

CONSOLIDATED FINANCIAL STATEMENTS

Independent Auditors' Report

TO THE MEMBERS OF

HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Housing Development Finance Corporation Limited (hereinafter referred to as the "Holding Company" or the "Corporation") and its subsidiaries (Holding Company and its subsidiaries together referred to as the "Group") and its associates, which comprise the consolidated balance sheet as at 31 March 2021, and the consolidated statement of profit and loss (including other comprehensive income), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as the "consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of reports of other auditors on separate financial statements of such subsidiaries and associates as were audited by the other auditors, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its associates as at 31 March 2021, of its consolidated profit and other comprehensive income, consolidated

changes in equity and consolidated cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group and its associates in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in terms of the Code of Ethics issued by the Institute of Chartered Accountants of India and the relevant provisions of the Act, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence obtained by us along with the consideration of audit reports of the other auditors referred to in sub paragraph (a) of the "Other Matters" paragraph below, is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements.

Emphasis of matter

As described by other auditor in their report relating to a Life Insurance subsidiary - "We draw your attention to the note which explains the uncertainties and the management's assessment of the financial impact due to the lockdown and other restrictions imposed by the Government and conditions related to the COVID - 19 pandemic situation, for which a definitive assessment of the impact is highly dependent upon circumstances as they evolve in the subsequent period. Our opinion is not modified in respect of this matter".

Further, as described by other auditor in their report relating to a General Insurance subsidiary - "We draw your attention to the note which explains the management's assessment of the impact of the second wave of Coronavirus (COVID - 19) on the business operations of the Company. The management assessment includes but is not limited to valuation of investments, valuation of policy-related liabilities and solvency position of the Company. The management continues to closely monitor the implications of Covid-19 on its operations and financial statements. Our opinion is not modified in respect of this matter".

Further, as described by other auditor in their report relating to an associate - "We draw attention to the note, which describes the extent to which the COVID - 19 pandemic will continue to impact the Bank's consolidated summarised financial information will depend on ongoing and future developments, which are highly uncertain. Our opinion is not modified in respect of this matter".

Our opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of Key Audit Matters

A. Key Audit Matters for Holding Company

Key audit matter	How the matter was addressed in our audit
<p>Impairment of loans to customers, including off balance sheet elements</p>	
<p>Refer to the accounting policies in Note 3.2.5 the standalone financial statements: Impairment and write off; Note 3.2.6 to the standalone financial statements: Determination of Expected Credit Loss; and Note 9 to the standalone financial statements: Loans</p>	
<p>Subjective estimate</p> <p>Recognition and measurement of impairment of loans involve significant management judgement.</p> <p>The Corporation has recorded an impairment loss allowance of ₹ 13,003.77 Crores as at 31 March 2021 (₹ 10,959.48 Crores as at 31 March 2020) and has recognized a charge of ₹ 2,948.26 Crores for the year ended 31 March 2021 (charge of ₹ 5,907.67 Crores for the year ended 31 March 2020) in its statement of profit and loss.</p> <p>Under Ind AS 109, Financial Instruments, allowance for loan losses are determined using expected credit loss (ECL) estimation model. The estimation of ECL on financial instruments involves significant judgement and estimates. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Corporation's estimation of ECL are:</p> <ul style="list-style-type: none"> • Data inputs - The application of ECL model requires several data inputs. This increases the risk that the data that has been used to derive assumptions in the model, which are used for ECL calculations, may not be complete and accurate. • Model estimations - Inherently judgmental models are used to estimate ECL which involves determining Exposures at Default ("EAD"), Probabilities of Default ("PD") and Loss Given Default. The PD and the LGD are the key drivers of estimation complexity in the ECL and as a result are considered as a significant judgmental aspect of the Corporation's modelling approach. • Economic scenarios - Ind AS 109 requires the Corporation to measure ECLs on an unbiased forward-looking basis reflecting a range of future economic conditions. Significant management judgement is applied in determining the economic scenarios 	<p>Our key audit procedures included:</p> <p>Design / controls</p> <p>We performed end to end process walk throughs to identify the key systems, applications and controls used in the ECL processes. We tested the relevant manual (including spreadsheet controls), general IT and application controls over key systems used in the ECL process.</p> <p><i>Key aspects of our controls testing involved the following:</i></p> <ul style="list-style-type: none"> • Testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs, data and assumptions into the Ind AS 109 impairment model. • Testing the design and operating effectiveness of the key controls over the application of the staging criteria. • Testing key controls relating to selection and implementation of material macro-economic variables and the controls over the scenario selection and application of probability weights. • For specifically assessed non-homogeneous loans, testing controls over the monitoring of the credit watch list, approval of external collateral valuation vendors and review controls over the approval and computation of significant impairments. • Testing management's controls over authorisation and calculation of post model adjustments and management overlays. • Testing the 'Governance Framework' controls over validation, implementation and model monitoring. • Testing management's controls on compliance with Ind AS 109 disclosures related to ECL.

