

Highlights

- Profit after tax up by 31.4% to Rs. 509.5 crores
- Earnings per share increases from Rs. 13.75 to Rs. 17.95
- Dividend per share increases from Rs. 3.00 to Rs. 3.50 (proposed)
- Branch Network up from 231 to 312 outlets
- ATM network up from 732 to 910
- PhoneBanking coverage in 99 cities
- Point-of-Sale (POS) Terminals at merchant outlets up from 21800 to 26400
- Geographic reach expanded from 122 cities to 163 cities
- Balance Sheet size up from Rs. 30,424 crores to Rs. 42,307 crores
- Savings deposits up from Rs. 4,663 crores to Rs. 7,804 crores
- Retail assets up by 112.9% to 7,325 crores

financial highlights

Rs. in lacs

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Interest Income	679,87	1,259,46	1,702,99	2,013,61	2,548,93
Interest Expense	374,28	753,75	1,073,74	1,191,96	1,211,05
Net Interest Income	305,59	505,71	629,25	821,65	1,337,88
Other Income	119,54	176,57	335,90	465,55	480,03
Net Revenues	425,13	682,28	965,15	1,287,20	1,817,91
Operating costs	171,39	309,59	417,95	577,05	810,00
Operating Result	253,74	372,69	547,20	710,15	1,007,91
Provisions and Contingencies	58,89	57,63	121,82	139,30	288,95
Profit before tax	194,85	315,06	425,38	570,85	718,96
Provision for taxation	74,81	104,94	128,34	183,25	209,46
Profit after tax	120,04	210,12	297,04	387,60	509,50
Funds :					
Deposits	8,427,72	11,658,11	17,653,81	22,376,07	30,408,86
Subordinated debt	150,00	200,00	200,00	200,00	600,00
Stockholders' Equity	751,52	913,09	1,942,28	2,244,83	2,691,88
Working Funds	11,731,03	15,617,33	23,787,38	30,424,08	42,306,99
Loans	3,462,34	4,636,66	6,813,72	11,754,86	17,744,51
Investments	5,748,28	7,145,14	12,004,02	13,388,08	19,256,79
Key Ratios :					
Earnings per share (Rs.)	5.93	8.64	11.01	13.75	17.95
Return on Average Networkth	29.00%	24.53%	18.30%	18.10%	20.14%
Tier 1 Capital Ratio	9.56%	8.69%	10.81%	9.49%	8.03%
Total Capital Ratio	12.19%	11.09%	13.93%	11.12%	11.66%
Dividend per share (Rs.)	1.60	2.00	2.50	3.00	3.50**
Dividend payout ratio	29.96%	25.55%	23.68%	24.72%	22.15%
Book value per share as at March 31 (Rs.)	30.90	37.50	69.00	79.60	94.52
Market price per share as at March 31 (Rs.)*	257.20	228.35	236.60	234.55	378.75
Price to Earnings Ratio	43.37	26.43	21.50	17.06	21.10

Rs. 10 Lac = Rs. 1 Million

Rs. 1 Crore = Rs. 10 Million

**Proposed

*Source : NSE

**10TH ANNUAL GENERAL MEETING**

Date : May 26, 2004
Day : Wednesday
Time : 3.30 p.m.
Place : Birla Matushri Sabhagar,
19, New Marine Lines,
Mumbai 400 020
Book Closure: May 8, 2004 to May 26, 2004
Dates (both days inclusive)

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BOARD OF DIRECTORS

Mr. Jagdish Capoor, *Chairman*
Mr. Aditya Puri, *Managing Director*
Mr. Keki Mistry
Dr. (Mrs.) Amla Samanta
Mr. Anil Ahuja
Dr. Venkat Rao Gadwal
Mr. Vineet Jain
Mrs. Renu Karnad
Mr. Arvind Pande
Mr. Ranjan Kapur (w.e.f. January 9, 2004)
Mr. Bobby Parikh (w.e.f. January 9, 2004)

**VICE PRESIDENT (LEGAL) &
COMPANY SECRETARY**

Mr. Sanjay Dongre

AUDITORS

M/s. P. C. Hansotia & Co.
Chartered Accountants

REGISTRARS & TRANSFER AGENTS**MCS LIMITED**

Sri Venkatesh Bhavan,
Plot No. 27, Road No. 11,
MIDC Area, Andheri (East),
Mumbai 400 093.
Tel. No. 2821 5235 / 6 / 7
Fax No. 2835 0435
E-mail : mcssvb@eth.net

REGISTERED OFFICE

HDFC Bank House,
Senapati Bapat Marg,
Lower Parel,
Mumbai 400 013.
Tel. No. 5652 1000
Fax No. 2496 0739
Web-site : www.hdfcbank.com

Directors' Report

To the Members,

Your Directors have great pleasure in presenting the Tenth Annual Report on the business and operations of your Bank together with the audited accounts for the year ended March 31, 2004.

FINANCIAL PERFORMANCE

	(Rs. in crores) For the year ended	
	March 31, 2004	March 31, 2003
Deposits and other borrowings	32717	24461
Advances	17744	11755
Total income	3029.0	2479.2
Profit before depreciation and tax	844.7	677.0
Net profit	509.5	387.6
Profit brought forward	356.1	190.4
Transfer from debenture redemption reserve	-	9.7
Total profit available for appropriation	865.6	587.7
Appropriations :		
Transfer to statutory reserve	127.4	96.9
Transfer to general reserve	51.0	38.8
Transfer to investment fluctuation reserve	169.1	-
Proposed dividend	100.0	84.9
Tax on dividend	12.8	10.9
Dividend paid	-	0.1
Balance carried over to Balance Sheet	405.3	356.1

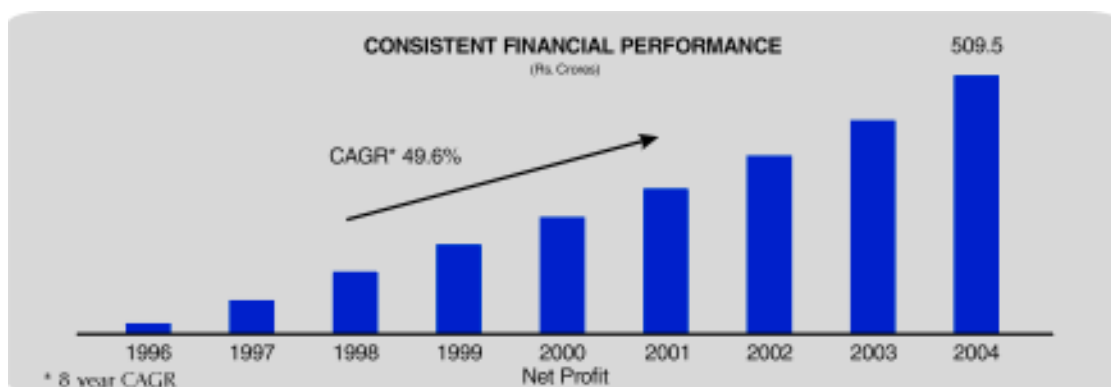
The Bank posted total income and net profit of Rs. 3029.0 crores and Rs. 509.5 crores respectively for the financial year 2003-04 as against Rs. 2479.2 crores and Rs. 387.6 crores respectively in the previous year. Appropriations from the net profit have been effected as per the table given above.

DIVIDEND :

Keeping in mind the need to balance the twin objectives of appropriately rewarding shareholders with cash dividends, of retaining capital to meet the Bank's investment needs and to maintain a healthy capital adequacy ratio to support future growth, your Directors are pleased to recommend a dividend of 35% for the year ended March 31, 2004, as against 30% for the year ended March 31, 2003. The dividend for financial year 2003-04 shall be subject to tax on dividend to be paid by the Bank but will be tax-free in the hands of the members. In line with regulatory requirements, the dividend declared is subject to approval by the Reserve Bank of India (RBI).

AWARDS :

Your Bank continued to receive awards and gain recognition from various leading domestic and international publications during 2003-04. It was selected as "Best Local Bank in India – 2003" by



Directors' Report – (Contd.)

Finance Asia and "Best Domestic Bank in India Region" in The Asset Triple A Country Awards 2003. The Bank was also rated as the "Best Bank in India" in 2003 by Business Today, "Best Bank in the Private Sector" for the year 2003 in the Outlook Money Awards and "Best New Private Sector Bank 2003" by the Financial Express in the FE-Ernst & Young Best Bank's survey 2003. It was also named in the list of "Best Under a Billion, 200 Best Small Companies for 2003" by Forbes Global. For its use of information technology, the Bank was awarded the "Best IT User in Banking" award at the IT User Awards 2003 conferred by Economictimes.com & Nasscom.

ADDITIONAL CAPITAL :

During the year under review 27.5 lac shares were allotted to the employees of the Bank pursuant to the exercise of options under the Employees Stock Option Scheme of the Bank.

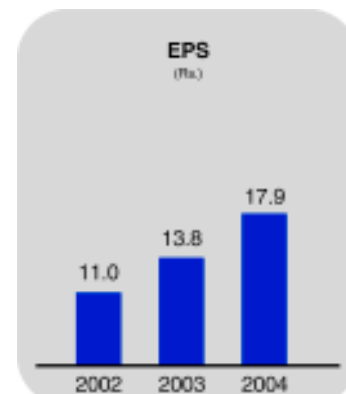
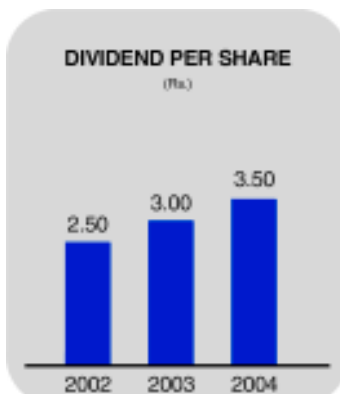
In February 2004, the Bank issued Unsecured Redeemable Non-Convertible Subordinated Bonds of Rs.250 crores with an option to retain oversubscription of Rs.150 crores to augment the Tier-II Capital for strengthening Capital Adequacy and enhancing long term resources of the Bank. The issue was oversubscribed and the Bank raised subordinated debt of Rs.395 crores with maturity of

10 years 3 months at an interest rate of 5.9% p.a. and Rs.5 crores with maturity of 13 year 3 months at rate of 6% p.a.

Employee Stock Options :

During the year, the Bank granted 68 lac options under ESOS 4, 24 lac options under ESOS 5 and 17 lac options under ESOS 6 (aggregating to 110 lac options) at price of Rs.358.60, Rs.366.30 and Rs.362.90 per option respectively. The prices for the options under ESOS 4 & 6 are based on the market price of the shares of the Bank on the immediately preceding business day (of National Stock Exchange of India Limited) on the date of grant of option. These options are governed by the shareholders' resolution passed at the 9th Annual General Meeting of the Bank held on June 2, 2003. The price for the options under ESOS 5 is based on the average daily closing price of the shares of the Bank quoted on The Stock Exchange, Mumbai for a period of sixty days preceding the date of grant of option. These options are governed by the shareholders' resolution passed at the Extra-ordinary General Meeting of the Bank held on January 1, 2000. The options would vest over a period of 3 years on the expiry of minimum period of one year from the date of grant.

The Securities Exchange Board of India (SEBI) has prescribed two methods to account for stock grants; (i) the intrinsic value method (ii) the fair value method.



Directors' Report – (Contd.)

The Bank has adopted the intrinsic value method to account for the stock grants during the year.

The Bank has also calculated the fair value using internally developed and tested model with the following assumptions: the risk free interest rate will remain between 4.4% to 4.5%, expected volatility will be in the range of 45% and dividend will be around Rs.4.0 per share during tenor of the ESOSs. The market price on the date of grant ranged from Rs.357 to Rs.362.9. Had the fair value method been used, the stock option compensation expense would have been higher by Rs.18.4 crores. Consequently the profit after tax would have been lower by Rs.11.8 crores and the basic and diluted earnings per share would have been lower by Rs.0.65 and by Rs.0.58 respectively.

Out of the options granted under the Employees Stock Option Scheme in January, 2001 (ESOS 2) and February, 2002 (ESOS 3), 14.6 lac and 4.2 lac options, respectively, have been vested in the employees.

During the year under review, 27.5 lac options were exercised and allotted by the Bank resulting in an increase in the paid-up capital of Rs.275 lac and share premium by Rs.4768 lac. The allotment of 10.5 lac shares in respect of options exercised in the quarter ended March 2004 has been made on April 5, 2004. The new shares issued under ESOS would rank pari-passu with the existing shares in all respects.

During the year 5.3 lac options lapsed on account of staff resignations.

After considering the exercised and lapsed options, 143.2 lac options are still outstanding as at March 31, 2004. The earning per share (EPS) for the year under review after considering all options outstanding under ESOS, works out to Rs.16.55.

Shares issued to senior managerial personnel :

The Bank has not granted options aggregating to 5% or more of the options granted or issued shares more than 1% of the outstanding share capital to any employee during the fiscal year ended March 31, 2004.

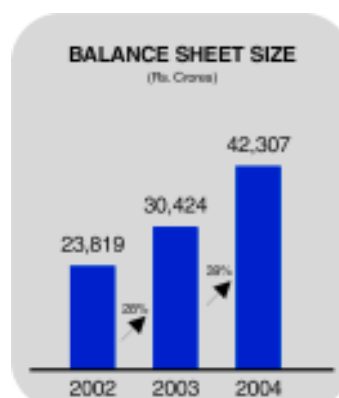
Capital Adequacy Ratio:

The Bank's total capital adequacy ratio (CAR) stood at a healthy 11.66%, well above the regulatory minimum of 9%. Of this, Tier 1 CAR was 8.03%.

MANAGEMENT'S DISCUSSIONS AND ANALYSIS:

Macro-economic and Industry Developments:

The advance estimates of GDP growth for the year 2003-04 is 8.1% over the previous year. This places



Directors' Report – (Contd.)

India firmly amongst the fastest growing economies in the world during the current year. The buoyancy has been spread across most sectors of the economy and is not confined merely to agriculture. Whilst the agriculture sector is estimated to grow at 9.1% this year, manufacturing sector and service sector is likely to grow at 6.5% and 8.4% respectively. The buoyancy in the industrial sector can be linked to a pick-up in demand that has been facilitated by a rebound in agriculture, a sharp pick-up in exports and the wealth effect emanating from a vibrant stock market. A noteworthy development in this fiscal has been the pick-up in the machinery and equipment segment of manufacturing. This signals a pick-up in investment activity which has been languishing for quite some time.

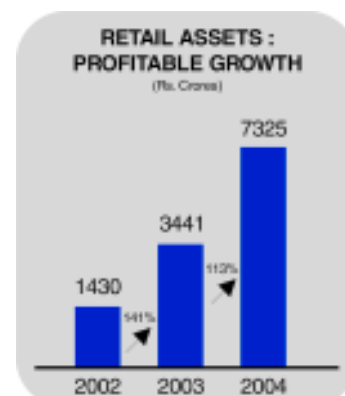
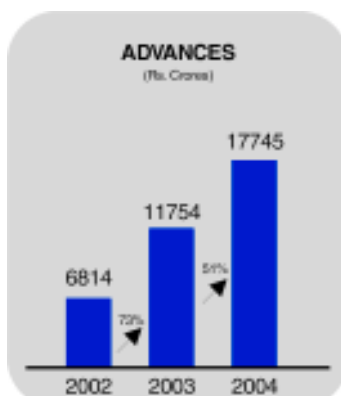
The inflationary situation has been benign in 2003-04. The inflation rate for all commodities has steeply declined whilst the manufactured product inflation continues to rise, the key contributor to the latter being steel prices. With expectation of excise cuts, the year-on-year estimate of inflation in March is expected to be between 4.5 and 5.0 per cent.

On the commercial credit front, there have been some signs of pick-up in credit off-take in recent months. The growth has been in non-food credit whilst food credit witnessed a fall of around 30%. The growth in non-food credit is principally because of surge in retail lending, particularly in housing. However, credit to industry declined despite the industrial recovery probably due to large internal accruals and

increasing disintermediation. The growth in non-food credit has not led to a rise in interest rates due to matching growth in bank deposits that has kept liquidity easy. Bank deposits have grown over 15% this fiscal.

The financial markets continue to remain generally stable. The average call money rate moved down by a little over 20 basis points. The yield on treasury bills of different maturities has declined, while the yield on Government securities with 10-year residual maturity has marginally firmed up. In fact, a slight steepening of the yield curve is noticeable with shifts in yield at the very long-end. By and large, the behaviour of the fixed income market has been in consonance with the monetary policy stance.

The uncertainties relating to the currency movements of major currencies have increased. Continuing forex inflows both on the current and capital account has seen upward pressure on the rupee. The RBI has kept a constant check on the appreciating rupee and continuously intervened by way of regular dollar purchases. Notwithstanding the appreciation of the rupee against the US dollar, exports still grew over 8 per cent over the last fiscal. This was achieved because while the rupee appreciated against the US dollar, it depreciated against its competitor currencies, especially with that of Asian and Latin American countries, giving India the relative advantage in merchandise exports.



Directors' Report – (Contd.)

