

Corporate Governance disclosures as per Section 134 of the Companies Act, 2013

1. Company's philosophy on Corporate Governance

The Company's philosophy on Corporate Governance is aimed at assisting the management of the Company in the efficient conduct of its business and meeting its obligations to stakeholders and is guided by a strong emphasis on transparency, accountability and integrity.

During the year under review, your Company has adopted a Board approved Corporate Governance Code which will help the Company in attaining its objectives / goals, since it encompasses every sphere of operations, management, action plans, internal controls, performance measurement and regulatory disclosure. The said Corporate Governance Code has been uploaded on the Company's website.

2. Board of Directors

During the year the Board met at regular intervals to discuss and decide on various business and policy matters of the Company. The meetings of the Board of Directors during the FY 2016 - 17 were held on April 14, 2016, July 19, 2016, September 26, 2016, October 18, 2016 and January 18, 2017.

Composition of the Board of Directors of the Company as on March 31, 2017:

Non-Executive Directors: Mr. Aditya Puri, Mr. Bhavesh Zaveri, Mr. Jimmy Tata

Independent Directors: Ms Smita Affinwalla, Mr. Venkatraman Srinivasan

Executive Director: Mr. Ramesh G. (Managing Director and Chief Executive Officer)

The Non-Executive Directors bring independent judgment in the Board's deliberations and decisions. None of the Directors of your Company are related to each other. The Directors of the Company have wide experience in the field of finance, risk management, banking and human resources.

The details of the Directors as at March 31, 2017, including the details of their other directorship and their shareholding are given below:

Name of the Director	Executive/Non-Executive / Chairman/ Independent /	No. of other Directorships	No. of shares held in the Company
Mr. Aditya Puri	Chairman, Non-Executive Director	3	Nil
Mr. Bhavesh Zaveri	Non-Executive Director	4	2,90,193
Mr. Jimmy Tata	Non-Executive Director	1	3,21,021
Mr. Ramesh G.	Managing Director & Chief Executive Officer	Nil	4,74,500
Ms. Smita Affinwalla	Independent Director	2	Nil
Mr. Venkatraman Srinivasan	Independent Director	2	Nil

3. Related Party Transactions

There have been no materially significant related party transactions, pecuniary transactions or relationships between the Company and its Directors that may have potential conflict with the interest of the Company.

During the year under review the Board of Directors of your Company have approved the Related Party Transactions Policy, which governs the following:

- a. Identifying related parties, updating and maintaining the database of such persons / entities;
- b. Ascertaining that the transactions entered with the related parties are in 'ordinary course of business' and at 'arm's length basis';
- c. Identifying related party transactions;
- d. Obtaining approvals before entering into any related party transactions;
- e. Determining the disclosures / compliances to be adhered in relation to the related party transactions.

The said policy has been displayed on the website of the Company: <https://www.hdbfs.com/policies>

All related party transactions are placed before the Audit Committee and the Board for their approval on quarterly basis. Transactions with related parties, as per the requirements of Accounting Standard 18, are disclosed to the notes to accounts annexed to the financial statements.

All the related party transactions that were entered into during the financial year were on arm's length basis and in ordinary course of business.

4. Committees of the Board

o Audit committee

Pursuant to the provisions of the Section 177 of the Companies Act, 2013, the Composition of the Audit Committee of the Company as on March 31, 2017 is as under:

- i. Mr. Venkatraman Srinivasan, Chairman (Independent Director)
- ii. Ms. Smita Affinwalla, Member (Independent Director)
- iii. Mr. Bhavesh Zaveri, Member (Non Executive Director)

Note: Mr. G Subramanian ceased to be member of the Audit Committee effective May 1, 2016

Mr. Bhavesh Zaveri was inducted to the Audit Committee effective May 1, 2016.

The Audit Committee has discussions with the auditors on periodical basis pertaining to the scope of audit including the observations of the auditors, reviews the audited / unaudited quarterly, half yearly and annual financial statements before submission to the Board and also oversees compliance of internal control systems. Committee's responsibilities include:

- i. The recommendation for appointment, remuneration and terms of appointment of auditors;
- ii. Review & monitor the auditor's independence, and performance and effectiveness of audit process;
- iii. Examination of the financial statement and the auditors' report thereon.

o Nomination and Remuneration Committee

Pursuant to the provisions of the Section 178 of the Companies Act, 2013, the Composition of the Nomination and Remuneration Committee of the Company as on March 31, 2017 is as under:

- i. Ms. Smita Affinwalla, Chairperson (Independent Director)
- ii. Mr. Venkatraman Srinivasan, Member (Independent Director)
- iii. Mr. Jimmy Tata, Member (Non Executive Director)

- iv. Mr. Bhavesh Zaveri, Member (Non Executive Director)

Note: Mr. Jimmy Tata and Mr. Bhavesh Zaveri were inducted to the Nomination & Remuneration Committee effective May 1, 2016. Mr. G Subramanian and Mr. Kaizad Bharucha ceased to be member of the Nomination & Remuneration Committee effective May 1, 2016.