Key audit matter	How the matter was addressed in our audit
<p>used and the probability weights applied to them especially when considering the current uncertain economic environment arising from COVID-19.</p> <ul style="list-style-type: none"> Restructuring – the determination of whether any rescheduling of principal / interest to a borrower (including under regulations / a regulatory directive) results in a ‘restructuring’ conclusion under Ind AS is subject to interpretation / judgment. The outcome of this assessment impacts the staging conclusion of the loans, which in turn determines the amount of ECL provision which needs to be recorded. Determination of ECL on non-homogeneous loans involves assessment of borrower specific cash flows / collateral value determination, which requires significant management estimation and judgment. Qualitative adjustments – Adjustments to the model-driven ECL results are recorded by management to address known impairment model limitations or emerging trends as well as risks not captured by models. These adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts, especially in relation to economic uncertainty as a result of COVID-19. <p>The underlying forecasts and assumptions used in the estimates of impairment loss allowance are subject to uncertainties which are often outside the control of the Corporation. The extent to which the COVID-19 pandemic will impact the Corporation’s current estimate of impairment loss allowances is dependent on future developments, which are uncertain at this point. Given the size of loan portfolio relative to the balance sheet and the impact of impairment allowance on the consolidated financial statements, we have considered this as a key audit matter.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the impairment of loans to customers, including off balance sheet elements, has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our consolidated materiality for the financial statements as a whole, and possibly many times that amount.</p>	<ul style="list-style-type: none"> Testing key controls operating over the information technology system in relation to loan impairment, including system access and system change management, program development and computer operations. <p>Test of details</p> <p>Key aspects of our testing included:</p> <ul style="list-style-type: none"> Sample testing over key inputs, data and assumptions impacting ECL calculations to assess the completeness, accuracy and relevance of data and reasonableness of economic forecasts, weights, and model assumptions applied. Model calculations testing through re-performance, where possible. Test of details of post model adjustments, considering the size and complexity of management overlays with a focus on COVID-19 related overlays, in order to assess the reasonableness of the adjustments by challenging key assumptions, inspecting the calculation methodology and tracing a sample of the data used back to source data. Assessing disclosures - assessing whether the disclosures appropriately disclose and address the requirements of Ind AS 109. Testing whether the disclosures are in accordance with the requirements of the circulars issued by the regulators. <p>Involvement of specialists - we involved financial risk modelling specialists for the following:</p> <ul style="list-style-type: none"> Evaluating the appropriateness of the Corporation’s Ind AS 109 impairment methodologies and reasonableness of assumptions used (including management overlays). For models refresh undertaken during the year, evaluating whether the refresh was appropriate by assessing the updated model / methodology. The reasonableness of the Corporation’s considerations of the impact of the current economic environment due to COVID-19 on the ECL determination.

Key audit matter	How the matter was addressed in our audit
<p>Disclosures</p> <p>The disclosures regarding the Corporation's application of Ind AS 109 are key to explaining the key judgements and material inputs to the Ind AS 109 ECL results. Further, disclosures to be provided as per circulars issued by the regulator with regards to non-performing assets and provisions will also be an area of focus, particularly as this will be the first year some of these disclosures will be presented and are related to an area of significant estimate.</p>	
<p>Valuation of Derivatives Instruments and Hedge Accounting</p> <p>Refer to the accounting policies in Note 3.2.11 to the standalone financial statements: Derivative financial instruments; Note 7 to the standalone financial statements: Derivative financial instruments and Note 44.6 to the standalone financial statements– Foreign currency risk (Fair value of ₹ 2,154 Crores and notional value of ₹ 1,18,269 Crores)</p>	
<p>The Corporation enters into derivative contracts in order to manage and hedge risks such as foreign exchange rate risk and interest rate risk on the borrowings. The Corporation either enters into cash flow hedges or fair value hedges depending on the risk being hedged.</p> <p>The valuation of derivative instruments and application of hedge accounting and evaluating hedge effectiveness is complex and operationally cumbersome and requires close monitoring from Corporation's management.</p>	<p>Our key audit procedures included:</p> <p>Design / controls</p> <ul style="list-style-type: none"> • Obtained an understanding of the risk management policies and tested key controls on (i) valuation of derivative instruments (ii) at the time of designation of hedging relationship including authorisation by designated authority; documentation prepared by management at the inception of the hedge transaction; (iii) ongoing monitoring and review of the hedge relationship by management including test of hedge effectiveness.
	<p>Substantive tests</p> <ul style="list-style-type: none"> • Checked that the valuation of derivative instruments, for selected samples, is as per Ind AS 109; • Examined hedge documentation, for selected samples, to assess the compliance of documentation with Ind AS 109 requirements; • Tested for a sample, the reconciliation of derivative instruments to independent confirmations obtained from third party; • Involved specialists to perform independent valuation and compared the same with the valuation undertaken / determined by the Corporation; • For selected samples, compared input data used in the Corporation's valuation models to independent sources;