Imports too have accelerated this year on the back of revival of domestic economy. Oil imports in US dollar terms are higher by 12.4 per cent. Non-oil imports have increased at a high rate of 26.5 per cent. The trade deficit in the current financial year so far has widened, in fact is double of last year. The current account, however, remains in surplus on account of robust invisible earnings.

All in all the Indian economy has demonstrated considerable resilience to exogenous shocks in the last fiscal and is poised for growth.

(Source: statistics from CSO, Reserve Bank of India and CRISINFAC)

Mission and Business Strategy:

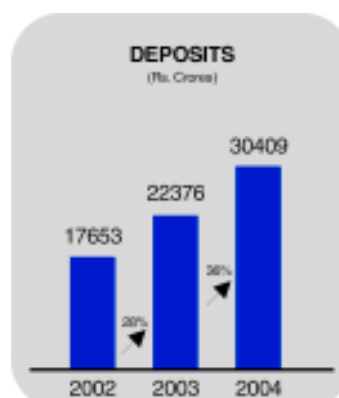
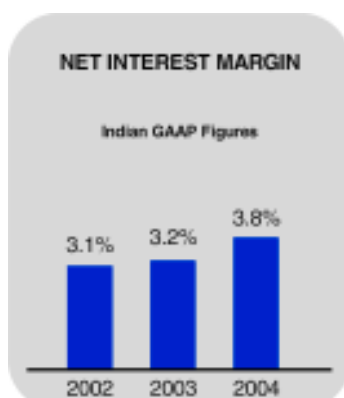
Our mission is to be “a world class Indian Bank” which is benchmarked against international standards and best practices in terms of product offerings, technology, service levels, risk management and audit & compliance. The objective is to build sound customer franchises across distinct businesses so as to be a preferred provider of banking services for target retail and wholesale customer segments and to achieve a healthy growth in profitability, consistent with the Bank's risk appetite. We are committed to do this while ensuring the highest levels of ethical standards, professional integrity and regulatory compliance.

Our business strategy emphasizes the following:

- Increase our market share in India's expanding banking and financial services industry by following a disciplined growth strategy and delivering high quality customer service;
- Leverage our technology platform and open, scaleable systems to deliver more products to more customers and to control operating costs;
- Maintain our current high standards for asset quality through disciplined credit risk management;
- Develop innovative products and services that attract our targeted customers and address inefficiencies in the Indian financial sector;
- Continue to develop products and services that reduce our cost of funds; and
- Focus on healthy earnings growth with low volatility.

Financial Performance:

The overall performance during the financial year 2003-04 remained healthy with total net revenues (net interest income plus other income) increasing by 41.2% to Rs.1817.9 crores from Rs.1287.2 crores in 2002-03. The revenue growth was driven principally by an increase of 62.8% in net interest income. The



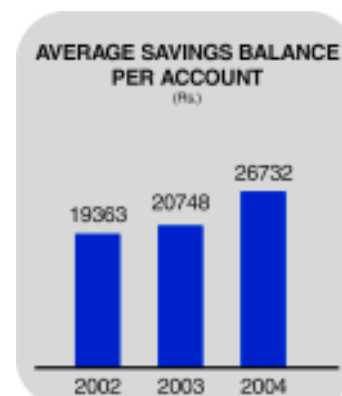
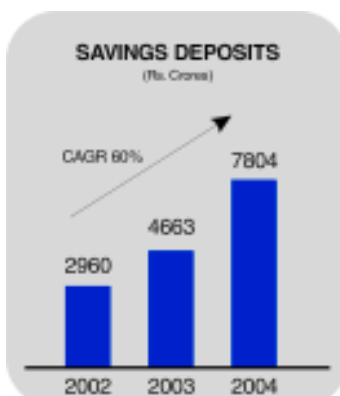
Directors' Report – (Contd.)

increase in net interest income was a result of a 26.6% growth in total interest income (to Rs.2548.9 crores) while total interest expense remained almost flat at Rs. 1211.1 crores (as against Rs.1192.0 crores in the previous year). The average balance sheet size increased by 37.3 % while net interest margin increased by around 60 basis points to 3.8%. Though average yields on earning assets dropped by around 41 basis points given the general decline in interest rates and continued competition in both the wholesale and retail asset businesses, this was more than offset by a reduction of about 150 basis points in the average costs of deposits. The deposit cost reduction was driven by a decline in costs of term deposits and a higher proportion of average current and savings accounts balances in relation to average total deposits.

The other income (non-interest revenue) has three main components: Commissions, Profit/Income on foreign exchange & derivatives and Profit on sale of investments. The first two are largely related to customer transactions while the last stream is linked primarily to the gains from trading and holding of government securities for statutory reserve requirements. In 2003-04, Commission income increased by 35.5% to Rs.320.4 crores with the main drivers being retail banking fees on debit/credit cards & point-of-sale (POS) terminals, transactional charges/fees on deposit and depository (custody) accounts and commissions from third party distribution. Commissions from cash management services also grew at a healthy pace due to higher

volumes. Profits on sale of investments (net of revaluation losses) decreased from Rs.130.3 crores in 2002-03 to Rs.26.9 crores during 2003-04. The reduction is due to lower trading gains on government securities and is net of losses on debt mutual fund units post receipt of dividends. Foreign exchange and derivatives revenues increased by 35.1% to Rs.128.9 crores in 2003-04, driven primarily by higher trade flows and interest rate & currency risk hedging requirements of our customers.

Operating (non-interest) expenses increased from Rs.577.1 crores in 2002-03 to Rs.810.0 crores in 2003-04. Despite a significant increase in investments relating to new branches, ATMs, geographical expansion of retail loan products, etc., operating expenses as a proportion of net revenues, declined marginally from 44.8% in 2002-03 to 44.6% in 2003-04. Staff expenses accounted for 25.2% of non-interest expenses in 2003-04 as against 26.3% in the previous year, despite an increase in staff strength from 4791 to 5423. Loan loss provisions increased from Rs.88.4 crores to Rs.178.3 crores in 2003-04, primarily driven by an increase in general loan loss provisions for retail loan product programs and some increase in specific loan loss provisions as the Bank moved from the "180 day overdue" norm to the "90 day overdue" norm for recognizing non-performing assets. Provisions for amortization of investments were Rs.93.2 crores, principally due to the amortization of premium for SLR (Statutory Liquidity Ratio) investments in the "held to maturity" category.



Directors' Report – (Contd.)

Net profit increased by 31.4 % from Rs. 387.6 crores in 2002-03 to Rs.509.5 crores in 2003-04. Return on average networth was 20.1%, up from the previous year figure of 18.1%. The Bank's basic earning per share increased from Rs. 13.75 to Rs. 17.95 per equity share. The diluted earnings were Rs. 16.55 per equity share in 2003-04.

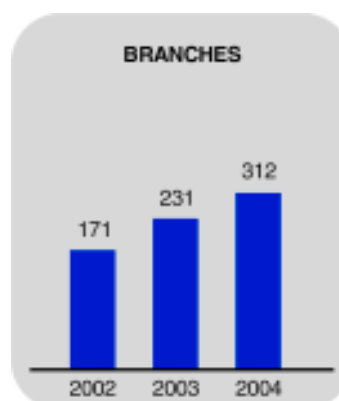
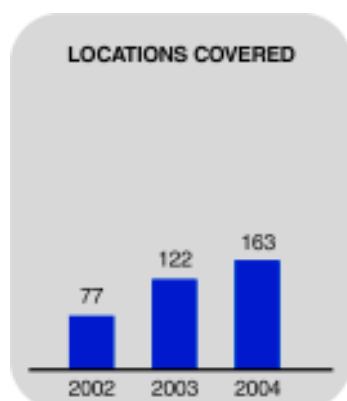
The Bank registered strong growth in balance sheet parameters as well. Total Deposits increased by 35.9% from Rs. 22376 crores to Rs.30409 crores. These deposits as at March 31, 2004 included around Rs. 2000 crores of collections held as a banker to various initial public offerings. Savings account deposits, which are core to the Bank's strategy for building stable, low cost sources of funds and reflect the strength of the retail liabilities franchise, increased by 67.4% from Rs. 4663 crores to Rs.7804 crores. Net Advances grew by 51.0% to Rs. 17745 crores. This was primarily driven by a growth of 112.9% in retail advances (including car loans, personal loans, two-wheeler loans, commercial vehicle loans etc. but excluding investment in securitised paper) to Rs. 7325 crores, and an increase of 25.7% in wholesale advances to Rs. 10819 crores. The mix of the Bank's total advances as of March 31, 2004 is therefore, 60% wholesale and 40% retail. The Bank's core customer assets (advances and credit substitutes like commercial paper, corporate debentures, preference shares, etc.) increased from Rs.14450 crores in March 2003 to Rs.18858 crores in March 2004. In addition, the Bank held Rs. 3522 crores of investments and loans bought in through the

securitization route where the underlying assets were commercial vehicle, car loan and mortgage receivables and collateralised loan obligations. Total customer assets (including securitisation) were therefore Rs.22379 crores as of March 31, 2004. Total balance sheet size grew by 39.1% from Rs.30424 crores to Rs.42307 crores.

Business Segment Update :

With an improving macro economic environment in 2003-04 and its strong positioning in its major business lines, the Bank has been able to achieve healthy growth across various operating and financial parameters. This performance reflects the strength and diversity of the Bank's three primary business franchises – Retail Banking, Wholesale Banking and Treasury, as well as a disciplined approach to risk – reward management.

The Retail Banking business has been the fastest growing of the Bank's businesses in 2003-04. In this business, the Bank has positioned itself as a one-stop-shop financial services provider, focused primarily on the middle class, mass affluent and high networth segments. The Bank's range of financial products and services is fairly exhaustive including various deposit products, loans, credit cards, debit cards, bill payment services, investment advice and various transactional services. Apart from its own products,

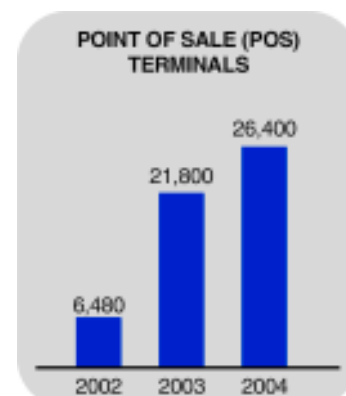
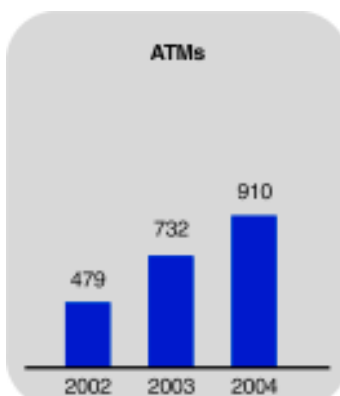


Directors' Report – (Contd.)

the Bank sells third party financial products like mutual funds and life insurance to its retail customers. To provide its customers greater flexibility and convenience as well as to reduce its servicing costs, the Bank has invested in multiple channels – branches, ATMs, phone banking, internet banking and mobile banking. The success of the Bank's multi channel strategy is evidenced in the fact that almost 75% of customer initiated transactions are serviced through the non-branch channels. The Bank's data warehouse and Customer Relationship Management (CRM) solutions have been functional for over a year now and have helped to improve the effectiveness of branch cross-selling as well as facilitated relationship pricing. During 2003-04, there was a significant expansion in the distribution network with the number of branches (including extension counters) increasing from 231 (in 122 cities) to 312 (in 163 cities) and the size of the Bank's ATM network expanding from 732 to 910. Savings account deposits, which reflect the strength of the retail liability franchise, grew by almost 67.4% in 2003-04. With a significant expansion in the geographical coverage of retail loan products like car loans, two wheeler loans, personal loans, commercial vehicle loans etc., the retail loan portfolio increased from Rs. 3441 crores as of March 31, 2003 to Rs. 7325 crores as of March 31, 2004, an increase of 113%.

In September 2003, the Bank entered the housing loan business through an arrangement with HDFC Ltd., whereby it sells the HDFC Home Loan product.

HDFC Ltd. approves and disburses these loans which are booked in the books of HDFC Ltd. For such loans, the Bank is paid a sourcing fee which is currently approximately 0.7% of the approved and disbursed loans. HDFC Ltd. provides credit, legal and technical appraisal for these loans and also does the processing and collections of these loans. HDFC Ltd. is obligated to sell back to the Bank up to 70% of the fully disbursed home loans sold by the Bank through the issue of mortgage backed pass through certificates (PTCs). The mortgage backed PTCs will be invested in by the Bank at the underlying home loan yields less a fee (around 1.5%) paid to HDFC Ltd. for administration and servicing of the loans. Effectively therefore, the Bank has derived the advantage of entering the mortgage business by selling a well established HDFC Home Loan product and also to outsource the operations and servicing of the product for a lower cost than it would have incurred itself. For these benefits, it is parting with 30% of its origination (for which it receives a market driven origination fee). This arrangement therefore leverages the strengths of the two organizations in terms of HDFC Ltd's product acceptance, operational efficiencies and credit expertise on one hand and the Bank's sales origination and distribution on the other. The Bank's credit card business is a little over 2 years old now and total number of cards issued have crossed the half a million mark. The Bank also significantly expanded its presence in the "merchant acquiring" business with the total number of point-of-sale (POS) terminals installed by the Bank at over 26000 terminals, up from 21800 in the previous year.



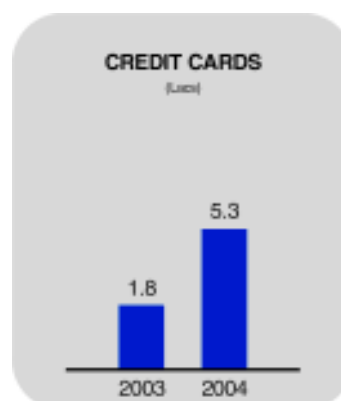
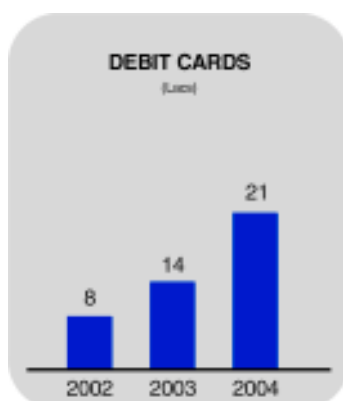
Directors' Report – (Contd.)

The Bank's success in its third party distribution business is best evidenced in the sales of mutual fund and RBI Bonds which crossed Rs. 17000 crores an increase of over 80% over the previous year. The Bank also consolidated its position as one of the leading Depository Participants in terms of number of retail investor accounts, providing high quality retail custody services in electronic form.

In the Wholesale Banking business, the Bank provides its corporate and institutional clients a wide range of commercial and transactional banking products backed by high quality service and relationship management. The Bank's commercial banking business is largely focussed towards the top end of the corporate sector although the Bank also has a smaller but growing SME business. A major portion of the corporate bank's loan portfolio consists of short and medium tenor working capital related products. New initiatives in agri-lending areas started bearing fruit with total direct and indirect finance (other than bond investments) to the agriculture sector crossing Rs. 1300 crores as of March 31, 2004. In the transactional banking services business, the Bank provides cash management, trade, custody and correspondent banking services to corporates, banks, mutual funds and other entities. During FY 2003-04, growth in the wholesale banking business continued to be driven by new customer acquisition and higher cross sell with a focus on optimising yields and increasing product penetration. The Bank's customized supply chain management solutions

which combine electronic banking, cash management and vendor and distributor finance products continued to be an important contributor to growth in the corporate banking business. The Bank further consolidated its position as a leading player in the cash management business (covering all outstation collection, disbursement and electronic fund transfer products across the Bank's various customer segments) with volumes growing from Rs.360000 crores in financial year 2002-03 to over Rs.600000 crores in financial year 2003-04. The Bank also strengthened its market leadership in cash settlement services for major stock exchanges in the country and floats from this business improved as the volumes in the stock markets picked up. For the eighth year in succession, in 2003-04, the Bank met the overall priority sector lending requirement of 40% of net bank credit.

The Bank's Treasury has a presence in the foreign exchange, derivatives and local currency debt securities & money markets. The treasury group manages the Bank's balance sheet and is responsible for compliance of reserve requirements and management of market and liquidity risk. On the foreign exchange front, the revenues are driven primarily by spreads on customer transactions based on trade flows and hedging needs. In addition, the treasury group seeks to optimise profits from proprietary trading within established limits. During financial year 2003-04 the foreign exchange and derivatives revenues grew by 35.1% from Rs. 95.4 crores (financial year 2002-03) to Rs.128.9 crores.



Directors' Report – (Contd.)

