 terms of FASB ASC 460-10 the Bank has recognized a liability of Rs. 1,090.2 million and Rs.1,187.2 million as of March 31, 2013 and September 30, 2013 respectively, in respect of guarantees issued or modified. Based on historical trends, in terms of FASB ASC 450, the Bank has recognized a liability of Rs. 744.6 million and Rs. 787.6 million as of March 31, 2013 and September 30, 2013, respectively.

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

	March 31, 2013	As of September 30, 2013 (In millions)	September 30, 2013
Nominal values:			
Bank guarantees:			
Financial guarantees	Rs. 99,886.2	Rs. 109,199.2	US$ 1,745.0
Performance guarantees	69,686.1	74,700.7	1,193.7
Documentary credits	220,595.4	266,283.7	4,255.1
Total	Rs. 390,167.7	Rs. 450,183.6	US$ 7,193.8
Estimated fair values:			
Guarantees	Rs. (1,090.2)	Rs. (1,187.2)	US$ (19.0)
Documentary credits	(232.6)	(243.6)	(3.9)
Total	Rs. (1,322.8)	Rs. (1,430.8)	US$ (22.9)

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.

Loan sanction letters

The Bank issues sanction letters indicating its intent to provide new loans to certain customers. The aggregate of loans contemplated in these letters that had not yet been made was Rs. 814,442.3 million as of September 30, 2013. 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. The Bank has no commitment to lend under these letters. 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.

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, 2013 and September 30, 2013. The estimated fair value amounts as of March 31, 2013 and September 30, 2013 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, 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.

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Available for sale securities:

Available for sale investments principally comprise 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 is estimated based on revised estimated cash flows at each balance sheet date, discounted at current market pricing for transactions with similar risk. 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 frequently were estimated using discounted cash flow models. The discount rates were based on current market pricing for loans with similar characteristics and risk factors. 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 were estimated using discounted cash flow models. The discount rates were based on current market interest rates for loans with similar remaining maturities and credit ratings. 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.

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, 2013		September 30, 2013					
				Estimated Fair Value				
	Carrying Value	Estimated Fair Value	Carrying Value	Level 1	Level 2	Level 3	Total	Carrying Value
				(In millions)				
ets:								
	Rs. 218,740.2	Rs. 218,740.2	Rs. 251,218.9	Rs. 251,218.9	Rs.	Rs.	Rs. 251,218.9	US$ 4,014.4
nts	199,265.7	199,032.6	186,258.6		185,987.4		185,987.4	2,976.3
ld for	87,383.5	87,383.5	82,570.6	3.7	82,566.9		82,570.6	1,319.4
le*	1,017,441.4	1,017,441.4	943,786.0	267.7	943,518.3		943,786.0	15,081.3
hased nts to	67,000.0	67,000.0						
	2,504,551.6	2,532,896.5	2,798,389.3		2,819,648.5		2,819,648.5	44,717.0
st	34,370.9	34,370.9	37,849.9		37,849.9		37,849.9	604.8
	112,498.9	111,408.6	210,297.5		209,098.1		209,098.1	3,360.5
lities:								
g	2,438,262.0	2,433,527.9	2,652,938.4		2,646,068.0		2,646,068.0	42,392.8
earing	522,271.9	522,271.9	475,413.1		475,413.1		475,413.1	7,596.9
se	205,000.0	205,000.0	191,500.0		191,500.0		191,500.0	3,060.1
	145,617.2	145,491.0	212,299.6		212,410.9		212,410.9	3,392.5
st	58,135.2	58,135.2	29,488.1		29,488.1		29,488.1	471.2
t	295,219.7	305,170.5	288,818.4		292,197.0		292,197.0	4,615.2
ses ities	195,190.5	195,190.5	301,189.1		301,189.1		301,189.1	4,812.9

* *excluding investments carried at cost Rs. 630.1 million (as at March 31, 2013, Rs.630.1 million)*

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 1. 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 makes 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.

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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 made 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 the proprietary account (including investments in government securities), foreign exchange operations and derivatives trading both on the 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 taxes and other items.

Summarized segment information for the six months periods ended September 30, 2012 and September 30, 2013:

	Six months period ended September 30, 2012			
	Retail Banking	Wholesale Banking	Treasury Services	Total
		(In millions)		
Net interest revenue	Rs. 60,844.0	Rs. 13,083.7	Rs. 559.0	Rs. 74,486.7
Less: Provision for credit losses	7,156.2	279.9		7,436.1
Net interest revenue, after allowance for credit losses	53,687.8	12,803.8	559.0	67,050.6
Non-interest revenue	25,519.8	4,151.6	(686.2)	28,985.2
Non-interest expense	(50,283.6)	(5,529.4)	(624.1)	(56,437.1)
Income before income tax	Rs. 28,924.0	Rs. 11,426.0	Rs. (751.3)	Rs. 39,598.7
Segment assets:				
Segment total assets	Rs. 2,093,593.9	Rs. 1,599,173.2	Rs. 301,668.6	Rs. 3,994,435.7