Key audit matter	How the matter was addressed in our audit
	<ul style="list-style-type: none"> • Tested for a sample, the appropriateness of the hedge accounting entries; • Considered the appropriateness of disclosures in relation to financial risk management, derivative instruments and hedge accounting in the standalone financial statements.
<p>Information technology ('IT')</p> <p>IT systems and controls</p> <p>The Corporation's key financial accounting and reporting processes are highly dependent on information systems including automated controls in information systems, such that there exists a risk that, gaps in the IT control environment could result in the financial accounting and reporting records being misstated. The Corporation uses several systems for its overall financial reporting.</p> <p>In addition, the prevailing COVID 19 situation has caused the required IT systems to be made accessible on a remote basis and at the same time there are ever increasing challenges to protect the integrity of the Corporation's systems and data.</p> <p>We identified 'IT systems and controls' as key audit matter because of the high level of automation, significant number of systems being used by management and the scale and complexity of the IT architecture.</p>	<p>Our key audit procedures included:</p> <ul style="list-style-type: none"> • Understood General IT Control i.e. access controls, program/ system change, program development, computer operations (i.e. job processing, data/ system backup incident management) over key financial accounting and reporting systems, and supporting control systems (referred to as in-scope systems); • Understood IT infrastructure i.e. operating systems and databases supporting the in-scope systems; • Test checked the General IT Controls for design and operating effectiveness for the audit period over the in-scope systems. • Understood IT application controls covering <ul style="list-style-type: none"> – user access and roles, segregation of duties, and – key interfaces and reports. • Test checked the IT application controls for design and operating effectiveness for the audit period; • Performed testing to determine that IT application controls that underwent changes, followed the standard change management process; • Test checked controls over the IT infrastructure covering user access (including privilege users), data center; • Performed procedures around Cybersecurity and COVID-19 to determine the impact (if any) on financial statements.

B. Key Audit Matters of Subsidiary Company - HDFC Life Insurance Company Limited ('HDFC Life') as provided by the auditor of HDFC Life

Key Audit Matter	How the matter was addressed in our audit
<p>Appropriateness of the Timing of Revenue Recognition in the proper period</p> <p>During the year, the Company has recognised premium revenue of ₹ 20,107 Crore towards new business (first year premium and single premium). Out of the total revenue recognised, ₹ 12,910 Crore was recognised during the last quarter.</p> <p>We have focused on this area because of the significant concentration of revenue during the last quarter of financial year (including cut-off at the Balance sheet date). Due to the nature of the industry, revenue is skewed towards the balance sheet date. Hence, there is possibility that policy sales of the next financial year are accounted in the current period.</p>	<p>During the course of their audit, the auditor of HDFC Life performed the following procedures:</p> <ul style="list-style-type: none"> • Understood and evaluated the design and operating effectiveness of process and controls relating to recognition of revenue. • Testing of key controls for ensuring that the revenue has been accrued in the correct accounting period. • Tested on a sample basis the policies at the year end to confirm if related procedural compliances with regard to acceptability of the terms of policy were completed before or after the year end to ensure appropriate accounting of revenue. • Relied on the certificate of the management with respect to cheques on hand as at 31 March 2021. • Tested on a sample basis unallocated premium to ensure that there were no policies where risk commenced prior to balance sheet but revenue was not recognized. • Tested the manual accounting journals relating to revenue on a sample basis so as to identify unusual or irregular items. We agreed the journals tested to corroborative evidence. • Tested on a sample basis cheques receipt with the time stamp in case of products like Unit Linked Insurance Plan to confirm the recognition of the revenue in correct accounting period. <p>The auditor of HDFC Life concluded that, based on the work carried out, we did not come across any significant issue which suggests that the revenue recognition is not accounted in the correct period.</p>
<p>Appropriateness of the classification and valuation of Investments</p> <p>The Company holds investments against policy holders' liabilities, linked liabilities and shareholders' funds. A significant portion of the assets of the Company is in the form of investments (total investments as at March 31, 2021 is ₹ 1,75,517 Crore).</p>	<p>During the course of their audit, the auditor of HDFC Life performed the following procedures:</p> <ul style="list-style-type: none"> • Understood Management's process and controls to ensure proper classification and valuation of Investment. • Testing of key controls over investment classification and valuation.

Key Audit Matter	How the matter was addressed in our audit
<p>As prescribed by Insurance Regulatory and Development Authority of India (the “IRDAI”), all investments including derivative instruments, should be made and managed in accordance with the Insurance Regulatory and Development Authority of India (Investment) Regulations, 2016 (the “Investment Regulations”) and policies approved by Board of Directors of the Company.</p> <p>Further, investments including derivative instruments (which involves complex calculations to value such instruments) should be valued in accordance with the principle of Ind AS.</p> <p>The valuation of unlisted or not frequently traded investment involves management judgement.</p> <p>Thus, this is an area where we spend significant time.</p>	<ul style="list-style-type: none"> • Tested on a sample basis, correct recording of investments (including derivative instruments) in accordance with Ind AS, classification and compliance with Investment Regulations, and policies approved by Board of Directors. • Tested on a sample basis valuation of securities which have been valued in accordance with the Ind AS and Company’s accounting policies. • For unlisted and not frequently traded investments, we evaluated management’s valuation model and assumptions and corroborated these with regulatory requirements and Company’s internal policies including impairment. <p>The auditor of HDFC Life concluded that, based on the work carried out, we did not come across any significant matter which suggests that the investments were not properly classified or valued.</p>
<p>Contingencies relating to certain matters pertaining to service tax and income tax</p> <p>The Company has received various demands and show cause notices (mostly industry specific) from the tax authorities in respect of matters including service tax and income tax.</p> <p>For service tax, the matters were mainly towards applicability of service tax on Lapse charges, recovery of agency processing fees, backdating alteration charges, recoveries on look in, policy reinstatement fees, policy fees, etc. and on income tax it is mainly towards applicability of correct section of TDS with regard to certain payments.</p> <p>The management with the help of its expert, as needed, have made judgments relating to the likelihood of an obligation arising and whether there is a need to recognize a provision or disclose a contingent liability. We therefore focused on this area as a result of uncertainty and potential material impact.</p>	<p>During the course of their audit, the auditor of HDFC Life performed the following procedures:</p> <p>Understood Management’s process and control for determining tax litigations and its appropriate accounting and disclosure.</p> <ul style="list-style-type: none"> • Testing key controls surrounding tax litigations. • Where relevant, reading external legal opinions obtained by the management. • Discussed pending matters with the Company’s legal counsel and independent management appointed tax experts. • Assessed management’s conclusions which included involvement of auditors’ independent tax experts, as applicable, to gain an understanding of the current status of the tax cases and monitoring of changes in disputes to establish that the tax provisions reflects the latest external developments. <p>The auditor of HDFC Life concluded that, based on the work performed, in view of the contingencies relating to certain matters pertaining to service tax and income tax, we determined the extent of provisioning and disclosure of contingent liabilities as at 31 March 2021 to be reasonable.</p>