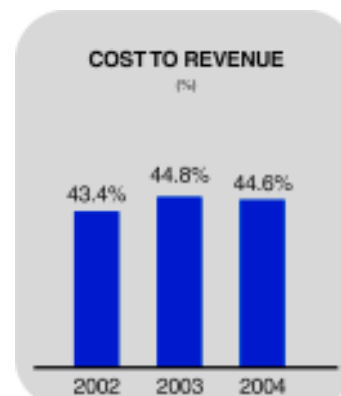
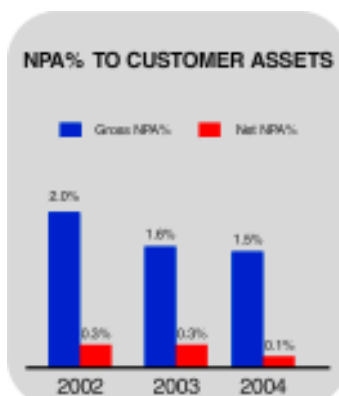
Given the regulatory requirement of holding government securities to meet the statutory liquidity ratio (SLR) requirement, the Bank has necessarily to maintain a large government securities portfolio. This enables the Bank to realise gains in declining interest rate environment, but exposes the bank to losses or depreciation in value of investments if yields were to rise. To reduce this volatility to an extent and to balance the yield and market risk trade-off, the Bank has a policy of maintaining a relatively low duration of around 2 to 2.5 years in its government securities (SLR) portfolio as against an average estimated duration of over 4 years of the Indian banking system as a whole. As a result, the opportunity for bond gains for the Bank from its SLR portfolio tends to be lower than a number of other Indian banks. Profits from sale of investments were Rs. 26.9 crores in 2003-04, a mere 1.48% of the Bank's net revenues. The gains were largely from trading in debt securities and were net of losses of about Rs. 47.1 crores on account of debt mutual funds which were sold after realisation of cash dividends.

In the final analysis, the sustenance of business growth would in large measure, depend on the robustness of the Bank's operational processes and the quality of customer delivery. As the Bank has experienced, in a rapid growth scenario, this remains a key challenge. This is why the Bank has invested in various process improvement and service quality initiatives. Key amongst these is the Six Sigma program which was launched in 2003 primarily to

reduce operational errors and process inefficiencies and to improve cycle time for product delivery to customers. Over 500 employees have been trained in TQSS (Transactional Quality using Six Sigma) and over 80 projects have been initiated so far.

Risk Management & Portfolio Quality :

Various types of risks are inherent in the banking business and sound risk management and risk-reward trade-offs are critical to the bank's success. Business and revenue growth have therefore, to be weighed in the context of the risks implicit in the Bank's business strategy. Of the various types of risks the Bank is exposed to, the most important are credit risk, market risk (which includes liquidity risk and price risk) and operational risk. The identification, measurement, monitoring and management of risks remain a key focus area for the Bank. For credit risk, distinct policies and processes are in place for the wholesale and retail asset businesses. For wholesale credit exposures, management of credit risk is done through target market definition, appropriate credit approval processes, ongoing post-disbursement monitoring and remedial management procedures. Overall portfolio diversification and reviews also facilitate risk management. In the retail asset businesses, the credit cycle is managed through appropriate front-end credit, operational and collection processes. For each product, programs defining customer segments, underwriting standards, security structures, etc. are



Directors' Report – (Contd.)

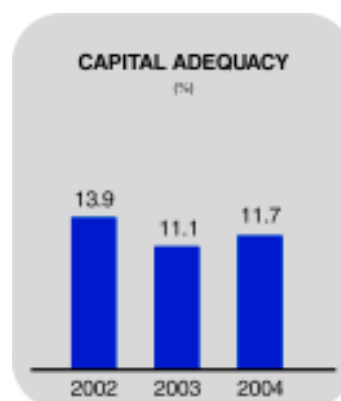
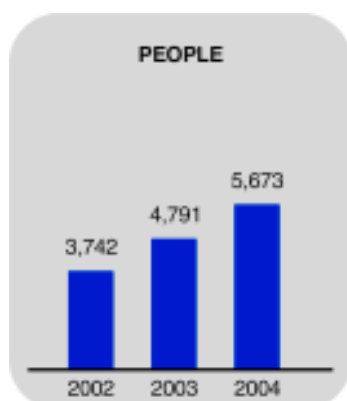
specified to ensure consistency of credit buying patterns. Given the granularity of individual exposures, retail credit risk is managed largely on a portfolio basis, across various products and customer segments. The Risk Monitoring Committee of the Board monitors the Bank's risk management policies and procedures, vets treasury risk limits before they are considered by the Board, and reviews portfolio composition and impaired credits. From an industry concentration perspective, as of March 31, 2004 the core retail portfolio (excluding commercial vehicle financing) constituted 36.1% of total customer assets (including advances, corporate debt investments, etc.). Other larger industry exposures include automotive (cars, two-wheelers and commercial vehicles manufacturers) at 8.5%, land transport at 6.2%, housing finance at 4.6% and heavy engineering / equipment at 2.9% of customer assets. The well diversified nature of the portfolio is evidenced in the fact that 25 industries account for 1% or more of the Bank's customer assets portfolio.

As of March 31, 2004, the Bank's ratio of gross non-performing assets to total customer assets was 1.50% against 1.60% as of March 31, 2003. Increases in non-performing assets during the year were primarily related to deterioration in credit quality relating to certain working capital and letter of credit exposures in corporate banking and to lesser extent related to delinquencies in retail loans. Net non-performing assets (gross non-performing assets less

specific loan loss provisions, interest in suspense and ECGC claims received) were 0.16% of net advances and 0.12% of customer assets as of March 31, 2004 as against 0.37% and 0.26% respectively as of March 31, 2003. The specific loan loss provisions the Bank has made for its non-performing assets continue to be more conservative than the regulatory requirement. The Bank continues to have a policy of creating general provisions based on estimated portfolio losses for its major retail loan product programs. As on March 31, 2004, total general loan loss advances as against the regulatory requirement of 0.25%. The general provisions amounted to 0.7% of standard customer assets.

INTERNAL AUDIT & COMPLIANCE :

The Bank has an internal Audit & Compliance department which is responsible for independently evaluating the adequacy of all internal controls and ensuring operating and business units adhere to internal process and procedure as well as to regulatory and legal requirements. The department also proactively recommends improvements in operational processes and service quality. To ensure independence, the audit & compliance function reports directly to the Chairman of the Board of Directors and to the Audit & Compliance Committee of the Board and only indirectly to the Managing Director. To mitigate operational risks, the Bank has put in place extensive internal controls including restricted access



Directors' Report – (Contd.)

to the Bank's computer systems, appropriate segregation of front and back office operations and strong audit trails. The Audit & Compliance Committee of the Board also reviews the performance of the audit and compliance department and reviews the effectiveness of controls and compliance with regulatory guidelines.

HUMAN RESOURCES :

Given the Bank's significant expansion in terms of branches, geographical rollout of products and business volumes, the Bank's staffing needs continued to increase during the year in particular in the retail banking businesses. Total number of employees increased from 4791 as of March 2003 to 5673 as of March 2004. The Bank continues to focus on training its employees on a continuing basis, both on the job and through training programs conducted by internal and external faculty. The Bank has consistently believed that broader employee ownership of its shares has a positive impact on its performance and employee motivation. The Bank's employee stock option scheme therefore extends to all levels and has covered over 85% of the employees so far.

STATUTORY DISCLOSURES :

The information required under Section 217(2A) of

the Companies Act, 1956 and the rules made there under, are given in the annexure appended hereto and forms part of this report. In terms of section 219(1)(iv) of the Act, the Report and Accounts are being sent to the shareholders excluding the aforesaid annexure. Any shareholder interested in obtaining a copy of the said annexure may write to the Company Secretary at the Registered Office of the Bank. The Bank had 5673 employees as on 31st March 2004. 45 staff employed throughout the year were in receipt of remuneration of Rs.24,00,000/- per annum and 3 staff employed for part of the year were in receipt of remuneration of more than Rs.2,00,000/- per month.

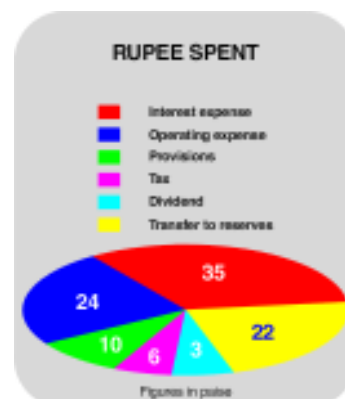
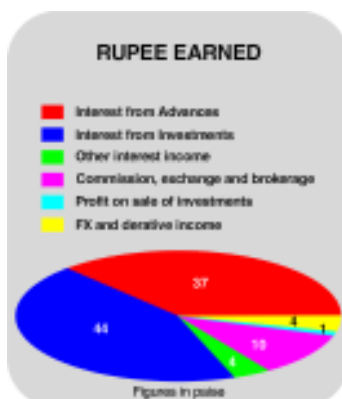
The provisions of Section 217(1)(e) of the Act relating to conservation of energy and technology absorption do not apply to your Bank. The Bank has, however, used information technology extensively in its operations.

The report on the Corporate Governance is annexed herewith and forms part of this report.

RESPONSIBILITY STATEMENT :

The Board of Directors hereby state that:

i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;



Directors' Report –(Contd.)

ii) we have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank as on March 31, 2004 and of the profit of the Bank for the year ended on that date;

iii) we have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Bank and for preventing and detecting the fraud and other irregularities;

iv) We have prepared the annual accounts on a going concern basis.

DIRECTORS

Dr. Venkat Rao Gadwal and Mrs. Renu Karnad will retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

Mr. Ranjan Kapur and Mr. Bobby Parikh were appointed as additional directors of the Bank on January 9, 2004 and shall hold office upto the ensuing Annual General Meeting. Your Bank has received notices from members pursuant to Section 257 of the Companies Act, 1956 signifying their intentions to propose the candidature of Mr. Ranjan Kapur and Mr. Bobby Parikh for the office of Director. The brief resume / details relating to Directors who are to be appointed / re-appointed are furnished in the Explanatory Statement to the Notice of the ensuing Annual General Meeting and the report on Corporate Governance.

As per the provisions of the Banking Regulation Act, 1949, no director of a banking company other than the Chairman and the Managing Director can hold office for a continuous period exceeding eight years. Dr. (Mrs.) Amla Samanta would be completing the

eight year term on April 25, 2004 and would accordingly, relinquish her directorship

AUDITORS

The Auditors M/s. P. C. Hansotia & Co., Chartered Accountants will retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. Members are requested to consider their re-appointment for financial year ending March 31, 2005 on remuneration to be decided by the Audit and Compliance Committee of the Board.

ACKNOWLEDGEMENT

Your Directors would like to place on record their gratitude for all the guidance and support received from the Reserve Bank of India and other government and regulatory agencies. Your Directors would also like to take this opportunity to express their sincere appreciation for the hard work and dedicated efforts put in by the Bank's employees and look forward to their continued contribution in building a world class Indian bank.

On behalf of the Board of Directors

Jagdish Capoor
Chairman

Mumbai, 16 April, 2004

Auditors' Report

TO THE MEMBERS OF HDFC BANK LIMITED

We have audited the attached Balance Sheet of **HDFC BANK LIMITED** ("the Bank") as at 31st March, 2004 and the Profit and Loss Account of the Bank, annexed thereto and the cash flow statement for the year ended on that date. These financial statements are the responsibility of the Bank's management. Our responsibility is to express our opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report thereon as follows :

- (1) The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with Section 211 of the Companies Act, 1956.
- (2) We have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit and found them to be satisfactory.
- (3) The transactions of the Bank which have come to our notice have been within the powers of the Bank.
- (4) In our opinion, proper books of account, including those for its branches, as required by law have been kept by the Bank so far as it appears from our examination of those books.
- (5) The Balance Sheet and the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account of the Bank, including those for its branches.
- (6) In our opinion, the Balance Sheet and the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956, in so far as they apply to banks.
- (7) On the basis of the written representations received from the directors, taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2004 from being appointed as a director under Section 274(1)(g) of the Companies Act, 1956.
- (8) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles accepted in India:
 - (i) in case of the Balance Sheet, of the state of affairs of the Bank as at 31st March, 2004;
 - (ii) in case of the Profit and Loss Account, of the profit of the Bank for the year ended on that date;and
 - (iii) in case of the Cash Flow Statement of the cash flows of the Bank for the year ended on that date.

For **P. C. Hansotia & Co.**
Chartered Accountants

N. P. Sarda
(Partner)
(M. No. 9544)

Mumbai: April 16, 2004

Balance Sheet as at 31 March, 2004

			(Rs. lacs)
	Schedule	As at 31-03-2004	As at 31-03-2003
CAPITAL AND LIABILITIES			
Capital	1	284,79	282,05
Reserves and Surplus	2	2,407,09	1,962,78
Employees' Stock Options (Grants) Outstanding		1,45	6,91
Deposits	3	30,408,86	22,376,07
Borrowings	4	2,307,82	2,084,65
Subordinated debt	19(4)	600,00	200,00
Other Liabilities and Provisions	5	6,296,98	3,511,62
Total		42,306,99	30,424,08
ASSETS			
Cash and balances with Reserve Bank of India	6	2,541,98	2,081,96
Balances with Banks and Money at Call and Short notice	7	1,115,57	1,087,26
Investments	8, 19(7)	19,256,79	13,388,08
Advances	9	17,744,51	11,754,86
Fixed Assets	10	616,91	528,58
Other Assets	11	1,031,23	1,583,34
Total		42,306,99	30,424,08
Contingent Liabilities	12	82,116,17	41,559,85
Bills for Collection		2,097,89	1,761,39

The attached notes form part of the financial statements.

In terms of our report of even date attached.

For **P. C. HANSOTIA & CO.**
Chartered Accountants

N. P. SARDA
Partner
(Membership No. 9544)

Mumbai, 16 April, 2004

For and on behalf of the Board

JAGDISH CAPOOR
Chairman

ADITYA PURI
Managing Director

SANJAY DONGRE
Vice President (Legal)
& Company Secretary

KEKI M. MISTRY

Dr. (Mrs.) **AMLA SAMANTA**
ANIL AHUJA

Dr. **VENKAT RAO GADWAL**

RENU KARNAD

ARVIND PANDE

BOBBY PARIKH

Directors



Profit and Loss Account for the year ended 31 March, 2004

			(Rs. lacs)
	Schedule	Year ended 31-03-2004	Year ended 31-03-2003
I. INCOME			
Interest earned	13	2,548,93	2,013,61
Other income	14	480,03	465,55
Total		3,028,96	2,479,16
II. EXPENDITURE			
Interest expended	15	1,211,05	1,191,96
Operating expenses	16	810,00	577,05
Provisions & Contingencies [includes Income Tax provision of Rs. 209,46 lacs (previous year: Rs.183,25 lacs)]	17	498,41	322,55
Total		2,519,46	2,091,56
III. PROFIT			
Net Profit for the year		509,50	387,60
Profit brought forward		356,13	190,38
Transfer from Debenture Redemption Reserve		—	9,74
Total		865,63	587,72
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		127,38	96,90
Proposed dividend		100,05	84,95
Tax on dividend		12,82	10,88
Dividend paid during the year		—	10
Transfer to General Reserve		50,95	38,76
Transfer to Investment Fluctuation Reserve		169,11	—
Balance carried over to Balance Sheet		405,32	356,13
Total		865,63	587,72
V. EARNINGS PER EQUITY SHARE (Face value Rs. 10/- per share) (Rupees)	18		
Basic		17.95	13.75
Diluted		16.55	12.79

In terms of our report of even date attached.

For **P. C. HANSOTIA & CO.**
Chartered Accountants**N. P. SARDA**
Partner
(Membership No. 9544)

Mumbai, 16 April, 2004

For and on behalf of the Board

JAGDISH CAPOOR
Chairman**ADITYA PURI**
Managing Director**SANJAY DONGRE**
Vice President (Legal)
& Company Secretary**KEKI M. MISTRY**Dr. (Mrs.) **AMLA SAMANTA**
ANIL AHUJADr. **VENKAT RAO GADWAL****RENU KARNAD****ARVIND PANDE****BOBBY PARIKH**

Directors

Cash Flow Statement for the year ended 31 March, 2004

	(Rs. lacs)	
	31-03-2004	31-03-2003
Cash flows from operating activities		
Net profit before income tax	718,96	570,85
<i>Adjustment for:</i>		
Depreciation charge for the year <i>(including lease equalisation charge)</i>	126,32	109,70
Loss on revaluation of investments	10,91	2,13
Amortisation of premia on investments	93,22	50,44
Loan Loss provision	178,28	88,39
Provision for wealth tax	75	47
ESOS compensation lapsed	(4)	(12)
Other provisions and contingencies	16,70	-
Loss / (Profit) on sale of fixed assets	45	(1,08)
	1,145,55	820,78
<i>Adjustments for :</i>		
(Increase) in Investments	(5,981,59)	(1,436,63)
(Increase) in Advances	(6,051,86)	(5,029,53)
Increase in Borrowings	223,17	261,63
Increase in Deposits	8,032,79	4,722,26
Decrease / (Increase) in other assets	635,09	(403,13)
Increase in Other liabilities and provisions	2,634,40	1,317,32
Decrease / (Increase) in Deposit Placements	418,22	(774,74)
	1,055,77	(522,04)
Direct taxes paid	(284,39)	(237,47)
Net cash flow from operating activities	771,38	(759,51)
Cash flows from investing activities		
Purchase of fixed assets	(214,39)	(253,43)
Proceeds from sale of fixed assets	2,48	1,69
Net cash used in investing activities	(211,91)	(251,74)



Cash Flow Statement for the year ended 31 March, 2004 - (Contd.)