The Company does an annual review of the Nomination & Remuneration Policy in terms of Section 178 of the Companies Act, 2013. The remuneration paid by the Company to the employees and directors is as per the Nomination & Remuneration Policy.

o Risk Committee

The Board of Directors of your Company monitors the risk management strategy of the Company through the Risk Committee consisting of the following members as on March 31, 2017:

- i. Mr. Jimmy Tata, Chairman (Non - Executive Director)
- ii. Mr. Ramesh G, Member (Managing Director & Chief Executive Officer)
- iii. Mr. Rohit Patwardhan, Member (Head Risk)

Note: Mr. Jimmy Tata and Mr. Rohit Patwardhan were inducted to the Risk Committee effective May 1, 2016. Mr. G Subramanian and Mr. Kaizad Bharucha ceased to be member of the Risk Committee effective May 1, 2016.

In order to ensure best governance practices, the Company has established risk management process for each line of its business and operations. These processes have been implemented through the specific policies adopted by the Board of Directors of the Company from time to time. Nevertheless, entire processes are subjected to robust independent internal audit review to arrest any potential risks and take corrective actions.

The Risk Committee of the Board has been in place since the commencement of business of the Company, meets on a quarterly basis and reports to the Board of Directors. The minutes of such meetings are tabled before the Board of Directors. The key responsibilities of the Risk Committee are:

- a) Approve and monitor the Company's risk management policies and procedures;
- b) Review portfolio and its delinquency at a product level;
- c) Review the NPA Management policy;
- d) Reporting to the Board of Directors of the Company on periodical basis on the above matters.

o Asset Liability Committee (ALCO)

The Board of Directors of your Company carries out asset liability management of the Company through the ALCO consisting of the following members as on March 31, 2017:

- i. Mr. Jimmy Tata, Chairman (Non Executive Director)
- ii. Mr. Ramesh G, Member (Managing Director & Chief Executive Officer)
- iii. Mr. Haren Parekh, Member (Chief Financial Officer)

Note: Mr. Jimmy Tata and Mr. Haren Parekh were inducted to the Asset Liability Committee effective May 1, 2016. Mr. G Subramanian and Mr. Kaizad Bharucha ceased to be member of the Asset Liability

Committee effective May 1, 2016.

The key responsibilities of the Committee are:

- i. Review and management of liquidity gaps and structural liquidity of the Company;
- ii. Review and management of interest rate sensitivity of the Company;
- iii. Develop a view on future direction on interest rate movements and decide on funding mixes.

o Corporate Social Responsibility (CSR) Committee

Pursuant to the provisions of Section 135 of the Companies Act, the Composition of Corporate Social Responsibility ('CSR') Committee of the Company as on March 31, 2017 is as under:

- i. Mr. Smita Affinwalla, Chairperson (Independent Director)
- ii. Mr. Bhavesh Zaveri, Member (Non Executive Director)
- iii. Mr. Ramesh G, Member (Managing Director & Chief Executive Officer)

Note: Mr. Bhavesh Zaveri was inducted to the Corporate Social Responsibility Committee effective May 1, 2016. Mr. G Subramanian and Mr. Kaizad Bharucha ceased to be member of the Corporate Social Responsibility Committee effective May 1, 2016.

The key responsibilities of the CSR Committee are:

- i. Formulate and recommend to the Board, a CSR Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII of the Companies Act, 2013;
- ii. Recommend the amount of expenditure to be incurred on the activities;
- iii. Institute a transparent monitoring mechanism for implementation of the CSR activities.

o Human Resource (HR) Committee

During the year under review the Board of Directors constituted Human Resource (HR) Committee to effectively manage human resource function of the Company consisting of the following members:

- i. Mr. Smita Affinwalla, Chairperson (Independent Director)
- ii. Mr. Bhavesh Zaveri, Member (Non Executive Director)
- iii. Mr. Ramesh G, Member (Managing Director & Chief Executive Officer)
- iv. Mr. Ashish Ghatnekar, Member (Head Human Resource and Operations)

The key responsibilities of the HR Committee are:

- i. Reviews, monitors and makes recommendations on Human Resources strategy and policies that pertain to staffing, attrition, benefits and related issues that directly affect ability to recruit, develop and retain employees.
- ii. Review and monitor Employee Development Programs including training and talent management programs.
- iii. Oversight on Key Compensation and Benefits policies to ensure that employee compensation is properly benchmarked to similar sized organisations.