C. Key Audit Matter of Subsidiary Company - HDFC Ergo General Insurance Company Limited ('HDFC Ergo') as provided by the auditor of HDFC Ergo

Key audit matter	How the matter was addressed in our audit
<p>Valuation of Investments</p> <p>The carrying value of Investments amounting to ₹ 17,104 Crores (Policy holders and Shareholders) represents 69.30% of total assets as disclosed in the financial statement.</p> <p>Due to the regulatory prescriptions applicable to recognition, measurement and disclosure of Investments and the assumptions used in the valuation of Investments, (Schedule E) we have considered this as a key audit matter.</p> <p>The valuation of all investments should be as per the investment policy framed by the Company which in turn should be in line with IRDAI Investment Regulations.</p> <p>The Company has <i>inter alia</i> a policy framework for Valuation and impairment of Investments.</p> <p>The valuation of unquoted investments and thinly traded investments continues to be an area of inherent risk because of market volatility, unavailability of reliable prices and macroeconomic uncertainty.</p> <p>The Company performs an impairment review of its investments periodically and recognizes impairment charge when the investments meet the trigger/s for impairment provision as per the criteria set out in the investment policy. Further, the assessment of impairment involves significant management judgement.</p>	<p>During the course of their audit, the auditor of HDFC ERGO performed the following procedures:</p> <p>To ensure that the valuation of investments and impairment provision considered in the financial statements is adequate, we have performed the following procedures:</p> <ul style="list-style-type: none"> Reviewed the manner in which the investments have been made by the Company to ensure that the investments are in accordance with Regulations of Investments as stated in the IRDAI guidelines. Tested the management oversight and controls over valuation of investments. Independently test-checked valuation of quoted and unquoted investments to be in line with the requirements of Ind AS. Reviewed the realised gain/loss on instruments classified as Fair Value Through Profit and Loss Account "FVTPL" and Through Other Comprehensive Income/Expense "FVTOCI" for investments. Reviewed the management's view on classification of Instruments with respect to Ind AS. <p>The auditor of HDFC Ergo concluded that, accordingly based on our audit procedures, we noted no reportable matters regarding investments and its valuation.</p>
<p>Provision for bad & doubtful debts relating to receivables from other insurance companies (Including Government Receivables), outstanding premium and agent balances:</p> <ul style="list-style-type: none"> Dues from Other entities carrying on insurance business is ₹ 109 Crores as at the year end. "Outstanding premium" amounting to ₹ 1,095 Crores (Schedule E2) net of provision of ₹ 0.69 Crores includes premium due from Central Government, State Government and others. Outstanding "Agent balances" as at the year end amounted to ₹ 0.59 Crores net of provision of ₹ 0.12 Crores (Schedule C) Due to the significance of the amount and judgment involved in assessing the recoverability of dues, this has been considered as key audit matter. 	<p>During the course of their audit, the auditor of HDFC ERGO performed the following procedures:</p> <ul style="list-style-type: none"> Evaluation and testing of controls over the recording, monitoring and ageing of outstanding premium, Agents' Balances and due from other entities carrying on insurance business. Evaluating the adequacy of the process of reconciliation followed by the Company with respect to amounts due from other entities carrying on insurance business.