	(Rs. lacs)	
	31-03-2004	31-03-2003
Cash flows from financing activities		
Money received on exercise of stock options by employees	42,91	17,98
Proceeds from issue of subordinated debt	400,00	—
Dividend provided last year paid during the year	(84,95)	(70,34)
Tax on Dividend	(10,88)	—
Dividend paid during the year on Stock Option exercised during the previous year	—	(10)
Net cash generated from / (used in) financing activities	347,08	(52,46)
Net increase/(decrease) in cash and cash equivalents	906,55	(1,063,71)
Cash and cash equivalents at 1 April, 2003	2,394,48	3,458,19
Cash and cash equivalents as at 31 March, 2004	3,301,03	2,394,48

In terms of our report of even date attached.

For **P. C. HANSOTIA & CO.**
Chartered Accountants**N. P. SARDA**
Partner
(Membership No. 9544)

Mumbai, 16 April, 2004

For and on behalf of the Board

JAGDISH CAPOOR
Chairman**ADITYA PURI**
Managing Director**SANJAY DONGRE**
Vice President (Legal)
& Company Secretary**KEKI M. MISTRY**Dr. (Mrs.) **AMLA SAMANTA****ANIL AHUJA**Dr. **VENKAT RAO GADWAL****RENU KARNAD****ARVIND PANDE****BOBBY PARIKH**

Directors

Schedules to the Accounts

		(Rs. lacs)
	As at 31-03-2004	As at 31-03-2003
SCHEDULE 1 – CAPITAL		
Authorised Capital	450,00	450,00
45,00,00,000 (31 March, 2003 : 45,00,00,000) Equity Shares of Rs. 10/- each		
Issued, Subscribed and Paid-up Capital	284,79	282,05
28,47,91,713 (31 March, 2003 : 28,20,45,713) Equity Shares of Rs. 10/- each		
Total	284,79	282,05
SCHEDULE 2 – RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening Balance	324,99	228,09
Additions during the year	127,38	96,90
Total	452,37	324,99
II. General Reserve		
Opening Balance	97,35	58,59
Additions during the year	50,95	38,76
Total	148,30	97,35
III. Balance in Profit and Loss Account	405,32	356,13
IV. Share Premium Account		
Opening Balance	929,71	919,51
Additions during the year	47,68	10,20
Total	977,39	929,71
V. Investment Fluctuation Reserve		
Opening Balance	240,08	240,08
Additions during the year	169,11	—
Total	409,19	240,08
VI. Amalgamation Reserve		
Opening Balance	14,52	14,52
Total	14,52	14,52

Schedules to the Accounts - (Contd.)

	(Rs. lacs)
	As at 31-03-2004
	As at 31-03-2003
VII. Debenture Redemption Reserve	
Opening Balance	—
Transfer to Profit and Loss Account	9,74
	(9,74)
Total	2,407,09

SCHEDULE 3 – DEPOSITS

I. Demand Deposits	
(i) From Banks	771,12
(ii) From Others	426,77
	8,064,00
Total	8,835,12
II. Savings Bank Deposits	4,524,19
	4,950,96
III. Term Deposits	
(i) From Banks	7,804,30
(ii) From Others	4,663,14
	391,19
	476,47
	13,378,25
Total	12,285,50
	13,769,44
Total	22,761,97
	30,408,86
	22,376,07

SCHEDULE 4 – BORROWINGS

I. Borrowings in India	
(i) Reserve Bank of India	—
(ii) Banks	13,47
(iii) Institutions and agencies	1,555,54
	92,15
Total	1,647,69
II. Borrowings outside India	2,076,61
	8,04
Total	2,307,82
	2,084,65

SCHEDULE 5 – OTHER LIABILITIES AND PROVISIONS

I. Bills Payable	3,667,27
II. Interest Accrued	851,12
III. Others (including provisions)	416,54
IV. Proposed Dividend (including tax on dividend)	2,100,30
	1,876,46
	112,87
Total	6,296,98
	3,511,62

Schedules to the Accounts - (Contd.)

	(Rs. lacs)	
	As at 31-03-2004	As at 31-03-2003
SCHEDULE 6 – CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand <i>(including foreign currency notes)</i>	254,19	166,68
II. Balances with Reserve Bank of India in current accounts	2,287,79	1,915,28
Total	2,541,98	2,081,96
SCHEDULE 7 – BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
(i) Balances with Banks :		
(a) In current accounts	237,49	83,43
(b) In other deposit accounts*	139,83	82,63
Total	377,32	166,06
<i>*Including deposit with NABARD under the RIDF Deposit Scheme. This deposit is eligible for priority sector lending.</i>		
(ii) Money at call and short notice :		
(a) With banks	54,15	278,17
Total	431,47	444,23
II. Outside India		
(i) In current accounts	6,46	3,36
(ii) Money at call and short notice	677,64	639,67
Total	684,10	643,03
Total	1,115,57	1,087,26
SCHEDULE 8 – INVESTMENTS		
Investments in India in		
(i) Government securities	11,530,55	6,356,25
(ii) Other approved securities	6,50	11,84
(iii) Shares	107,00	108,39
(iv) Debentures and Bonds	4,044,63	4,166,58
(v) Joint Venture	2,43	2,43
(vi) Units, Certificate of Deposits and Others	3,565,68	2,742,59
Total	19,256,79	13,388,08

Schedules to the Accounts - (Contd.)

		(Rs. lacs)
	As at 31-03-2004	As at 31-03-2003
SCHEDULE 9 – ADVANCES		
A. (i) Bills purchased and discounted	3,193,97	2,622,79
(ii) Cash Credits, Overdrafts and Loans repayable on demand	3,740,65	2,607,80
(iii) Term loans	10,809,89	6,524,27
Total	17,744,51	11,754,86
B. (i) Secured by tangible assets*	15,277,11	9,990,73
(ii) Covered by Bank/Government Guarantees	116,74	93,69
(iii) Unsecured	2,350,66	1,670,44
Total	17,744,51	11,754,86
* Including advances against Book Debts		
C. Advances in India		
(i) Priority Sector	2,498,39	1,421,82
(ii) Public Sector	335,28	851,90
(iii) Banks	10,72	22,18
(iv) Others	14,900,12	9,458,96
Total	17,744,51	11,754,86
SCHEDULE 10 – FIXED ASSETS		
A. Premises (including Land)		
Gross Block		
At cost on 31 March of the preceding year	193,35	153,18
Additions during the year	58,32	40,17
Deductions during the year	(78)	—
Total	250,89	193,35
Depreciation		
As at 31 March of the preceding year	23,57	17,34
Charge for the year	7,87	6,23
On deductions during the year	(38)	—
Total	31,06	23,57
Net Block	219,83	169,78

Schedules to the Accounts - (Contd.)

		(Rs. lacs)
	As at 31-03-2004	As at 31-03-2003
B. Other Fixed Assets (including furniture and fixtures)		
Gross Block		
At cost on 31 March of the preceding year	616,93	403,90
Additions during the year	159,26	227,62
Deductions during the year	(9,58)	(14,59)
Total	766,61	616,93
Depreciation		
As at 31 March of the preceding year	258,96	173,93
Charge for the year	117,62	99,01
On deductions during the year	(7,05)	(13,98)
Total	369,53	258,96
Net Block	397,08	357,97
C. Assets on Lease (Plant and Machinery)		
Gross Block		
At cost on 31 March of the preceding year	43,83	43,83
Total	43,83	43,83
Depreciation		
As at 31 March of the preceding year	11,52	10,62
Charge for the year	23	90
Total	11,75	11,52
Lease Adjustment Account		
As at 31 March of the preceding year	31,48	27,92
Charge for the year	60	3,56
Total	32,08	31,48
Unamortised cost of assets on lease	—	83
Total	616,91	528,58

SCHEDULE 11 – OTHER ASSETS

I. Interest accrued	430,41	663,00
II. Advance tax (net of provision)	129,78	88,86
III. Stationery and stamps	1,66	94
IV. Bond and share application money pending allotment	9,25	50
V. Security deposit for commercial and residential property	75,30	87,90
VI. Cheques in course of collection	78,41	294,45
VII. Other assets*	306,42	447,69
Total	1,031,23	1,583,34

*Includes deferred tax asset (net) of Rs. 52,99 lacs (previous year: Rs. 19,74 lacs)



Schedules to the Accounts - (Contd.)

(Rs. lacs)

	As at 31-03-2004	As at 31-03-2003
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SCHEDULE 12 – CONTINGENT LIABILITIES

I. Claims against the Bank not acknowledged as debts	99,28	51,05
II. Liability on account of outstanding forward exchange contracts	39444,08	19,772,55
III. Liability on account of outstanding derivative contracts	38,938,98	18,605,04
IV. Guarantees given on behalf of constituents- in India	1,641,73	1,424,70
V. Acceptances, endorsements and other obligations	1,892,10	1,171,51
VI. Other items for which the Bank is contingently liable	100,00	535,00
Total	82,116,17	41,559,85

SCHEDULE 13 – INTEREST EARNED

I. Interest/discount on advances/bills	1,108,66	777,32
II. Income from investments	1,322,22	1,112,95
III. Interest on balance with RBI and other inter-bank funds	110,96	120,44
IV. Others	7,09	2,90
Total	2,548,93	2,013,61

SCHEDULE 14 – OTHER INCOME

I. Commission, exchange and brokerage	320,35	236,39
II. Profit on sale of investments	37,78	132,46
III. Profit/(Loss) on revaluation of investments	(10,91)	(2,13)
IV. Profit/(Loss) on sale of building and other assets	(45)	1,08
V. Profit on exchange transactions	74,00	44,53
VI. Miscellaneous income	59,26	53,22
Total	480,03	465,55

SCHEDULE 15 – INTEREST EXPENDED

I. Interest on Deposits	1,038,29	1,063,29
II. Interest on RBI/Inter-bank borrowings	143,62	103,29
III. Other interest*	29,14	25,38
Total	1,211,05	1,191,96

**Represents interest on subordinated debt.*

Schedules to the Accounts - (Contd.)

		(Rs. lacs)
	As at 31-03-2004	As at 31-03-2003
SCHEDULE 16 – OPERATING EXPENSES		
I. Payments to and provisions for employees	204,09	151,95
II. Rent, taxes and lighting	98,44	77,26
III. Printing & stationery	37,48	27,53
IV. Advertisement and publicity	37,06	17,51
V. Depreciation on bank's property	125,72	106,14
VI. Directors' fees, allowances and expenses	12	4
VII. Auditors' fees and expenses*	49	26
VIII. Law charges	1,25	42
IX. Postage, telegram, telephone etc.	77,00	51,92
X. Repairs and maintenance	66,17	45,67
XI. Insurance	17,90	12,26
XII. Other Expenditure**	144,28	86,09
Total	810,00	577,05

*Excludes Rs. 14 lacs (previous year: Rs. 12 lacs) payable for professional services to a firm of auditors in which partners of the firm of statutory auditors are partners.

**Includes marketing expenses, professional fees, travel & hotel charges, entertainment, registrar & transfer agency fees & system management fees.

SCHEDULE 17 – PROVISIONS AND CONTINGENCIES

I. Income tax	209,46	183,25
II. Wealth tax	75	47
III. Loan loss provision	178,28	88,39
IV. Amortisation of premia on investments	93,22	50,44
V. Others	16,70	—
Total	498,41	322,55

Schedules to the Accounts - (Contd.)

(Rupees)

For the year

2003-2004	2002-2003
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SCHEDULE 18 – EARNINGS PER EQUITY SHARE

Annualised Earnings per equity share have been calculated based on the net income after taxation of Rs. 509,50 lacs (previous year : Rs. 387,60 lacs) and the average number of equity shares in issue during the year of 28,38,06,538 (previous year: 28,19,34,292).

Following is the reconciliation between basic and diluted earnings per equity share:

Nominal value per share	10.00	10.00
Basic earnings per share	17.95	13.75
Effect of potential equity shares for stock options and subordinated debt (per share)	(1.40)	(0.96)
Diluted earnings per share	16.55	12.79

Basic earnings per equity share has been computed by dividing net income by the weighted average number of equity shares outstanding for the period. Diluted earnings per equity share has been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the period.

The following is the reconciliation of the earnings used in the computation of basic and diluted earnings per share:

	Rs. lacs	Rs. lacs
Earnings used in basic earnings per share	509,50	387,60
Impact of dilution on profits	12,27	12,06
Earnings used in diluted earnings per share	521,77	399,66

The following is the reconciliation of weighted average number of equity shares used in the computation of basic and diluted earnings per share:

Weighted average number of equity shares used in computing basic earnings per equity share	28,38,06,538	28,19,34,292
Effect of potential equity shares for stock options outstanding and subordinated debt	3,13,76,824	3,04,31,174
Weighted average number of equity shares used in computing diluted earnings per equity share	31,51,83,362	31,23,65,466

Schedules to the Accounts - (Contd.)

	For the year	
	2003-2004	2002-2003
SCHEDULE 19 – NOTES AND PRINCIPAL ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2004.		
1. Capital Adequacy Ratio		(Rs. Lacs)
The Bank's capital adequacy ratio, calculated in accordance with RBI guidelines, is as follows:		
Tier 1 Capital	2,229,70	1,985,02
Tier 2 Capital	1,008,12	341,47
Total Capital	3,237,82	2,326,49
Total Risk weighted assets and contingents	27,773,82	20,917,71
Capital ratios		
Tier 1	8.03%	9.49%
Total capital	11.66%	11.12%
Tier 1 capital includes paid up capital, statutory reserve, general reserve, balance in profit and loss account and amalgamation reserve. From this, outstanding deferred tax asset, if any, is deducted.		
Tier 2 capital includes general loan loss reserves, investment fluctuation reserve and subordinated debt.		
2 Business ratios/information		
Interest income as a percentage of working funds ¹	7.28%	7.89%
Net interest income as a percentage of working funds	3.82%	3.22%
Non-interest income as a percentage of working funds	1.37%	1.82%
Operating profit ² as a percentage of working funds	2.56%	2.58%
Return on assets (average)	1.45%	1.52%
Business ³ per employee (Rs. lacs)	8,66	8,65
Profit per employee ⁴ (Rs. lacs)	9.39	10.09
Percentage of net Non Performing Assets ⁵ to customer assets ⁶	0.12%	0.26%
Percentage of net Non Performing Assets to net advances ⁷	0.16%	0.37%

Definitions:

1. Working funds is the daily average of total assets during the year.
2. Operating profit = (Interest income + other income – interest expense – operating expense – depreciation on investments- profit / (loss) on sale of Fixed Assets)
3. "Business" is the total of net advances and deposits.
4. Productivity ratios are based on average employee numbers.

Schedules to the Accounts - (Contd.)

5. Net NPAs are non performing assets net of interest in suspense, specific provisions and ECGC claims received.
6. Customer assets include gross advances (but net of specific provisions), credit substitutes like debentures, commercial paper, loans and investments in securitised assets brought in and cost of assets leased out.
7. Net advances are equivalent to gross advances net of bills rediscounted, specific loan loss provisions, interest in suspense and ECGC claims received.

3 Reserves and Surplus

General Reserve

The Bank has made an appropriation from the Profit and Loss Account balance of Rs. 50,95 lacs (previous year: Rs. 38,76 lacs) out of profits for the year ended March 31, 2004 to General Reserve pursuant to Companies (Transfer of Profits to Reserves) Rules, 1975.

Investment Fluctuation Reserve

In an effort to create a need for banks to follow prudent policy for utilizing gains realized on sale of investments, the Reserve Bank of India vide its circular no. DBOD.BP.BC.57/21.04.048/2001-02 dated January 10, 2002 issued guidelines on the need to appropriate a minimum of 5% of the investment portfolio to an Investment Fluctuation Reserve over a period of five years. The Bank has made an appropriation from the profit and loss account balance of Rs. 169,11 lacs (previous year: Rs. nil) out of profits for the year ended March 31, 2004. The Bank, after the above appropriation, carries an Investment Fluctuation Reserve of Rs. 409,19 lacs which is 3% of the investment portfolio, excluding investments categorised as held to maturity and investments held under the Liquidity Adjustment Facility (LAF) with RBI, which are transitory in nature.

4 Subordinated Debt

Subordinated debt outstanding as at March 31, 2004 is a long-term unsecured non-convertible debt aggregating Rs. 600 crores (previous year: Rs 200 crores).

In February 2004, the Bank raised Rs. 400 crores subordinated debt at an annualised coupon between 5.9% to 6%. This debt is subordinated to present and future senior indebtedness of the Bank and qualifies as Tier 2 risk-based capital under RBI's guidelines for assessing capital adequacy.

Based on the balance term to maturity as at March 31, 2004, only 73% of the book value of subordinated debt is considered as Tier 2 capital for the purpose of capital adequacy computation.

Conversion clause

Of the outstanding amount of debt, principal amount of Rs.150 crores issued to certain Government owned Indian financial institutions contains a clause wherein, in the event of a default in payment of interest or principal, the primary lender shall have the right to convert an amount not exceeding 20% of such outstanding interest and principal, into fully paid equity shares at an exercise price equal to the par value of such shares. These provisions are commonly found in loan agreements of this nature. The Bank has never missed any payment on this debt or on any other debt. If the Bank were to default on all such debt and be obligated to issue the maximum number of shares on the basis of the amount outstanding and interest payable till March 31, 2004, such amount would approximately be 310 lac shares (previous year: 295 lac shares).