Directors' Report

5. Attendance of the Board and its Committees

Type of meeting	No. of meetings held	Mr. G Subramanian *	Mr. Kaizad Bharucha *	Mr. Aditya Puri *	Mr. Jimmy Tata *	Mr. Bhavesh Zaveri *	Mr. Ramesh G.	Mr. Venkatraman Srinivasan	Ms. Smita Affinwalla
Board of Directors	5	1	1	4	4	3	5	5	4
Audit Committee	4	1	NA	NA	NA	2	NA	4	4
Asset-Liability Committee	4	1	1	NA	3	NA	4	NA	NA
Risk Committee	4	1	1	NA	3	NA	4	NA	NA
Nomination and Remuneration Committee	4	1	1	NA	3	3	NA	3	4
Corporate Social Responsibility Committee	3	1	1	NA	NA	1	3	NA	3
Debenture Allotment Committee	26	1	1	NA	24	23	22	NA	NA
Share Allotment Committee	5	NA	NA	NA	4	5	5	NA	NA
Bond Allotment Committee	2	NA	NA	NA	2	2	2	NA	NA
Human Resource Committee	3	NA	NA	NA	NA	2	3	NA	3
Annual General Meeting	1	NA	NA	No	No	No	Yes	Yes	No
Extra Ordinary General Meeting	1	NA	NA	No	No	Yes	Yes	No	No

* Mr. G Subramanian and Mr. Kaizad Bharucha ceased to be a Non-Executive Directors of the Company effective May 01, 2016. Mr. Aditya Puri, Mr. Jimmy Tata and Mr. Bhavesh Zaveri were appointed as Non-Executive Directors of the Company effective May 01, 2016.

Sitting fees of ` 50,000/- per meeting was paid to all the Non Executive Directors of the Company (Other than Mr. Aditya Puri) for attending the meetings of Board of Directors and ` 25,000/- for attending the meetings of Audit Committee, Risk Committee, Asset Liability Committee, Nomination and Remuneration Committee and Corporate Social Responsibility Committee of the Company. Company had formed Human Resource Committee during the FY 2016 - 2017 and approved sitting fees with retrospective effect from the date of constitution of the Committee. Company had also approved payment of sitting fees of ` 25,000/- per meeting for attending for separate meeting of the Independent Directors and Stakeholders Relationship Committee.

6. Annual evaluation of Board, Committees and Individual Directors

Considering the Performance Evaluation Guidelines which was formulated by the Nomination and Remuneration Committee (NRC), the Board and NRC approved the framework for evaluating the performance, on an annual basis, of the Board, its Committees and each director including the Chairman of the Board of Directors.

Pursuant to the provisions of the Companies Act and the Performance Evaluation Guidelines of the Company, the Board of Directors / Independent Directors / NRC (as applicable) has undertaken an evaluation of its own performance, the performance of its Committees and of all Individual Directors including Independent Directors and the Chairman of the Board of Directors based on various parameters relating to attendance, roles responsibilities and obligations of the Board, effectiveness of its functioning, contribution of Directors at meetings and the functioning of its Committees. The results of such evaluation are presented to the NRC, Independent Directors and the Board of Directors (as applicable).

Directors' Report

7. General Body meetings (FY 2016-17)

Meeting	Date and Time	Venue	Resolutions passed
Postal Ballot	June 25, 2016		<ol style="list-style-type: none"> 1. Increase in borrowing limits of the Company from ` 28,000 crore to ` 40,000 crore 2. Increase in limits for creation of charge on the assets of the Company upto an amount of ` 40,000 crore to secure its borrowings.
AGM	12 noon June 28, 2016	HDFC Bank House, Final Plot No. 287, Ellis Bridge Township Scheme No. 3, Navrangpura, Ahmedabad, Gujarat - 380 009	<ol style="list-style-type: none"> 1. Approval of Audited Statement of Profit & Loss, Balance Sheet and Cash Flow for the year ended March 31, 2016 and Report of the Directors and Auditors thereon. 2. Declaration of dividend @ 6% on equity shares for the year ended March 31, 2016. 3. Ratification of appointment of M/s B S R & Co., LLP, Chartered Accountants as the Statutory Auditors. 4. Appointment of Mr. Aditya Puri as a Non-Executive Director of the Company, liable to retire by rotation 5. Appointment of Mr. Jimmy Tata as a Non-Executive Director of the Company, liable to retire by rotation. 6. Appointment of Mr. Bhavesh Zaveri as a Non-Executive Director of the Company, liable to retire by rotation. 7. Approval for Issuance of Secured Redeemable Non-Convertible Debentures (NCDs). 8. Approval for Issuance of Unsecured Redeemable Non-Convertible Subordinated Bonds (Subordinated Bonds).
EGM	12 noon August 26, 2016	Board Room, Process House, 2 nd Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013	<ol style="list-style-type: none"> 1. Approval of Issuance of Secured Redeemable Non-Convertible Debentures. 2. Approval for the amendments to the Employees Stock Option Scheme - 2014 ('ESOS - 2014')

8. Shareholding pattern as at March 31, 2017

Name of Shareholder	No. of equity shares held	%
HDFC Bank Ltd.	75,05,96,670	96.20
Others	2,96,47,626	3.80
Total (Issued & Paid-up Shares)	78,02,44,296	100.00