Key audit matter	How the matter was addressed in our audit
	<ul style="list-style-type: none"> • Reviewed the historical provision for bad debts and compared it to the actual amounts written off, to determine whether management’s estimates have been prudent and reasonable. • Reviewed the details of co-insurance transactions uploaded on the ETASS portal by the Company and Other Insurance Companies and reconciled with the transactions accounted by the Company. • Sending out direct confirmations of balances to select parties on a test check basis as required under “SA 505-External Confirmations”. • Discussed with management and reviewed correspondences, where relevant, to identify disputes, if any, on any of the recoverable balances and review the assessment of the management as to the requirement of provisioning if any on these disputed dues. Relied on the management estimates with respect to such provisions. <p>The auditor of HDFC Ergo concluded that, accordingly, based on our audit procedures, we noted no reportable matter.</p>
<p>Data migration consequent to amalgamation of HEHI with HEGI:</p> <p>On September 29, 2020, the Company received sanction from the National Company Law Tribunal, Mumbai Bench (NCLT), for the Scheme of Amalgamation of merger of HDFC ERGO Health Insurance Limited (formerly Apollo Munich Health Insurance Company Limited) (IRDAI Regn No. 131) (“HEHI”) with HDFC ERGO General Insurance Company Limited (IRDAI Registration No. 146) (“HEGI”).</p> <p>Further, IRDAI, vide its letter dated November 11, 2020 gave its final approval to the said Merger with the Appointed Date of March 01, 2020.</p> <p>Information Systems of HEHI were in use upto November 2020 running parallely with the information systems of HEGI.</p> <p>In view of the parallel operations and subsequent migration of data from HEHI systems to HEGI systems, the IT environment has become complex with regards to the financial reporting process.</p> <p>During the year, the management has migrated the data of HEHI into the systems of the Company.</p>	<p>During the course of their audit, the auditor of HDFC ERGO performed the following procedures:</p> <ul style="list-style-type: none"> • Test checked the transactions for the period April 2020 to November 2020 in the system maintained by HEHI. • Testing the process of migration of the monthly summary of transactions in the financial reporting into the HEGI System. • Assessing whether appropriate restrictions were placed on access to systems through reviewing the permissions and responsibilities of authorised personnel. • Where we identified the need to perform additional procedures such as reconciliations between systems and performing additional testing; extended our sample sizes, to obtain adequate and appropriate audit evidences. • Reviewed the controls with respect to manual processes in consolidation of data of all lines of business and ensured data integrity with respect to such consolidation.

Key audit matter	How the matter was addressed in our audit
<p>The process of data migration is highly dependent on information technology including automated and manual controls and availability of complete and accurate electronic data due to the size and complexity of the operations.</p> <p>Due to high level of automation, number of integrated / non-integrated systems used, and the process used for the consolidation of data upto November 2020, this is a key audit matter for our audit.</p>	<ul style="list-style-type: none"> Our audit procedures include obtaining an understanding of the transaction and to ensure that the new migrated environment qualifies the integrity and reliability tests of auditors. <p>The auditor of HDFC Ergo concluded that, accordingly, based on our audit procedures, we noted no reportable matter.</p>

D. Key Audit Matter of Associate - HDFC Bank Limited ('HDFC Bank') as provided by the auditor of HDFC Bank

Key audit matter	How the matter was addressed in our audit
<p>Measurement of Expected Credit Loss (ECL) on Financial Assets:</p> <p>Recognition and measurement of impairment relating to financial assets involves significant management judgement. With the applicability of Ind AS 109 credit loss assessment is now based on ECL model which is forward looking Expected Loss Approach.</p> <p>The Bank's impairment allowance is computed based on estimates including the historical default and loss ratios. The Bank leverages the assets classification and risk estimations under Internal Rating Based (IRB) capital computation for ECL computation. Management exercises judgement in determining the quantum of loss based on a range of factors. The most significant areas are:</p> <ul style="list-style-type: none"> - Portfolio Segmentation - Asset staging criteria - Calculation of probability of default / Loss given default/Credit conversion factor basis the portfolio segmentation. - Consideration of probability of forward looking macro-economic factors specially for COVID-19 impact. <p>The Bank has Board approved policy on ECL to ensure the compliance with Ind AS 109 requirements and the basis of all assumptions for underlying inputs to ECL model.</p> <p>The Bank has a wide range of products in retail segment and exposure to various industries in wholesale segment. There is significant data input required for the computation of ECL for homogenous product in retail segment and basis model and internal grading system in wholesale segment. This increases the risk of completeness and accuracy of the data that has been used as a basis of assumptions in the model.</p>	<p>Assets:</p> <p>During the course of their audit, the auditor of HDFC Bank performed the following procedures:</p> <ul style="list-style-type: none"> Reviewed the Board approved policy on ECL for impairment of financial assets and assessed compliance with Ind AS 109. Understood the process of ECL computation and tested design and operating effectiveness of key controls around data extraction and validation. Evaluating management's controls over collation of relevant information used for determining estimates for management overlays on account of COVID-19. Involved specialists to review the methodology of the computation of staging of loans, estimation of probability of default, its calibration, and estimation of loss given default. Reconciled the total financial assets considered for ECL estimation with the books of accounts to ensure the completeness. <p>Performed substantive procedures for testing of ECL model and computation of ECL amount included and not limited to the following:</p> <ul style="list-style-type: none"> Performed procedures over segmentation of financial assets related to the advances in retail and wholesale as per their various products and models and risk characteristics. Reviewed the assumptions used for and computation of probability of default, loss given default, discounting factors, credit conversion factor for different class of financial assets as per their nature and risk assessment for sample class of assets.