Six months period ended September 30, 2013

	Retail Banking		Wholesale Banking		Treasury Services (In millions)		Total		Total	
Net interest revenue	Rs.	72,420.0	Rs.	16,119.5	Rs.	1,832.9	Rs.	90,372.4	US$	1,444.1
Less: Provision for credit losses		7,100.5		1,786.8				8,887.3		142.0
Net interest revenue, after allowance for credit losses		65,319.5		14,332.7		1,832.9		81,485.1		1,302.1
Non-interest revenue		28,817.1		3,837.5		965.1		33,619.7		537.2
Non-interest expense		(56,585.4)		(4,652.9)		(846.0)		(62,084.3)		(992.0)
Income before income tax	Rs.	37,551.2	Rs.	13,517.3	Rs.	1,952.0	Rs.	53,020.5	US$	847.3
Segment assets:										
Segment total assets	Rs.	2,457,763.4	Rs.	1,857,222.6	Rs.	337,055.6	Rs.	4,652,041.6	US$	74,337.4

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, 2013 and September 30, 2013 aggregated Rs. 2,918.7 million and Rs. 3,189.6 million, respectively.

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Contingencies

The Bank is party to various legal proceedings in the normal course of business. The Bank estimates the provision for these indirect taxes since no precedents exist which could be used as points of reference. The amount of claims against the Bank which are not acknowledged as debts as of September 30, 2013 aggregated to Rs. 5,575.6 million. 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 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 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:

	As of September 30,		
	2012	2013	2013
		(In millions)	
The total minimum lease payments during the six months period recognized in the consolidated statement of income	Rs. 2,912.0	Rs. 3,423.2	US$ 54.7
Sub-lease income recognized in the consolidated statement of income	Rs. 109.1	Rs. 114.8	US$ 1.8

The future minimum lease payments as of September 30, 2013 were as follows:

12 months period ending September 30,	Payments	
	(In millions)	
2014	Rs. 6,788.1	US$ 108.5
2015	6,373.9	101.9
2016	6,309.7	100.8
2017	5,652.1	90.3
2018	4,599.7	73.5
Thereafter	11,687.3	186.8
Total	Rs. 41,410.8	US$ 661.8

The future minimum lease payments expected to be received under non-cancellable sub leases as of September 30, 2012 and September 30, 2013 were Rs. 653.7 million and Rs. 579.7 million, respectively.

15. Earnings per equity share

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

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 17.5 million and 23.5 million were excluded from the calculation of diluted earnings per share for the periods ended September 30, 2012 and September 30, 2013, respectively, as these were anti-dilutive for the years.

	As of September 30,	
	2012	**2013**
Weighted average number of equity shares used in computing basic earnings per equity share	2,353,727,406	2,386,231,714
Effect of potential equity shares for stock options outstanding	9,165,044	18,106,685
Weighted average number of equity shares used in computing diluted earnings per equity share	2,362,892,450	2,404,338,399

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

	Six months period ended September, 2012		2013		2013	
Basic earnings per share	Rs.	11.14	Rs.	14.46	US$	0.23
Effect of potential equity shares for stock options outstanding		0.04		0.11		0.01
Diluted earnings per share	Rs.	11.10	Rs.	14.35	US$	0.22
Basic earnings per ADS	Rs.	33.42	Rs.	43.38	US$	0.69
Effect of potential equity shares for stock options outstanding		0.12		0.33		0.03
Diluted earnings per ADS	Rs.	33.30	Rs.	43.05	US$	0.66

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.

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, 2013 and September 30, 2013.

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The following table summarizes investments measured at fair value excluding investments carried at cost of Rs. 630.1 million on a recurring basis as of March 31, 2013, 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)
				(In millions)		
Trading account securities	Rs.	87,383.5	Rs.		Rs.	87,383.5
Securities Available-for-Sale		1,017,441.4		496.5		1,016,944.9
Total	Rs.	1,104,824.9	Rs.	496.5	Rs.	1,104,328.4

The following table summarizes investments measured at fair value excluding investments carried at cost of Rs. 630.1 million on a recurring basis as of September 30, 2013, 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)
				(In millions)		
Trading account securities	Rs.	82,570.6	Rs.	3.7	Rs.	82,566.9
Securities Available-for-Sale		943,786.0		267.7		943,518.3
Total	Rs.	1,026,356.6	Rs.	271.4	Rs.	1,026,085.2
	US$	16,400.7	US$	4.3	US$	16,396.4

There have been no transfers between level 1 and 2 for the periods ended March 31, 2013 and September 30, 2013.

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, 2013, 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.	72,523.0	Rs.	Rs.	72,523.0	Rs.	
Derivative liabilities	Rs.	69,099.7	Rs.	Rs.	69,099.7	Rs.	

The following table summarizes derivative instruments measured at fair value on a recurring basis as of September 30, 2013, 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.	180,607.8	Rs.	Rs.	180,607.8	Rs.	
Derivative liabilities	Rs.	172,475.7	Rs.	Rs.	172,475.7	Rs.	

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