5 Other liabilities

Others in other liabilities include:

- General loan loss provisions of Rs. 158,93 lacs (previous year: Rs. 114,70 lacs)
- Share application monies received Rs. 12,55 lacs (previous year: Rs. 14,65 lacs) pursuant to the exercise of employee stock options

6. DIVIDEND PAID ON SHARES ISSUED ON EXERCISE OF STOCK OPTIONS

The Bank has allotted 10,52,100 shares after the balance sheet date, on April 5, 2004, pursuant to the exercise of options during the quarter ended March 2004. These shares will be eligible for full dividend, if approved at the ensuing Annual General Meeting.

Schedules to the Accounts - (Contd.)

This is in accordance with the Employees Stock Option Scheme as amended and approved by the shareholders. An amount of Rs. 42 lacs being dividend (including dividend tax) pertaining to the said shares has been appropriated from the profit and loss account as at March 31, 2004.

7. Investments

The book value of investments held under the three categories viz. 'Held to Maturity', 'Available for Sale' and 'Held for Trading' are as under:

(Rs. lacs)

	As at March 31, 2004				As at March 31, 2003			
	Held for Trading	Available for Sale	Held to Maturity	Total	Held for Trading	Available for Sale	Held to Maturity	Total
Government Securities	424,43	8,443,76	2,662,36	11,530,55	374,68	4,074,53	1,907,04	6,356,25
Other Approved Securities	—	6,50	—	6,50	—	11,84	—	11,84
Shares	—	22,09	84,91	107,00	—	18,84	89,55	108,39
Bonds and Debentures	198,18	2,966,59	879,86	4,044,63	22,89	2,315,64	1,828,05	4,166,58
Joint Ventures	—	—	2,43	2,43	—	—	2,43	2,43
Others	—	3,565,68	—	3,565,68	—	2,742,59	—	2,742,59
Total	622,61	15,004,62	3,629,56	19,256,79	397,57	9,163,44	3,827,07	13,388,08

- Investments as at March 31, 2004 include securities held under LAF with RBI of Rs. 1,995,00 lacs (previous year : Rs. nil).
- Investments include securities aggregating Rs. 100,00 lacs which are kept as a margin with the Clearing Corporation of India Limited.
- Other investments include commercial paper of Rs. 89,98 lacs (previous year: Rs. 595,42 lacs) and investment in securitised paper of Rs. 2,885,71 lacs (previous year: Rs. 1,918,92 lacs).
- The Bank has made investments in certain companies where it holds more than 25% of the equity shares of those companies. Such investments do not fall within the definition of a joint venture as given in paragraph 3 of AS 27, Financial Reporting of Interest in Joint Ventures, of the Institute of Chartered Accountants of India and the said accounting standard is thus not applicable. However, pursuant to Reserve Bank of India circular No. DBOD.NO.BP.BC.3/21.04.141/2002, dated July 11, 2002, the Bank has classified these investments as joint ventures.

- Summary of investment portfolio

(Rs. lacs)

	March 31, 2004	March 31, 2003
Gross value of investment	19,276,28	13,396,66
Depreciation in the value of investment	19,49	8,58
Net book value	19,256,79	13,388,08

Schedules to the Accounts - (Contd.)

- Issue and composition of Non-SLR Investments as on March 31, 2004

(Rs.lacs)

No.	Issuer	Amount	Extent of private placement	Extent of "below investment grade" securities	Extent of "unrated" securities	Extent of "unlisted" securities
1.	PSUs	349,05	76,00	—	20,37	75,82
2.	Fls	41,50	41,50	—	—	25,00
3.	Banks	51,39	50,00	—	—	51,08
4.	Private corporate	1,582,59	1,212,80	—	138,49	1,101,45
5.	Joint ventures	2,43	2,43	—	2,43	2,43
6.	Others	5,712,27	5,408,77	—	702,14	5,375,96
7.	Provision held towards depreciation	(19,49)	—	—	—	—
	Total	7,719,74	6,791,50	—	863,43	6,631,74

- Details of Repo / Reverse Repo deals done during the year

(Rs.lacs)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	As on March 31, 2004
Security sold under repos	—	1,609,11	578,54	—
Security purchased under reverse repo	—	5,800,00	983,82	1,900,00

The above includes deals done under Liquidity Adjustment Facility (LAF) with RBI (net of margin).

8. Other Assets

Other assets include deferred tax asset (net) of Rs. 52,99 lacs (previous year: Rs. 19,74 lacs). The break up of the same is as follows:

	March 31, 2004	(Rs. lacs) March 31, 2003
Deferred tax asset		
Loan loss provisions	115,32	71,05
Investments	—	94
Others	10,66	6,12
Total	125,98	78,11
Deferred tax liability		
Depreciation	(72,99)	(57,55)
Others	—	(82)
Total	(72,99)	(58,37)
Deferred tax asset (net)	52,99	19,74

Schedules to the Accounts - (Contd.)

9. Interest Income

Interest income under the sub-head income from investments includes dividend received during the year on units, equity and preference shares amounting to Rs.76,94 lacs (previous year: Rs. 50,79 lacs).

10. Earnings from Assets Securitised-out

The Bank has securitised-out commercial loans to a special purpose vehicle. Post securitisation, the Bank will continue to maintain customer account relationships and service the loans transferred to this special purpose vehicle. The securitised paper is without recourse to the Bank. The Bank provides credit enhancements in the form of cash collaterals and/or by subordination of cash flows to senior pass through certificates (PTCs). The Bank does not retain any beneficial interest in the assets sold.

During the year ended March 31, 2004, the Bank securitised loans with a carrying value of Rs. 569,81 lacs (previous year: Rs. nil), which resulted in gains of Rs. 12,38 lacs (previous year: Rs. nil), being the net present value of future cash flows determined at the negotiated yield less the book value and provisions towards servicing and incidental costs of the contracts so securitised out. Future delinquencies have been provided for. The gains are disclosed under interest income.

11. Commission, Exchange and Brokerage Income

Commission, exchange and brokerage income includes lease rentals net of equalisation charge and is also net of correspondent bank charges and brokerage paid on purchase and sale of investments.

12. Miscellaneous Income includes Rs. 54,86 lacs (previous year: Rs. 50,85 lacs) pertaining to derivative transactions.

13. Other expenditure includes marketing expenses Rs. 49,40 lacs (previous year: Rs. 30,20 lacs) and outsourcing expenses Rs. 30,30 lacs (previous year: Rs. 14,90 lacs) exceeding 1% of the total income.

14. Income Taxes

	2003-2004	(Rs. lacs) 2002-2003
The income tax expense comprises the following:		
Current income tax expense	242,71	172,26
Deferred income tax (benefit) / expense	(33,25)	10,99
Income tax expense	209,46	183,25

The following is the reconciliation of estimated income taxes at the statutory income tax rate to income tax expense as reported:

Net income before taxes	718,96	570,85
Effective statutory income tax rate	35.88%	36.75%
Expected income tax expense	257,96	209,79

Adjustments to reconcile expected income tax to actual tax expense:

Permanent differences:

Income exempt from taxes	(52,94)	(27,31)
Other (including adjustments for prior years), net	4,44	17
Effect of change in statutory tax rates, net	—	60
Income tax expense	209,46	183,25

Management believes that the realisation of the recognised deferred tax assets is more likely than not based on expectations as to future taxable income.

Schedules to the Accounts - (Contd.)

15. Maturity pattern of key assets and liabilities

As at March 31, 2004

(Rs. lacs)

	1-14 days	15-28 days	29 days - 3 months	Over 3 months to 6 months	Over 6 months to 12 months	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Loans and advances	1,964,00	1,022,88	4,099,88	1,557,23	2,012,85	6,024,64	888,48	174,55	17,744,51
Investments	3,870,12	520,23	792,72	940,49	1,530,88	8,188,66	1,903,39	1,510,30	19,256,79
Deposits	3,347,07	1,301,57	1,167,68	1,214,02	3,759,41	19,369,58	249,53	—	30,408,86
Borrowings	1,646,29	21,86	136,92	502,75	—	—	—	—	2,307,82
Foreign currency assets	1,129,20	22,80	106,35	95,42	123,34	110,03	12,20	—	1,599,34
Foreign currency liabilities	44,43	35,33	180,31	593,87	265,96	612,89	—	—	1,732,79

Assets and liabilities are classified in the maturity buckets as per the guidelines issued by the Reserve Bank of India, vide its circular No. BP.BC /8/21.040098/99 dated February 10, 1999.

16. Capital Market Exposure

(Rs. lacs)

Items	March 31, 2004	March 31, 2003
Investments in shares, bonds, debentures & equity oriented mutual funds	24,51	21,27
Advances against shares ¹	130,47	43,82
Other funded exposures	18,55	1,46
Non fund exposures	430,75	319,27
Total	604,28	385,82
Advance reckoned for capital market exposure²	12,569,64	8,197,92
Capital market exposure as a ratio of advances (%)	4.81%	4.71%

1. Advance against shares does not include advances to individuals against collateral of shares for personal purposes like education, housing, consumption etc. of Rs. 540,99 lacs (previous year: Rs. 319,10 lacs) in line with the guidelines issued by the Reserve Bank of India vide its circular No.DBOD.BP.BC.119/21.04.137/2000-2001.

2. Advance reckoned for capital market exposure is gross advances netted for bills refinanced and includes investment in commercial paper. Advance so reckoned is the amount outstanding at the end of the previous year.

17. Lending to other sensitive sectors

(Rs. lacs)

	March 31, 2004	March 31, 2003
Real Estate Sector	2,25	2,41
Commodities Sector	371,46	320,52
Total	373,71	322,93

Schedules to the Accounts - (Contd.)

18. Financing of equities and investments in shares

(Rs. lacs)

	March 31, 2004	March 31, 2003
Equity Shares	24,51	21,27
Preference Shares	84,92	89,55
Advance against shares	671,46	362,92
Total	780,89	473,74

Advance against shares includes advances to individuals for personal purposes like education, housing, consumption etc., against security of shares of Rs. 540,99 lacs (previous year: Rs. 319,10 lacs) which should be excluded for reckoning the Bank's aggregate exposure to the capital markets.

19. Movements in NPAs (funded)

(Rs. lacs)

	2003-2004	2002-2003
Gross NPAs		
As at April 1	265,45	222,86
Additions during the year	107,29	106,41
Deductions during the year	37,13	63,82
As at March 31	335,61	265,45

Provisions

As at April 1	222,53	188,50
Add: Provisions made during the year	119,09	88,30
Less: Write-off, write back of excess provision during the year	33,96	54,27
As at March 31	307,66	222,53
Net NPAs as at March 31	27,95	42,92

Non-Performing Assets include all assets that are classified as non-performing by the Bank. Movements in retail assets have been computed at a portfolio level.

20. Loans Restructured

Total amount of loans subjected to restructuring	37,69	10,81
<i>Of which:</i>		
Standard assets subjected to restructuring	37,69	9,24
Substandard assets subjected to restructuring	—	1,47

(Substandard assets subjected to restructuring have been fully provided for.)



Schedules to the Accounts - (Contd.)

	2003-2004	(Rs. lacs) 2002-2003
21. Movement in provisions for depreciation on investments		
As at April 1	8,58	6,45
Add: Provisions made during the year	15,05	4,58
Less: Write-off, write back of excess provision during the year	4,14	2,45
As at March 31	19,49	8,58

	(Rs. lacs) 2003-2004
22. Non performing Non-SLR investments	
As at April 1	48
Additions during the year	8,93
Reductions during the year	48
As at March 31	8,93
Total provisions held	4,46

23. Related Party Transactions

As per (AS) 18, Related Party Disclosure, issued by the Institute of Chartered Accountants of India, the Bank's related parties are disclosed below:

List of related parties:**Promoter**

Housing Development Finance Corporation Ltd. (HDFC Ltd.)

Enterprises under common control of the promoter

HDFC Asset Management Company Ltd.

HDFC Standard Life Insurance Company Ltd.

HDFC Developers Ltd.

HDFC Holdings Ltd.

HDFC Investments Ltd.

HDFC Trustee Co.Ltd.

GRUH Finance Ltd.

HDFC Realty Ltd.

HDFC Chubb General Insurance Company Ltd.

Intelenet Global Services Ltd.

Associates

Computer Age Management Services Private Ltd.

Acsys Software (India) Private Ltd. (ceased to be a related party in the previous year)

SolutionNET India Private Ltd. (Formerly Net Savvy Solutions Ltd.)

Softcell Technologies Ltd.

HDFC Securities Limited

Atlas Documentary Facilitators Company Private Ltd.

Flexcel International Private Ltd.

HBL Global Private Ltd.

Key Management Personnel

Aditya Puri, Managing Director

Schedules to the Accounts - (Contd.)

Related Party to Key Management Personnel

Salisbury Investments Pvt. Ltd.

The Bank's related party balances and transactions are summarised as follows (previous year's figures are shown in brackets):

(Rs. lacs)

Items/Related Party	Promoter	Enterprises under common control of the Promoter	Associates	Key Management Personnel	Related party to Key Management Personnel	Total
Accounts Payable	–	–	1,36 (61)	–	–	1,36 (61)
Placement of deposits – Premises	2	17 (2)	– (17)	–	2,10 (2,10)	2,29 (2,29)
Placement of deposits – Others	–	1 –	4,67 (4,60)	–	–	4,68 (4,60)
Accounts Receivable	–	–	90 (17)	–	–	90 (17)
Investments	–	–	6,40 (6,40)	–	–	6,40 (6,40)
Purchase of fixed assets	–	–	1,91 (4,30)	–	–	1,91 (4,30)
Rendering of services	91 –	8,85 (2,97)	17 (2)	–	–	9,93 (2,99)
Receiving of services						
a) Outsourcing	– –	–	95,98 (60,78)	–	–	95,98 (60,78)
b) Maintenance & Service charges	25 (18)	16 (6)	–	–	–	41 (24)
c) Rent	52 (57)	33 (28)	33 (64)	–	11 (11)	1,29 (1,60)
Management contracts	–	–	–	93 (80)	–	93 (80)

24. Segment reporting

The Bank operates in three segments: wholesale banking, retail banking and treasury services. (See Principal Accounting Policy B-13).

(Rs. lacs)

2003-2004

2002-2003

Summary of the three operating segments of the Bank are:

1. Segment Revenue

a) Wholesale Banking	1,761,45	1,763,08
b) Retail Banking	2,531,97	1,949,16
c) Treasury	440,60	424,99
Total	4,734,02	4,137,23
Less: Inter Segment Revenue	1,705,06	1,658,07
Income from Operations	3,028,96	2,479,16

Schedules to the Accounts - (Contd.)

		(Rs. lacs)
	2003-2004	2002-2003
2. Segment Results		
a) Wholesale Banking	348,26	253,79
b) Retail Banking	222,21	161,76
c) Treasury	148,49	155,30
Total Profit Before Tax	718,96	570,85
Income tax	(242,71)	(172,26)
Deferred tax	33,25	(10,99)
Total Result	509,50	387,60
3. Capital Employed		
Segment assets		
a) Wholesale Banking	18,112,47	17,633,99
b) Retail Banking	18,551,56	9,977,03
c) Treasury	5,460,19	2,699,52
d) Unallocated	182,77	113,54
Total Assets	42,306,99	30,424,08
Segment liabilities		
a) Wholesale Banking	15,960,05	10,476,95
b) Retail Banking	21,140,46	15,847,13
c) Treasury	1,800,09	1,737,50
d) Unallocated	714,51	117,67
Total Liabilities	39,615,11	28,179,25
Net Segment assets / liabilities		
a) Wholesale Banking	2,152,42	7,157,04
b) Retail Banking	(2,588,90)	(5,870,10)
c) Treasury	3,660,10	962,02
d) Unallocated	(531,74)	(4,13)
Other information		
4. Capital Expenditure		
a) Wholesale Banking	49,44	41,73
b) Retail Banking	155,14	205,13
c) Treasury	13,00	20,93
Total	217,58	267,79
5. Depreciation		
a) Wholesale Banking	21,37	20,54
b) Retail Banking	95,00	77,14
c) Treasury	9,35	8,46
Total	125,72	106,14

Effective this financial year, commercial vehicle loan division, which was earlier part of wholesale banking segment has now been classified as retail banking in line with the change in segment focus for this product.

Schedules to the Accounts - (Contd.)

25. Derivatives :	March 31, 2004	(Rs. lacs) March 31, 2003
Interest Rate Swaps:		
<i>Notional Principal:</i>	33,480,26	17,484,17
<i>Fair Value:</i>	8,70	20,20
<i>Default Risk</i> : Losses, which would be incurred if the counter parties failed to fulfil their obligations under the agreements	406,96	113,76
<i>Credit Risk Concentration:</i> Interest Rate Swaps to the extent of 84% (previous year: 85%) have been contracted with Banks.		

The above excludes interest rate swaps embedded in cross currency interest rate swaps. Notional value of such swaps is Rs. 797,94 lacs (previous year: Rs. 428,98 lacs).