Key audit matter	How the matter was addressed in our audit
<p>During the financial year ended March 31, 2021, RBI issued various circulars related to the COVID-19 Regulatory Packages which has covered the moratorium, restructuring and other benefits to ease the repayment terms for affected customers due to Pandemic.</p> <p>Additionally, the Bank has considered the impact of judgment, on identification of NPA and provision thereof, which was vacated as per Honorable Supreme Court Order on March 23, 2021 and the RBI circular dated April 7, 2021 in that connection.</p> <p>We have identified the measurement of ECL as a key audit matter in view of the significant judgement and assumptions involved.</p>	<ul style="list-style-type: none"> • Tested the appropriate staging of assets basis their days past due and other loss indicators considering the various COVID-19 Regulatory Packages related to moratorium, restructuring as per RBI circular dated August 06, 2020, MSME restructuring etc. on sample basis. • Reviewed the appropriate staging of assets as per Honorable Supreme Court Order on March 23, 2021 and the RBI circular dated April 7, 2021 in that connection. • Reviewed the assessment performed for forward looking macro-economic factor. • Tested the ECL computation and ensured application of correct underlying factor like PD, LGD, CCF etc. basis the nature of products and models. • Tested the mathematical accuracy of the computation by reperforming the formulas.
Evaluation of litigations included in Contingent Liabilities	
<p>The Bank has material open tax litigations including matters under dispute which involve significant judgment to determine the possible outcome of these disputes.</p> <p>Significant management judgement is needed in determining whether an obligation exists and whether a provision should be recognised as at the reporting date, in accordance with the accounting criteria set under Indian Accounting Standard 37 - Provisions, Contingent Liabilities and Contingent Assets ('Ind AS - 37'), or whether it needs to be disclosed as a contingent liability. Further significant judgements are also involved in measuring such obligations, the most significant of which are:</p> <ul style="list-style-type: none"> • Assessment of liability: Judgement is involved in the determination of whether an outflow in respect of identified material matters are probable and can be estimated reliably; • Adequacy of provisions: The appropriateness of assumptions and judgements used in the estimation of significant provisions; and • Adequacy of disclosures of provision for liabilities and charges, and contingent liabilities. <p>The Bank's assessment is supported by the facts of matter, their own judgment, experience, and advises from legal and independent tax consultants wherever considered necessary.</p>	<p>During the course of their audit, the auditor of HDFC Bank performed the following procedures:</p> <p>Testing the design and operating effectiveness of the Bank's key controls over the estimation, monitoring and disclosure of provisions and contingent liabilities.</p> <p>Our substantive audit procedures included and were not limited to the following: -</p> <ul style="list-style-type: none"> • Obtained an understanding of the Bank's process for determining tax liabilities, tax provisions and contingent liabilities pertaining to legal matters and taxation matters; • Obtained list of cases/matters in respect of which litigations were outstanding as at reporting date. <ul style="list-style-type: none"> • For significant legal matters, we sought external confirmations and also corroborated with management's documented conclusions on the assessment of outstanding litigations against the Bank. • For significant taxation matters, we involved our tax specialist to gain an understanding of the current status of the litigations, including understanding of various orders / notices received by the Bank and the management's grounds of appeals before the relevant appellate authorities;

Key audit matter	How the matter was addressed in our audit
<p>Since the assessment of these open litigations requires significant level of judgement in interpretation of law, we have included this as a key audit matter.</p>	<ul style="list-style-type: none"> • Evaluated the merit of the subject matter under consideration with reference to the grounds presented therein and available independent legal / tax advice; • Agreed underlying tax balances to supporting documentation, including correspondence with tax authorities.
Information Technology (“IT”) Systems and Controls	
<p>The Bank has a complex IT architecture to support its day to day business operations. High volume of transactions is processed and recorded on single or multiple applications.</p> <p>The reliability and security of IT systems plays a key role in the business operations of the Bank. Since large volume of transactions are processed daily, the IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner.</p> <p>Appropriate IT general controls and application controls are required to ensure that such IT systems are able to process the data, as required, completely, accurately and consistently for reliable financial reporting.</p> <p>We have identified ‘IT systems and controls’ as key audit matter because of the high level automation, significant number of systems being used by the management and the complexity of the IT architecture and its impact on the financial reporting system.</p>	<p>During the course of their audit, the auditor of HDFC Bank performed the following procedures:</p> <p>For testing the IT general controls, application controls and IT dependent manual controls, we involved IT specialists as part of the audit. The team also assisted in testing the accuracy of the information produced by the Bank’s IT systems.</p> <p>We gathered a comprehensive understanding of IT applications landscape implemented at the Bank. It was followed by process understanding, mapping of applications to the same and understanding financial risks posed by people-process and technology.</p> <p>Our key IT audit procedures includes testing design and operating effectiveness of key controls operating over user access management (which includes user access provisioning, de-provisioning, access review, password configuration review, segregation of duties and privilege access, change management (which include change release in production environment are compliant to the defined procedures and segregation of environment is ensured), program development (which include review of data migration activity), computer operations (which includes testing of key controls pertaining to, backup, Batch processing (including interface testing), incident management and data centre security), System interface controls. This included testing that requests for access to systems were appropriately logged, reviewed and authorized. Also, entity level controls pertaining to policy and procedure and Business continuity plan assessment due impact of COVID 19 was also part of our audit procedure.</p> <p>In addition to the above, the design and operating effectiveness of certain automated controls, that were considered as key internal system controls over financial reporting were tested. Using various techniques such as inquiry, review of documentation/record/reports,</p>

Key audit matter	How the matter was addressed in our audit
	<p>observation and re-performance. We also tested few controls using negative testing technique. We had taken adequate samples of instances for our test.</p> <p>Tested compensating controls and performed alternate procedures, where necessary. In addition, understood where relevant, changes made to the IT landscape during the audit period.</p>

Information Other than the Consolidated Financial Statements and Auditors’ Report Thereon

The Holding Company’s management and Board of Directors are responsible for the other information. The other information comprises the information included in the Holding Company’s Director’s report and Management Discussion & Analysis (MD&A) report, but does not include the consolidated financial statements and our auditors’ report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed and based on the work done, we conclude that there is a material misstatement of this

other information, we are required to report that fact. We have nothing to report in this regard.