Forward Rate Agreements (FRAs) outstanding as at March 31, 2004 were Rs. 89,79 lacs (previous year: Rs. nil)

As per prevailing market practice, collateral is not insisted upon from the counter party.

Interest rate swaps are reported as off balance sheet exposures. The swaps are bifurcated as trading or hedged swaps. Trading swaps are valued with only the resulting unrealised loss on the overall swap portfolio being accounted for in the Profit & Loss Account. Hedged swaps are accounted for on an accrual basis.

26. Significant Accounting Policy Change

As per market practice, the Bank pays commission to sales agents and also receives front ended subventions from dealers and manufacturers for originating retail asset products. In line with international accounting practice, the Bank, in 2002-03, had amortised such commission paid, net of subvention received (net commission), over the tenor of the asset on a yield to maturity basis.

During the current financial year 2003-04, as a prudent regulatory measure, the Reserve Bank of India advised the Bank that such net commission paid to sales agents should be fully expensed in the year in which it is incurred.

Consequently, the Bank has charged off the entire net commission paid to the retail asset sales agents, including the net unamortised commission brought forward from the previous year in the current year. As a result, net profit after tax for the year is lower by Rs. 43,86 lacs.

27. Comparative figures

Figures for the previous year have been regrouped wherever necessary to conform with the current year's presentation.

PRINCIPAL ACCOUNTING POLICIES

A BASIS OF PREPARATION

The financial statements are prepared on the historical cost convention, on the accrual basis of accounting and conform to statutory provisions and practices prevailing within the banking industry in India.

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expense during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

Schedules to the Accounts - (Contd.)

B SIGNIFICANT ACCOUNTING POLICIES

1 Investments

In accordance with the Reserve Bank of India (RBI) guidelines, Investments are classified into "Held for Trading", "Available for Sale" and "Held to Maturity" categories (hereafter called "categories"). Under each of these categories, investments are further classified under six groups (hereafter called "groups") - Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries/Joint Ventures and Other Investments.

Brokerage, Commission, etc. paid at the time of acquisition, is charged to revenue.

Broken period interest on debt instruments is treated as a revenue item.

Cost of investments is based on the weighted average cost method.

Basis of classification:

Securities that are held principally for resale within 90 days from the date of purchase are classified as "Trading".

Investments that the Bank intends to hold to maturity are classified as "Held to Maturity". These are carried at acquisition cost, unless acquired at a premium, which is amortised over the period remaining to maturity.

Securities which are not to be classified in the above categories, are classified as "Available for Sale".

An investment is classified as "Held for Trading", "Available for Sale" and "Held to Maturity" at the time of its purchase.

Transfer of security between categories:

The transfer of a security between categories of investments is accounted for at the acquisition cost/book value/market value on the date of transfer, whichever is the least, and the depreciation, if any, on such transfer is fully provided for.

Valuation:

- Held for Trading and Available for Sale categories:

Each scrip in the above two categories is revalued at the market price or fair value and only the net depreciation of each group for each category is recognised in the Profit and Loss Account.

The valuation of investments is made in accordance with the RBI guidelines.

- Held to Maturity:

These are carried at their acquisition cost and not marked to market. Any premium on acquisition is amortised over the remaining maturity period of the security on a straight line basis.

Interest on non-performing investments is credited to an interest suspense account and not recognised in the Profit and Loss Account until received.

2. Advances

Advances are classified as performing and non-performing based on RBI guidelines. Interest on non-performing advances is credited to an interest suspense account and not recognised in the Profit and Loss Account until received.

Advances are net of specific loan loss provisions, interest in suspense, ECGC claims received and bills rediscounted.

Specific loan loss provisions in respect of non-performing advances are made based on management's assessment of the degree of impairment of the advances, subject to the minimum provisioning level prescribed in RBI guidelines.

Schedules to the Accounts - (Contd.)

The Bank also maintains general provisions to cover potential credit losses which are inherent in any loan portfolio, but not yet identified. These general provisions are linked to projected delinquencies for retail loans and other advances managed on a product program basis. For corporate standard assets, general provisions are determined having regard to overall portfolio quality, asset growth, economic conditions and other risk factors. This provision is included under Other Liabilities.

3 Non Performing Assets

Since April, 2003, the Bank classifies any credit facility/investment in respect of which the interest and / or installment of principal has remained due for over 90 days, as a non-performing asset.

4 Fixed assets and depreciation

Fixed assets are capitalised at cost. Cost includes cost of purchase and all expenditure like site preparation, installation costs, professional fees incurred on the asset before it is put to use. Subsequent expenditure incurred on assets put to use is capitalised only where it increases the future benefit/ functioning capability from/of such assets.

Depreciation is charged over the estimated useful life of the fixed asset on a straight line basis. The rates of depreciation for certain key fixed assets used in arriving at the charge for the year are:

- Improvements to lease hold premises are charged off over the primary period of lease.
- VSATs at 10% per annum
- ATMs at 12.5% per annum
- Office equipment at 16.21% per annum
- Computer hardware at 33.33% per annum
- Motor cars at 25% per annum
- Software and System development expenditure at 25% per annum
- Assets at residences of executives of the Bank at 25% per annum
- Items costing less than Rs 5,000/- are fully depreciated in the year of purchase
- All other assets are depreciated as per the rates specified in Schedule XIV of the Companies Act, 1956.

5 Transactions involving foreign exchange

Foreign currency assets and liabilities are translated at the balance sheet date at rates notified by the Foreign Exchange Dealers' Association of India (FEDAI).

Foreign exchange contracts (other than deposit and placement swaps) outstanding at the balance sheet date are revalued at rates notified by FEDAI and resulting profits or losses are included in the Profit and Loss Account. Foreign exchange swaps "linked" to foreign currency deposits and placements are translated at the ruling spot rate at the time of swap. The premium/discount on the swap arising out of the difference in the exchange rate on the swap (spot) date and the maturity date of the underlying forward contract, is amortised over the period of the swap and the same is recognised as interest income/expense. Contingent liabilities at the balance sheet date on account of outstanding foreign exchange contracts are reported at contracted rates.

Income and expenditure items are accounted for at exchange rates ruling on the date of the transaction.

6 Lease accounting

Lease income is recognised based on the Internal Rate of Return method over the primary period of the lease and accounted for in accordance with the (AS) 19, Leases, issued by the Institute of Chartered Accountants of India.

7 Retirement Benefits

Gratuity

The Bank provides for gratuity, a defined benefit retirement plan covering all employees. The plan provides for lump sum payments to vested employees at retirement, death while in employment or on termination of employment in an amount equivalent to 15 days salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The Bank makes annual contributions to a fund administered by trustees and managed by the Life Insurance Corporation of India ("LIC") for an amount notified by the LIC. The Bank accounts for the liability for future gratuity benefits based on an external actuarial valuation carried out annually.

Schedules to the Accounts - (Contd.)

Superannuation

Employees of the Bank above a prescribed grade are entitled to receive retirement benefits under the Bank's superannuation fund. The superannuation fund is a defined contribution plan under which the Bank annually contributes a sum equivalent to 13% of the employee's eligible annual salary (15% for the Managing Director) to the LIC, who administer the fund. The Bank has no liability for future superannuation fund benefits other than its annual contribution and recognises such contributions as an expense in the year incurred.

Provident fund

In accordance with law, all employees of the Bank are entitled to receive benefits under the provident fund, a defined contribution plan in which both the employee and the Bank contribute monthly at a determined rate (currently 12% of employee's salary). These contributions are made to a fund set up by the Bank and administered by a board of trustees, except that in the case of employees who receive salary of up to Rs. 6,500 (specified employees), the Bank contributes monthly at a determined rate (currently 8.33% of employee's salary) out of the aforesaid contribution of the employer, to the Pension Scheme administered by the Regional Provident Fund Commissioner (RPFC). The Bank has no liability for future provident fund benefits other than its annual contribution and recognises such contributions as an expense in the year incurred.

The Bank does not have a policy of providing Leave Encashment to its employees.

8. Interest Income

Interest income is recognised in the Profit and Loss Account on an accrual basis, except in the case of non performing assets.

Income on discounted instruments is recognised over the tenor of the instrument on a constant yield basis.

Dividend on equity and preference shares and on mutual fund units are recognised as income when the right to receive the dividend is established.

Interest income is net of commission paid to sales agents (net of non volume based subvented income from dealers and manufacturers) – (hereafter called "net commission") for originating fixed tenor retail loans.

Effective financial year 2003-04, the net commission paid to sales agents for originating retail loans is expensed in the year in which it is incurred.

9. Fees and commission income

Fees and commission income is recognised when due, except for guarantee commission and annual fees for credit cards which are recognised over the period of service.

10. Credit cards reward points

Provision for credit card reward points is based on their expected redemption value as per prevailing market practice.

11. Income tax

Income tax comprises the current tax provision and the net change in the deferred tax asset or liability in the year. Deferred tax assets and liabilities are recognised for the future tax consequences of temporary differences between the carrying values of assets and liabilities and their respective tax bases and operating loss carry forwards. Deferred tax assets are recognised subject to management's judgement that realisation is more likely than not. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be received or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the income statement in the period of enactment of the change.

12. Earnings per share

The Bank reports basic and diluted earnings per equity share in accordance with (AS) 20, Earnings Per Share issued by the Institute of Chartered Accountants of India. Basic earnings per equity share has been computed by dividing net income by the weighted average number of equity shares outstanding for the period. Diluted earnings per equity share has been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the period.

Schedules to the Accounts - (Contd.)

13. Segment Information – Basis of preparation

The Bank operates in three segments: wholesale banking, retail banking and treasury services. Segments have been identified and reported taking into account, the target customer profile, the nature of products and services, the differing risks and returns, the organisation structure and the internal business reporting systems.

The wholesale banking segment provides loans and transaction services to corporate and institutional customers. Revenues of the wholesale banking segment consist of interest earned on loans made to corporate customers, investment income from commercial paper, debentures and bonds, interest earned on the cash float arising from transaction services, fees from such transaction services and also trading operations on behalf of corporate customers in debt, foreign exchange and derivatives segment. The principal expenses of the segment consist of interest expense on funds borrowed from external sources and other internal segments, premises expenses, personnel costs, other direct overheads and allocated expenses.

The retail banking segment serves retail customers through a branch network and other delivery channels. This segment raises deposits from customers and makes loans and provides advisory services to such customers. Revenues of the retail banking segment are derived from interest earned on retail loans, net of commission (net of subvention received) paid to sales agents, interest on card receivables, fees for banking and advisory services and interest earned from other segments for surplus funds placed with those segments. Expenses of this segment primarily comprise 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 treasury services segment undertakes trading operations on the proprietary account, foreign exchange operations and derivatives trading. Revenues of the treasury services segment primarily consist of fees and gains or losses from trading operations.

Segment revenue includes earnings from external customers plus earnings from funds transferred to other segments.

Segment result includes revenue less interest expense less operating expense and provisions, if any, for that segment.

Segment-wise 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. Transaction charges are made by the retail banking segment to the wholesale banking segment for the use by its customers of the retail banking segment's branch network or other delivery channels; such transaction costs are determined on a cost plus basis.

Segment capital employed represents the net assets in that segment. It excludes capital and net unallocated items.

Geographic Segments

Since the Bank does not have material earnings emanating outside India, the Bank is considered to operate in only the domestic segment.

14. Net Profit

The net profit in the profit and loss account is after provision for any depreciation in the value of investments, provision for taxation and other necessary provisions.

Mumbai, 16 April, 2004

For and on behalf of the Board

JAGDISH CAPOOR
Chairman

ADITYA PURI
Managing Director

SANJAY DONGRE
*Vice President (Legal)
& Company Secretary*

KEKI M. MISTRY
Dr. (Mrs.) AMLA SAMANTA
ANIL AHUJA
Dr. VENKAT RAO GADWAL
RENU KARNAD
ARVIND PANDE
BOBBY PARIKH
Directors

The following balance sheets, statements of income, statements of cashflows, statements of shareholders' equity have been extracted from US GAAP financial statements.

For the readers' convenience, we have also provided a reconciliation of net profit as reported in statutory financial statements prepared in accordance with Indian GAAP to the net income as determined in accordance with US GAAP.

By order of the Board

Vinod Yennemadi

*Country Head - Finance,
Administration & Secretarial*

Summarised US GAAP Financial Statements

BALANCE SHEETS

As of March 31, 2003 and 2004

	As of March 31,		
	2003	2004	2004
	(In millions)		
ASSETS:			
Cash and cash equivalents.....	Rs. 23,944.9	Rs. 33,010.4	US\$ 760.6
Term placements.....	7,747.4	3,565.2	82.1
Investments held for trading, at market.....	3,976.1	6,233.8	143.6
Investments available for sale, at market.....	98,929.2	133,274.6	3,070.8
Investments held to maturity, at amortised cost.....	38,426.7	36,368.4	838.0
Securities purchased under agreements to resell.....	—	19,950.0	459.7
Loans (net of allowance of Rs 1,866.7 and Rs. 3,494.3 respectively).....	118,299.9	177,681.1	4,094.0
Accrued interest receivable.....	6,283.8	4,178.7	96.3
Property and equipment.....	5,277.5	6,169.1	142.1
Other assets.....	8,955.2	6,404.3	147.7
Total assets.....	Rs. 311,840.7	Rs. 426,835.6	US\$ 9,834.9
LIABILITIES AND SHAREHOLDERS' EQUITY:			
Liabilities			
Interest-bearing deposits.....	Rs. 174,250.4	Rs. 215,710.8	US\$ 4,970.3
Non-interest bearing deposits.....	49,509.6	88,351.2	2,035.7
Total deposits.....	223,760.0	304,062.0	7,006.0
Securities sold under repurchase agreements.....	4,600.0	—	—
Short-term borrowings.....	21,579.6	24,064.2	554.5
Accrued interest payable.....	6,897.3	4,165.4	96.0
Long-term debt.....	2,116.0	6,086.0	140.2
Accrued expenses and other liabilities.....	26,774.7	57,242.2	1,318.9
Total liabilities.....	Rs. 285,727.6	Rs. 395,619.8	US\$ 9,115.6
Shareholders' equity:			
Equity shares: par value—Rs.10 each			
Authorized 450,000,000 shares; issued and outstanding 279,718,938 shares and 282,844,438 shares respectively	2,797.2	2,828.4	65.2
Additional paid in capital.....	11,758.9	12,527.3	288.6
Advance received pending allotment of shares.....	146.5	125.5	2.9
Retained earnings.....	6,532.1	9,057.1	208.7
Statutory reserve.....	3,249.9	4,523.7	104.2
Deferred stock based compensation.....	(60.2)	(374.6)	(8.6)
Accumulated other comprehensive income.....	1,688.7	2,528.4	58.3
Total shareholders' equity.....	26,113.1	31,215.8	719.3
Total liabilities and shareholders' equity.....	Rs. 311,840.7	Rs. 426,835.6	US\$ 9,834.9

**Summarised US GAAP Financial Statements - (Contd.)****STATEMENTS OF INCOME****For each of the years ended March 31, 2002, 2003 and 2004**

	Years ended March 31,			
	2002	2003	2004	2004
	(In millions, except share and per share amounts)			
Interest and dividend revenue:				
Loans.....	Rs. 6,130.7	Rs. 7,805.3	Rs.11,705.0	US\$ 269.7
Trading account.....	218.7	478.9	289.6	6.7
Securities, including dividend.....	7,947.7	9,907.2	11,487.3	264.7
Other.....	2,150.9	1,233.4	1,109.6	25.5
Total interest revenue.....	16,448.0	19,424.8	24,591.5	566.6
Interest Expense:				
Deposits.....	9,158.5	10,631.3	10,279.2	236.8
Short-term borrowings.....	1,328.1	973.1	1,435.9	33.1
Long-term debt.....	275.9	297.6	268.0	6.2
Total interest expense.....	10,762.5	11,902.0	11,983.1	276.1
Net interest revenue.....	5,685.5	7,522.8	12,608.4	290.5
Allowance for credit losses, net.....	451.6	741.5	2,343.4	54.0
Net interest revenue after allowance for credit losses	5,233.9	6,781.3	10,265.0	236.5
Non-interest revenue, net:				
Fees and commissions.....	1,620.5	2,306.4	3,140.7	72.4
Trading account gains, net.....	600.9	507.8	396.8	9.1
Realized (losses) / gains on sales of available for sale securities, net.....	344.4	721.7	(48.3)	(1.1)
Foreign exchange transactions.....	391.4	445.3	740.0	17.1
Derivative transactions.....	249.7	501.9	443.9	10.2
Other, net.....	8.2	37.0	24.5	0.6
Total non-interest revenue, net.....	3,215.1	4,520.1	4,697.6	108.3
Total revenue, net.....	8,449.0	11,301.4	14,962.6	344.8
Non-interest expense:				
Salaries and staff benefits.....	1,184.6	1,661.2	2,154.0	49.6
Premises and equipment.....	913.8	1,343.6	1,828.5	42.1
Depreciation and amortization.....	675.7	1,052.4	1,254.9	28.9
Administrative and other.....	1,421.9	2,000.7	3,131.9	72.2
Total non-interest expense.....	4,196.0	6,057.9	8,369.3	192.8
Income before income tax.....	4,253.0	5,243.5	6,593.3	152.0
Income tax.....	1,294.6	1,729.7	1,838.8	42.4
Net income.....	Rs. 2,958.4	Rs. 3,513.8	Rs. 4,754.5	US\$ 109.6
Per share information:				
Earnings per equity share—basic.....	Rs. 11.10	Rs. 12.57	Rs. 16.87	US\$ 0.39
Earnings per equity share—diluted.....	Rs. 11.04	Rs. 12.51	Rs. 16.70	US\$ 0.38
Per ADS information				
(where 1 ADS represents 3 shares):				
Earnings per ADS—basic.....	Rs. 33.30	Rs.37.71	Rs. 50.61	US\$ 1.17
Earnings per ADS—diluted.....	Rs. 33.12	Rs.37.53	Rs. 50.10	US\$ 1.15

Summarised US GAAP Financial Statements - (Contd.)

STATEMENTS OF CASH FLOWS

For each of the years ended March 31, 2002, 2003 and 2004

Years ended March 31,

	2002	2003	2004	2004
	(In millions)			
Cash flows from operating activities:				
Net income	Rs. 2,958.4	Rs. 3,513.8	Rs. 4,754.5	US\$ 109.6
Adjustment to reconcile net income to net cash provided by operating activities :				
Allowance for credit losses	451.6	741.5	2,343.5	54.0
Depreciation and amortization	675.7	1,052.4	1,254.9	28.9
Amortization of deferred stock based compensation	89.8	138.0	135.1	3.1
Amortization of deferred acquisition costs	46.7	66.3	405.4	9.3
Amortization of investments	499.2	761.6	1,489.6	34.3
Provision for deferred income taxes	(105.6)	(102.8)	(588.4)	(13.6)
Provision made for guarantees.....	—	—	112.7	2.6
Accrued interest income	(1,774.1)	(2,199.9)	2,105.2	48.5
Net realized (gain) / loss on sale of available for sale securities	(344.4)	(721.7)	48.3	1.1
Accrued interest expense	1,214.8	2,718.6	(2,731.7)	(62.9)
Loss/(gain) on disposal of property and equipment, net	8.1	(10.8)	4.4	0.1
Net change in:				
Other assets	347.5	(2,406.2)	2,113.3	48.8
Other liabilities	4,340.9	11,075.2	30,943.0	713.0
Trading account assets	(3,837.6)	(138.5)	(2,257.8)	(52.0)
Net cash provided by operating activities	4,571.0	14,487.5	40,132.0	924.8
Cash flows from investing activities:				
Net change in term placements	—	(7,747.4)	4,182.2	96.4
Activity in available for sale securities:				
Purchases	(300,993.8)	(382,916.3)	(265,970.2)	(6,128.3)
Proceeds from sales	243,462.6	341,254.1	209,229.1	4,820.9
Maturities, prepayments and calls	25,514.1	24,209.6	22,626.0	521.3
Activity in held to maturity securities:				
Purchases	(23,281.5)	(56,274.0)	(78,592.0)	(1,810.9)
Maturities, prepayments and calls	10,213.3	52,896.0	79,721.9	1,836.9
Net change in repos and reverse repos	(722.7)	6,779.6	(24,550.0)	(565.7)
Proceeds from loans securitized	—	—	5,917.3	136.3
Increase in loans originated, net of principal collections	(20,897.3)	(47,512.5)	(67,641.9)	(1,558.6)
Additions to property and equipment	(1,682.6)	(2,533.5)	(2,143.9)	(49.4)
Proceeds from sale or disposal of property and equipment	101.0	16.2	24.9	0.6
Net cash used in investing activities	(68,286.9)	(71,828.2)	(117,196.6)	(2,700.5)



Summarised US GAAP Financial Statements - (Contd.)

STATEMENTS OF CASH FLOWS (Contd.)

For each of the years ended March 31, 2002, 2003 and 2004

	Years ended March 31,			
	2002	2003	2004	2004
	(In millions)			
Cash flows from financing activities:				
Net increase in deposits	59,957.0	47,221.9	80,302.0	1,850.3
Net increase/(decrease) in short-term borrowings ...	4,929.1	(20.7)	2,484.6	57.2
Proceeds from issuance of long-term debt	—	—	4,000.0	92.2
Repayments of long-term debt.	(62.7)	(41.9)	(29.9)	(0.7)
Proceeds from issuance of equity shares and ADSs	7,890.6	86.7	203.6	4.7
Proceeds from application received for shares pending allotment	—	146.5	125.5	2.9
Payment of dividends and dividend tax	(528.6)	(697.5)	(955.7)	(22.0)
Net cash provided by financing activities	72,185.4	46,695.0	86,130.1	1,984.6
Net change in cash	8,469.5	(10,645.7)	9,065.5	208.9
Cash and cash equivalents, beginning of year	26,121.1	34,590.6	23,944.9	551.7
Cash and cash equivalents, end of year	Rs.34,590.6	Rs.23,944.9	Rs. 33,010.4	US\$ 760.6
Supplementary cash flow information:				
Interest paid	Rs. 9,547.7	Rs. 9,183.4	Rs. 14,819.5	US\$ 341.5
Income taxes paid	Rs. 1,487.0	Rs. 2,374.7	Rs. 2,843.9	US\$ 65.5
Supplementary information on non cash transactions:				
Investments transferred from available for sale to held to maturity category	Rs.22,627.0	Rs. —	Rs. —	US\$ —
Investments transferred from held to maturity to available for sale category	Rs. —	Rs. 450.0	Rs. 4.9	US\$ 0.1
Investments transferred from held for trading to available for sale category	Rs. —	Rs. 1,162.3	Rs. —	US\$ —

STATEMENTS OF SHAREHOLDERS' EQUITY
For each of the years ended March 31, 2002, 2003 and 2004

	Number of equity shares	Equity share capital	Additional paid in capital	Advance received pending allotment of shares	Retained earnings	Statutory reserve	Deferred stock based com- pensation	Accumulated other com- prehensive income (loss)	Total Share- holders' equity
(In millions, except for equity shares)									
Balance at March 31, 2001	239,738,286	Rs.2,397.3	Rs.3,957.2	Rs.—	Rs.2,997.6	Rs.1,538.3	Rs. (63.7)	Rs. (66.9)	Rs.10,759.8
Shares issued upon exercise of options	1,875,900	18.8	68.3						87.1
Shares issued as ADSs upon IPO in the United States	37,418,652	374.2	7,429.3						7,803.5
Transfer to statutory reserve					(742.6)	742.6			—
Dividends, including dividend tax .					(528.6)				(528.6)
Stock options issued			224.3				(224.3)		—
Amortization of deferred stock based compensation							135.0		135.0
Sub Total	279,032,838	2,790.3	11,454.8	—	1,726.4	2,280.9	(63.2)	(66.9)	18,346.6
Net income					2,958.4				2,958.4
Unrealized gain on available for sale securities, net								890.9	890.9
Sub Total	—	—	—	—	2,958.4	—	—	890.9	3,849.3
Balance at March 31, 2002	279,032,838	2,790.3	11,679.1	—	4,684.8	2,280.9	(198.2)	824.0	22,060.9
Shares issued upon exercise of options	686,100	6.9	79.8						86.7
Dividends, including dividend tax .					(697.5)				697.5
Advanced paid pending allotment of shares				146.5					146.5
Amortization of deferred stock based compensation							138.0		138.0

Summarised US GAAP Financial Statements - (Contd.)

STATEMENTS OF SHAREHOLDERS' EQUITY
For each of the years ended March 31, 2002, 2003 and 2004

	Number of equity shares	Equity share capital	Additional paid in capital	Advance received pending allotment of shares	Retained earnings	Statutory reserve	Deferred stock based com- pensation	Accumulated other com- prehensive income (loss)	Total Share- holders' equity
(In millions, except for equity shares)									
Transfer to statutory reserve					(969.0)	969.0			—
Sub Total.....	279,718,938	2,797.2	11,758.9	146.5	3,018.3	3,249.9	(60.2)	824.0	21,734.6
Net income.....					3,513.8				3,513.8
Unrealized gain on available for sale securities, net								864.7	864.7
Sub Total.....	—	—	—	—	3,513.8	—	—	864.7	4,378.5
Balance at March 31, 2003	279,718,938	2,797.2	11,758.9	146.5	6,532.1	3,249.9	(60.2)	1,688.7	26,113.1
Shares issued upon exercise of options	2,019,000	20.2	183.4						203.6
Stock option granted.....		449.5				(449.5)		—	
Dividends, including dividend tax .					(955.7)				(955.7)
Transfer to APIC from advance received pending allotment.....	1,106,500	11.0	135.5	(146.5)					—
Advance paid pending allotment of shares				125.5					125.5
Amortization of deferred stock based compensation							135.1		135.1
Transfer to statutory reserve					(1,273.8)	1,273.8			—
Sub Total	282,844,438	2,828.4	12,527.3	125.5	4,302.6	4,523.7	(374.6)	1,688.7	25,621.6
Net income					4,754.5				4,754.5
Unrealized gain on available for sale securities, net								839.7	839.7
Sub Total	—	—	—	—	4,754.5	—	—	839.7	5,594.2
Balance at March 31, 2004	282,844,438	Rs.2,828.4	Rs.12,527.3	Rs.125.5	Rs.9,057.1	Rs.4,523.7	Rs.(374.6)	Rs.2,528.4	Rs.31,215.8
Balance at March 31, 2004		US\$ 65.2	US\$ 288.6	US\$ 2.9	US\$ 208.7	US\$ 104.2	US\$ (8.6)	US\$ 58.3	US\$ 719.3

Summarised US GAAP Financial Statements - (Contd.)

Reconciliation of net profit/income as per Indian GAAP and US GAAP		
(In Rs million)		
Particulars	Results for the year ended 31-03-2004	Results for the year ended 31-03-2003
Net profit as per Indian GAAP	5,095.0	3,876.0
Adjustments for:		
Investments	(483.3)	(309.2)
Loans	(561.0)	142.4
Affiliates	61.2	(10.3)
Stock options	(135.1)	(136.9)
Loan acquisition cost amortized	697.0	(66.6)
Taxes	255.8	102.8
Others	(175.1)	(84.2)
Net income as per US GAAP	4,754.5	3,514.0

Corporate Governance

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

**To the Members of
HDFC Bank Limited**

We have examined the compliance of conditions of corporate governance by **HDFC Bank Limited** for the year ended on 31st March, 2004 as stipulated in clause 49 of the Listing Agreement of the said Bank with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Bank for ensuring the compliance of the conditions of the corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Bank.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Bank has complied with the conditions of corporate governance as stipulated in the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that no investor grievance is pending for a period exceeding one month against the Bank as per the records maintained by the Shareholders and Investors' Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Bank nor the efficiency or effectiveness with which the Management has conducted the affairs of the Bank.

For **P. C. HANSOTIA & CO.**
Chartered Accountants

N. P. Sarda
Partner

Mumbai: April 19, 2004.

Corporate Governance - (Contd.)

PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE :

The Bank believes in adopting and adhering to the best corporate governance practices and continuously benchmarking itself against each such practice in the industry. The Bank understands and respects its fiduciary role and responsibility to shareholders and strives hard to meet their expectations. We believe that the best board practices, transparent disclosures and shareholder empowerment are necessary for creating shareholder value.

The Bank has infused the philosophy of corporate governance in all its activities. The philosophy on corporate governance is an important tool for shareholder protection and maximization of their long term values. The cardinal principles such as independence, accountability, responsibility, transparency, fair and timely disclosures, credibility etc. serve as the means for implementing the philosophy of corporate governance in letter and in spirit.

BOARD OF DIRECTORS :

The composition of the Board of Directors of the Bank is governed by the Companies Act, 1956, the Banking Regulation Act, 1949 and the listing requirements of the Stock Exchanges where the securities issued by the Bank are listed. The Board has a strength of 11 Directors as on March 31, 2004. The Board has an optimum combination of Executive and Non-executive Directors. Mr. Jagdish Capoor, continues to be non-executive Chairman and majority of Directors are independent Directors.

The Board consists of eminent persons with considerable professional expertise and experience in banking, finance and other related fields as specified in the Banking Regulation Act, 1949. As required by the said Act, the Board also has two

Directors viz., Dr. (Mrs.) Amla Samanta and Dr. Venkat Rao Gadwal with specialized knowledge and experience in the small scale industry and agricultural sector, respectively.

None of the Directors on the Board is a member of more than 10 committees and chairman of more than 5 committees across all the companies in which he/she is a Director. All the Directors have made necessary disclosures regarding committee positions occupied by them in other companies.

Two Directors viz. Mrs. Renu Karnad and Mr. Keki Mistry are nominated by the HDFC Group (the promoters) and Mr. Vineet Jain is nominated by the Bennett Coleman Group on the Board of the Bank.

- All Directors other than Mr. Aditya Puri, Managing Director, are non-executive Directors on the Board.
- All Directors other than Mr. Aditya Puri, Mr. Keki Mistry and Mrs. Renu Karnad, are independent Directors on the Board.
- Other than the agreement entered into with HDFC Limited relating to home loans business, as mentioned under "Business Segment Update" in Directors' Report, the Bank has not entered into any materially significant transaction which could have a potential conflict of interest with its promoters, directors, management or relatives etc. except the transactions entered into in the normal course of banking business.

REMUNERATION OF DIRECTORS :

Mr. Aditya Puri was re-appointed as the Managing Director of the Bank for three years with effect from September 30, 2002. The details of the remuneration paid to him during the year 2003-04 are as under:

Corporate Governance - (Contd.)

Break up of remuneration	Amount Paid (Rupees)
Salary	36,00,000/-
Allowances	1,56,800/-
Performance Bonus (for FY 2002-03)	31,50,000/-
Provident Fund	4,32,000/-
Gratuity	1,37,520/-
Super Annuation	5,40,000/-

Perquisites (evaluated as per Income Tax Rules, wherever applicable and at actual cost to the Bank) such as the benefit of the Bank's furnished accommodation, gas, electricity, water charges and furnishings, club fees, personal accident insurance, use of car and telephone at residence, medical reimbursement, leave and leave travel concession, provident fund, super annuation and gratuity as provided in accordance with the rules of the Bank.

During the year, Mr. Capoor was paid remuneration of Rs. 6,00,000/-.

The remuneration of the Managing Director and the Chairman have been approved by the Reserve Bank of India and the shareholders. At the Board meeting held on October 10, 2003 it was decided to increase the sitting fees from Rs.5,000/- to Rs.10,000/- for attending subsequent meetings of the Board and its various Committees. However, the sitting fees for attending Share / Investor Grievance Committee meetings continues to remain Rs.5,000/- per meeting.

The remuneration of the Managing Director and the Chairman is approved by the Reserve Bank of India. Other Directors are not paid any remuneration except sitting fees for attending Board and Committee Meetings.

COMPOSITION OF BOARD OF DIRECTORS :

MR. JAGDISH CAPOOR

Mr. Jagdish Capoor holds a Masters degree in Commerce and is a Certified Associate of the Indian Institute of Bankers. Mr. Capoor occupied various positions of responsibility in the Reserve Bank of India (RBI) and retired as Deputy Governor of RBI. While with RBI, Mr. Capoor was the Chairman of the Deposit Insurance and Credit Guarantee Corporation of India and Bharatiya Reserve Bank Note Mudran Limited. He was on the Board of several banks, including Bank of Baroda, State Bank of India and financial institutions like Export Import Bank of India, National Housing Bank, National Bank for Agriculture and Rural Development, etc.

Presently, Mr. Capoor is on the boards of the Indian Hotels Company Limited, Agricultural Finance Corporation Limited, Indian Institute of Management-Indore, The Stock Exchange, Mumbai and Assets Care Enterprise Limited.

Mr. Capoor is a member of the Audit Committee and Chairman of Remuneration Committee of Indian Hotels Company Limited. He is also the Chairman of Audit Committee of Assets Care Enterprise Limited.

Mr. Capoor does not hold any equity shares in the Bank as on March 31, 2004.

MR. ADITYA PURI

Mr. Aditya Puri holds a Bachelors degree in Commerce from Punjab University and is an Associate Member of the Institute of Chartered Accountants of India. Mr. Puri has been the Managing Director of the Bank since September, 1994. He has over 27 years of banking experience in India and abroad.

Corporate Governance - (Contd.)

Prior to joining the Bank, Mr. Puri was the Chief Executive Officer of Citibank, Malaysia from 1992 to 1994.

Mr. Puri holds 5,87,953 equity shares in the Bank as on March 31, 2004.

DR. (MRS.) AMLA SAMANTA

Dr. (Mrs.) Amla Samanta holds a Masters degree in Science and is a Ph.D in Biochemistry. Dr. Samanta has specialised knowledge and wide experience in small-scale industrial sector. She has been one of the non-executive Directors of the Bank since April 26, 1996. Dr. Samanta is Director of Samanta Organics Private Limited and is also the proprietor of M/s. Samanta Pharmaceuticals.

Dr. Samanta holds 11,000 equity shares in the Bank as on March 31, 2004.

As per the provisions of the Banking Regulation Act, 1949, no director of the banking company other than the Chairman and the Managing Director can hold office for a continuous period exceeding eight years. Dr. Samanta would be completing the eight year term on April 25, 2004 and would accordingly, relinquish her directorship.