Management’s and Board of Directors’ Responsibilities for the Consolidated Financial Statements

The Holding Company’s Management and Board of Directors are responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Act that give a true and fair view of the consolidated state of affairs, consolidated profit/loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flows of the Group and its associates in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. The respective Management and Board of Directors of the companies included in the Group and of its associates are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of each company and for preventing and detecting frauds and other irregularities; the selection and

application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by Management and Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Management and Board of Directors of the companies included in the Group and of its associates are responsible for assessing the ability of each company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the respective Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group and of its associates is responsible for overseeing the financial reporting process of each company.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on the internal financial controls with reference to the consolidated financial statements and the operating effectiveness of such controls based on our audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management and Board of Directors.
- Conclude on the appropriateness of Management and Board of Directors use of the going concern basis of accounting in preparation of consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and its associates to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of such entities or business activities within the Group and its associates to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of financial information of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been

audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion. Our responsibilities in this regard are further described in para (a) of the section titled 'Other Matters' in this audit report.

We believe that the audit evidence obtained by us along with the consideration of audit reports of the other auditors referred to in subparagraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

(a) We did not audit the financial statements of thirteen subsidiaries included in the consolidated financial statements, whose financial statements reflect total assets of ₹ 217,097 Crores as at 31 March 2021, total revenues of ₹ 90,190 Crores and net cash inflows amounting to ₹ 1,106 Crores for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also includes the Group's share of net profit after tax of ₹ 6,935 Crores and other comprehensive loss of ₹ 257 Crores for the year ended 31 March 2021 in respect of an associate whose financial information has not been audited by us. These financial statements/financial

information have been audited by other auditors whose reports have been furnished to us by the Management and our conclusion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and an associate and our report in terms of subsection (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries and an associate is based solely on the audit reports of the other auditors.

Of the aforesaid subsidiaries, two subsidiaries are located outside India whose financial statements have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Corporation's management has converted the financial statements of these two subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India.

We have audited these conversion adjustments made by the Corporation's management. Our opinion in so far as it relates to the balances and affairs of such subsidiaries located outside India is based on the

report of other auditors and the conversion adjustments prepared by management of the Corporation and audited by us.

The financial statements of an entity controlled by a subsidiary whose financial statements reflects total assets of ₹ 6 Crores, total revenue of ₹ 0.07 Crores and net cash inflows of ₹ 0.07 Crores for the year ended on that date, as considered in the consolidated financial statements have not been audited either by us or by other auditors. The consolidated financial statements also include the Group's share of net loss (and other comprehensive loss) of ₹ 13 Crores for the year ended 31 March 2021, as considered in the consolidated financial statements, in respect of four associates, whose financial statements/financial information have not been audited by us or by other auditors. These unaudited financial statements/financial information have been furnished to us by the Board of Directors and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of an entity controlled by a subsidiary and four associates and our report in terms of sub-sections (3) of Section 143 of the Act in so far as it related to the aforesaid entity controlled by a subsidiary and four associates is based

solely on such unaudited financial statements /financial information. In our opinion and according to the information and explanations given to us by the Management, these financial statements/financial information are not material to the Group.

Expenses pertaining to Life Insurance Business includes charge for actuarial valuation of liabilities for life policies in force and policies where premium is discontinued, in respect of one subsidiary and Expenses pertaining to General Insurance Business includes the estimate of claims Incurred But Not Reported ('IBNR'), claims Incurred But Not Enough Reported ('IBNER') and Premium Deficiency Reserve ('PDR') in respect of one General Insurance Subsidiary. This charge has been determined based on the liabilities duly certified by the respective subsidiaries appointed actuaries, and in their respective opinion, the assumptions for such valuations are in accordance with the guidelines and norms issued by the Insurance Regulatory and Development Authority of India ('IRDAI') and the Institute of Actuaries of India in concurrence with the IRDAI. The respective auditors of these subsidiaries have relied on the appointed actuary's certificate in this regard in forming their conclusion on the financial statements of the said subsidiaries.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements/financial information certified by the Board of Directors.

Report on Other Legal and Regulatory Requirements

- A. As required by Section 143(3) of the Act, based on our audit and on the consideration of reports of the other auditors on separate financial statements of such subsidiaries and associates as were audited by other auditors, as noted in the 'Other Matters' paragraph, we report, to the extent applicable, that:
- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
 - b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.

- c) The consolidated balance sheet, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of changes in equity and the consolidated statement of cash flows dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
- d) In our opinion, the aforesaid consolidated financial statements comply with the Ind AS specified under section 133 of the Act.
- e) On the basis of the written representations received from the directors of the Holding Company as on 31 March 2021 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies and an associate company incorporated in India, none of the directors of the Group companies and its associate company is disqualified as on 31 March 2021 from being appointed as a director in terms of Section 164(2) of the Act.
- f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Holding Company, its subsidiary companies and an associate company and the operating effectiveness of such controls, refer to our separate Report in “Annexure A”.
- B. With respect to the other matters to be included in the Auditors’ Report in accordance with Rule 11 of the Companies (Audit and Auditor’s) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on separate financial statements of the subsidiaries and an associate, as noted in the ‘Other Matters’ paragraph:
- i. The consolidated financial statements disclose the impact of pending litigations as at 31 March 2021 on the consolidated financial position of the Group and its associates. Refer Note 44 to the consolidated financial statements;
 - ii. Provision has been made in the consolidated financial statements, as required under the applicable law or Ind AS, for material foreseeable losses, on long-term contracts including derivative contracts. Refer Note 6.1 to the consolidated financial statements in respect of such items as it relates to the Group and its associates;
- iii. There has been no delay in transferring amounts to the Investor Education and Protection Fund by the Corporation or its subsidiary companies or associate companies incorporated in India during the year ended 31 March 2021. Whilst the Corporation transferred the unclaimed dividend, 2,148 underlying equity shares relating to such unclaimed dividend could not be transferred as the depository participant informed that the aforesaid equity shares were not available in the demat accounts of the respective shareholders; and
- iv. The disclosures regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in the consolidated financial statements since they do not pertain to the financial year ended 31 March 2021.
- C. With respect to the matter to be included in the Auditors’ report under section 197(16):
- In our opinion and according to the information and explanations given to us and based on the reports of the statutory auditors

of such subsidiary companies and an associate company incorporated in India which were not audited by us, the remuneration paid during the current year by the Holding Company, its subsidiary companies and associate companies to its directors is in accordance with the provisions

of Section 197 of the Act. The remuneration paid to any director by the Holding Company, its subsidiary companies and associate companies is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are

required to be commented upon by us.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

SAGAR LAKHANI
Mumbai Partner
07 May 2021 Membership No: 111855
ICAI UDIN 21111855AAAACP2503

Annexure - A to the Independent Auditor's report on the consolidated financial statements of Housing Development Finance Corporation Limited for the year ended 31 March 2021

Report on the internal financial controls with reference to the aforesaid consolidated financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in paragraph (A.f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

In conjunction with our audit of the consolidated financial statements of Housing Development Finance Corporation Limited (hereinafter referred to as the 'Holding Company' or the 'Corporation') as of and for the year ended 31 March 2021, we have audited the internal financial controls with reference to consolidated financial statements of the Holding Company and such companies incorporated in India under Companies Act, 2013 which are its subsidiary companies and associate companies, as of that date.

In our opinion, the Holding Company and such companies incorporated in India which are its subsidiary companies and its associate companies, have, in all material respects, adequate internal financial controls with reference to the consolidated financial statements and such internal financial controls were operating effectively as at 31 March 2021, based on the internal financial controls with reference to consolidated financial statements criteria established by such companies considering the essential components of such internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the 'Guidance Note').

Management's Responsibility for Internal Financial Controls

The respective Company's management and the Board of Directors are responsible for

establishing and maintaining internal financial controls with reference to consolidated financial statements based on the criteria established by the respective Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as 'the Act').

Auditor's responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to

consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls with reference to consolidated financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to consolidated financial statements were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated financial statements included obtaining an understanding of internal financial controls with reference to consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by other auditors of the subsidiary companies and an associate company in terms of their reports referred to in the 'Other matters' paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to consolidated financial statements.

Meaning of Internal Financial controls with Reference to Consolidated Financial Statements

A company's internal financial control with reference to consolidated financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to consolidated financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are

being made only in accordance with authorizations of management and Directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial controls with Reference to consolidated Financial Statements

Because of the inherent limitations of internal financial controls with reference to consolidated financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to consolidated financial statements to future periods are subject to the risk that the internal financial control with reference to consolidated financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Other Matters

Expenses pertaining to Life Insurance Business includes charge for actuarial valuation of liabilities for life policies in force and policies where premium is discontinued, in respect of one subsidiary and

Expenses pertaining to General Insurance Business includes the estimate of claims Incurred But Not Reported ('IBNR') and Premium Deficiency Reserve ('PDR') in respect of another subsidiary. This charge has been determined based on the liabilities duly certified by the respective subsidiaries appointed actuaries, and in their respective opinion, the assumptions for such valuations are in accordance with the guidelines and norms issued by the Insurance Regulatory and Development Authority of India ('IRDAI') and the Institute of Actuaries

of India in concurrence with the IRDAI. The respective auditors of these subsidiaries have relied on the appointed actuary's certificate in this regard in forming their opinion on the internal financial controls over financial reporting and financial statements of the said subsidiaries.

Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to consolidated financial statements in so far as it relates to

the 8 subsidiaries and an associate company, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India.

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No: 101248W/W-100022

SAGAR LAKHANI

Mumbai

Partner

07 May 2021

Membership No: 111855

ICAI UDIN 21111855AAAACP2503