Dr. VENKAT RAO GADWAL

Dr. V. R. Gadwal holds a Bachelors degree in Science in Agriculture from Osmania University and has a Masters Degree in Science and Ph.D. from the Indian Agricultural Research Institute. He is also a Fellow Member of the Botanical Society of India and Indian Society of Genetics and Plant Breeding. Dr. Gadwal has been one of the non-executive Directors

of the Bank since March 15, 1999. Dr. Gadwal has specialised knowledge in agriculture and rural economy. He serves as an advisor to Agricultural Research and Development Organization.

Dr. Gadwal is acting as consultant and advisor to MAHYCO (Maharashtra Hybrid Seeds Co. Limited) and MAHYCO Research Foundation. Presently, Dr. Gadwal is the President of Indian Society for Cotton Improvement.

Dr. Gadwal is liable to retire by rotation and being eligible offers himself for re-appointment at the ensuing Annual General Meeting.

Dr. Gadwal holds 4,000 equity shares in the Bank as on March 31, 2004.

MR. KEKI MISTRY

Mr. Keki Mistry is a Fellow Member of the Institute of Chartered Accountants of India. He was actively involved in setting up of several HDFC group companies, including HDFC Bank. Mr. Mistry had been deputed on consultancy assignments to the Commonwealth Development Corporation (CDC) in Thailand, Mauritius, Caribbean Islands and Jamaica. He has also worked as a consultant for the Mauritius Housing Company and for the Asian Development Bank.

Mr. Mistry is the Managing Director of Housing Development Finance Corporation Limited (HDFC) and the Chairman of GRUH Finance Limited. He is a director of the following companies:

HDFC Developers Limited,
HDFC Chubb General Insurance Company Limited,
HDFC Trustee Company Limited
HDFC Standard Life Insurance Company Limited,

Corporate Governance - (Contd.)

Credit Information Bureau (India) Limited,
 Intelenet Global Services Limited,
 Mahindra Holidays and Resorts India Limited,
 The Great Eastern Shipping Company Limited,
 Infrastructure Leasing and Financial Services Limited,
 Sun Pharmaceuticals Limited.

Mr. Mistry is a member of the Investors Grievance Committee of HDFC Limited and HDFC Trustee Company Limited. He is a member of Share Transfer Committee of Infrastructure Leasing & Financial Services Limited.

Mr. Mistry is also a member of Audit Committee of HDFC Chubb General Insurance Company Limited, HDFC Standard Life Insurance Company Limited, HDFC Trustee Company Limited, GRUH Finance Limited, Credit Information Bureau (India) Limited, Infrastructure Leasing & Financial Services Limited, Sun Pharmaceuticals Limited.

Mr. Mistry holds 76,496 equity shares in the Bank as on March 31, 2004.

MRS. RENU KARNAD

Mrs. Renu Karnad is a graduate in Law and holds a Masters degree in Economics from the Delhi University.

Mrs. Karnad is an executive director of Housing Development Finance Corporation Limited. She is also a director of HDFC Asset Management Company Limited, GRUH Finance Limited, HDFC Realty Limited, Credit Information Bureau (India) Limited, Feedback Ventures Limited, HDFC Chubb General Insurance

Company Limited, Mother Dairy Fruits & Vegetables Limited, Ascendas Limited and ICI India Limited.

Mrs. Karnad is a member of the Compensation Committee of GRUH Finance Limited.

Mrs. Karnad holds 58,924 equity shares in the Bank as on March 31, 2004.

Mr. ARVIND PANDE

Mr. Arvind Pande is a B.Sc. from Allahabad University, B. A. (Hons.) and M. A. (Economics) from Cambridge University, U.K. He started his career in Indian Administrative Services and has held various responsible positions in the Government of India. He was working as Joint Secretary to the Prime Minister of India for his expertise in Economics, Science and Technology issues. He was also on the Board of Steel Authority of India Limited (SAIL) and was its Chairman and Chief Executive Officer (CEO) for about six years. He was a director, Department of Economic Affairs in the Ministry of Finance, Government of India and has dealt with World Bank aided projects. He has travelled extensively within and outside India and participated in several aid / trade / procurement related negotiations.

Mr. Pande is a director of Sandhar Locking Devices Limited, IVRCL Infrastructure & Projects Limited and Assets Care Enterprise Limited.

Mr. Pande is the Chairman of Audit Committee of IVRCL Infrastructure & Projects Limited and a member of Audit Committee of Assets Care Enterprise Limited.

Mr. Pande does not hold any equity shares in the Bank as on March 31, 2004.

MR. ANIL AHUJA

Mr. Anil Ahuja holds a Bachelors degree in Technology from the Indian Institute of Technology, New Delhi

Corporate Governance - (Contd.)

and a Post-graduate diploma in Business Management from the Indian Institute of Management, Ahmedabad.

In the past, he has served as an executive director of Indocan Chase Capital Advisors and as a Vice-President of Citibank N.A. Mr. Ahuja was a nominee of The India Private Equity Fund (Mauritius) Limited and Indocan Financial Holding Limited ('Strategic Investors') on the Board of the Bank.

Presently, he is the CEO of J. P. Morgan Partners Advisors, Singapore. As the shareholdings of the Strategic Investors have reduced to less than 7% of the share capital of the Bank, Mr. Ahuja is no longer a nominee of the Strategic Investors on the Board of the Bank. He is now on the Board in his individual capacity as a non-executive Director.

Mr. Anil Ahuja is a director of MTR Foods Limited, Domino's Pizza India Private Limited and HDFC Securities Limited. He is a member of Audit and Compensation Committees of HDFC Securities Limited.

Mr. Anil Ahuja holds 7,000 equity shares in the Bank as on March 31, 2004.

MR. VINEET JAIN

Mr. Vineet Jain holds a Bachelors degree in International Business Administration - Marketing. Mr. Jain has been one of the non-executive directors of the Bank since April 14, 2001. Mr. Jain is a nominee of Bennett, Coleman Group. He is also the Managing Director of Bennett, Coleman & Co. Ltd. Mr. Jain has transformed The Times Group from India's leading publishing house to India's largest diversified and multi faceted media conglomerate.

Mr. Jain is also a director of Times Internet Limited,

Times Online Money Limited, The Press Trust of India Limited, Times Infotainment Media Limited, Bharat Nidhi Limited and Magz International Limited.

Mr. Vineet Jain holds 2,60,869 equity shares in the Bank as on March 31, 2004.

MR. BOBBY PARIKH

Mr. Bobby Parikh is a Chartered Accountant by profession and has specialised in the areas of Tax and Business Advisory Services. He has extensive experience in advising clients across a range of industries. He is a member of various trade and business associations and their other committees as well as on the advisory/ executive boards of several non-Government and non-profit organisations. Mr. Parikh was the Country Managing Partner of Arthur Anderson & Co. and until recently the Chief Executive Officer of Ernst & Young.

Mr. Bobby Parikh has been appointed as an Additional Director of the Bank on January 9, 2004.

Mr. Bobby Parikh does not hold any equity shares in the Bank as on March 31, 2004.

MR. RANJAN KAPUR

Mr. Ranjan Kapur is M.A. in English from St. Stephens College, New Delhi. Mr. Kapur started his career with Citibank, N.A. He was the Executive Chairman of Ogilvy & Mather India Private Limited, (O&M). At O&M, he held various senior positions of responsibility. He was nominated to the world wide board of O&M in 1998 and elevated to the position of Executive Chairman, India and Vice-Chairman, Asia Pacific, a year later. He retired from O&M on December 31, 2003.

Corporate Governance - (Contd.)

Mr. Kapur is a director of Pidilite Industries Limited and three private limited companies.

Mr. Ranjan Kapur has been appointed as an Additional Director of the Bank on January 9, 2004.

Mr. Kapur holds 2,232 equity shares in the Bank as on March 31, 2004.

BOARD MEETINGS :

During the period under review, eight (8) Board Meetings were held on April 15, 2003, June 2, 2003, July 14, 2003, September 12, 2003, October 10, 2003, January 9, 2004, February 6, 2004 and March 26, 2004.

Details of attendance at the Board Meetings, directorship and membership in committees of other companies for each Director of the Bank are as follows:

Name of Director	Attendance at the Bank's Board Meeting	Directorship of other Indian Public Limited Companies	Membership of other Companies' Committees
Mr. Jagdish Capoor, Chairman	8	3	3
Mr. Aditya Puri Managing Director	6	Nil	Nil
Mr. Keki Mistry	8	12	10
Dr.(Mrs.) Amla Samanta	8	Nil	Nil
Dr. Venkat Rao Gadwal	8	Nil	Nil
Mr. Anil Ahuja	5	2	2
Mr. Vineet Jain	1	8	1
Mrs. Renu Karnad	7	11	5
Mr. Arvind Pande	5	3	2
Mr. Ranjan Kapur*	2	1	Nil
Mr. Bobby Parikh*	2	Nil	Nil

* Mr. Ranjan Kapur and Mr. Bobby Parikh have been appointed as Additional Directors of the Bank at the Board Meeting held on January 9, 2004.

ATTENDANCE AT LAST AGM :

All Directors of the Bank other than Mr. Anil Ahuja and Mr. Vineet Jain attended the last Annual General Meeting held on June 2, 2003. Mr. Ranjan Kapur and Mr. Bobby Parikh were not on the Board of the Bank on the date of the last AGM.

COMPOSITION OF COMMITTEES OF DIRECTORS AND THEIR ATTENDANCE AT THE MEETINGS :

The Board has constituted committees of Directors to take informed decisions in the best interest of the Bank. These committees monitor the activities falling within their terms of reference. The Board's Committees are as follows:

AUDIT AND COMPLIANCE COMMITTEE :

The Audit and Compliance Committee of the Bank is chaired by Mr. Jagdish Capoor. The other members of the Committee as on April 16, 2004 are Mr. Anil Ahuja, Mr. Arvind Pande and Mr. Bobby Parikh, who was inducted as a member of the Committee on March 26, 2004. Dr. (Mrs.) Amla Samanta ceases to be a member of the Audit Committee w.e.f. April 16, 2004. All the members of the Committee are independent directors and Mr. Bobby Parikh is a financial expert.

During the year, the Committee held six meetings.

The terms of reference of the Audit & Compliance Committee are in accordance with paragraph C and D of clause 49(II) of the Listing Agreement entered into with the Stock Exchanges and inter alia includes the following:

Corporate Governance - (Contd.)

- a) Overseeing the Bank's financial reporting process and ensuring correct, adequate and credible disclosure of financial information;
- b) Recommending appointment and removal of external auditors and fixing of their fees;
- c) Reviewing with management the annual financial statements before submission to the Board with special emphasis on accounting policies and practices, compliance with accounting standards and other legal requirements concerning financial statements; and
- d) Reviewing the adequacy of the Audit and Compliance function, including their policies, procedures, techniques and other regulatory requirements.

of shares and bonds issued by the Bank and allotment of shares to the employees pursuant to Employees Stock Option Scheme. The Committee also monitors redressal of complaints from shareholders relating to transfer of shares, non-receipt of Annual Report, dividends etc.

The Share Committee comprises Mr. Jagdish Capoor and Mr. Aditya Puri.

The Committee is chaired by Mr. Jagdish Capoor and met twelve times during the year. The powers to approve share transfers and dematerialisation requests have been delegated to executives of the Bank to avoid delays that may arise due to non-availability of the members of the Share Committee.

COMPENSATION COMMITTEE :

The Compensation Committee reviews the overall compensation structure and policies of the Bank with a view to attract, retain and motivate employees, consider grant of stock options to employees, reviewing compensation levels of the Bank's employees vis-a-vis other banks and industry in general.

As on April 16, 2004, the Committee consists of Mr. Jagdish Capoor, Mr. Anil Ahuja, Dr. Venkat Rao Gadwal and Mr. Ranjan Kapur. Dr. (Mrs.) Amla Samanta ceases to be a member of the Compensation Committee w.e.f. April 16, 2004. The Committee is chaired by Mr. Jagdish Capoor. All the members of the Committee are independent directors.

During the year the Committee held three meetings.

SHARE / INVESTORS' GRIEVANCE COMMITTEE:

The Share Committee approves and monitors transfers, transmissions, splitting and consolidation

As on March 31, 2004, 145 instruments of transfer of shares were pending and since then the same have been processed. The details of the share transfers are reported to the Board of Directors from time to time.

During the year, the Bank received 108 complaints from shareholders, which have been attended to.

No penalties or strictures were imposed on the Bank by any of the Stock Exchanges, SEBI or any statutory authority, on any matter relating to capital markets, during last three years.

RISK MONITORING COMMITTEE :

The Risk Monitoring Committee is formed as per the guidelines of the Reserve Bank of India on the Asset Liability Management / Risk Management Systems. The Risk Committee develops Bank's credit and market risk policies and procedures, verifies adherence to various risk parameters and prudential limits for treasury operations and reviews its risk monitoring system. The committee also ensures that the Bank's

Corporate Governance - (Contd.)

credit exposure to any one group or industry does not exceed the internally set limits and that the risk is prudentially diversified.

The Committee consists of Mr. Anil Ahuja, Mr. Aditya Puri and Mrs. Renu Karnad and is chaired by Mr. Anil Ahuja.

The Committee met five times during the year.

CREDIT APPROVAL COMMITTEE :

The Credit Approval Committee approves credit exposures, which are beyond the powers delegated to executives of the Bank. This facilitates quick response to the needs of the customers and speedy disbursement of loans.

As on April 16, 2004, the Committee comprises Mr. Jagdish Capoor, Mr. Aditya Puri, Mr. Keki Mistry and Mr. Bobby Parikh. Dr. (Mrs.) Amla Samanta ceases to be a member of the Committee w.e.f. April 16, 2004. The Committee is chaired by Mr. Jagdish Capoor and met five times during the year.

PREMISES COMMITTEE :

The Premises Committee approves purchases and leasing of premises for the use of Bank's branches, back offices, ATMs and residence of executives in accordance with the guidelines laid down by the Board. As on April 16, 2004, the Committee comprises Mr. Aditya Puri, Dr. V. R. Gadwal, Mr. Ranjan Kapur and Mr. K. G. Krishnamurthy, in an advisory capacity. Dr. (Mrs.) Amla Samanta ceases to be a member of the Committee w.e.f. April 16, 2004.

The Committee is chaired by Mr. Aditya Puri and met four times during the year.

NOMINATION COMMITTEE :

The Bank has constituted a Nomination Committee for recommending the appointment of independent / non-executive directors on the Board of the Bank. The Nomination Committee scrutinizes the nominations for independent / non-executive directors with reference to their qualifications and experience. For identifying 'Fit and Proper' persons, the Committee adopts the following criteria to assess competency of the persons nominated.

- Academic qualifications, previous experience and track record; and
- Integrity of the candidates.

For assessing the integrity and suitability, features like criminal records, financial position, civil actions undertaken to pursue personal debts, refusal of admission to and expulsion from professional bodies, sanctions applied by regulators or similar bodies and previous questionable business practices are considered.

The members of the Committee are Mr. Jagdish Capoor, Mr. Anil Ahuja, Dr. V. R. Gadwal and Mr. Arvind Pande. The Committee is chaired by Mr. Jagdish Capoor. All the members of the Committee are independent directors.

The Committee met only once during the year.

FRAUD MONITORING COMMITTEE:

Pursuant to the directions of the Reserve Bank of India, the Bank has constituted a Fraud Monitoring Committee on April 16, 2004, exclusively dedicated to the monitoring and following up of cases of fraud involving amounts of Rs. 1 crore and more. The objective of this Committee is the effective detection

Corporate Governance - (Contd.)

of frauds and immediate reporting thereof to regulatory and enforcement agencies and actions against the perpetrators of frauds. The terms of reference of the Committee are as under:

- a. Identify the systems lacunae if any that facilitated perpetration of the fraud and put in place measures to plug the same;
- b. Identify the reasons for delay in detection, if any, reporting to top management of the Bank and RBI;
- c. Monitor progress of CBI / Police Investigation and recovery position and;
- d. Ensure that staff accountability is examined at all levels in all the cases of frauds and staff side action, if required, is completed quickly without loss of time.
- e. Review the efficacy of the remedial action taken to prevent recurrence of frauds, such as strengthening of internal controls.
- f. Put in place other measures as may be considered relevant to strengthen preventive measures against frauds.

The members of the Committee are Mr. Jagdish Capoor, Mr. Aditya Puri, Mr. Keki Mistry, Mr. Bobby Parikh and Mr. Arvind Pande. The Committee would be chaired by Mr. Jagdish Capoor.

OWNERSHIP RIGHTS

Certain rights that a shareholder in a company enjoys:

- to transfer the shares.
- to receive the share certificates upon transfer within the stipulated period prescribed in the Listing Agreement.
- to receive notice of general meetings, annual report, the balance sheet and profit and loss

account and the auditors' report.

- to appoint proxy to attend and vote at the general meetings. In case the member is a body corporate, to appoint a representative to attend and vote at the general meetings of the company on its behalf.
- to attend and speak in person, at general meetings. Proxy cannot vote on show of hands but can vote on a poll.
- to vote at the general meeting on show of hands wherein every shareholder has one vote. In case of poll, the number of votes of a shareholder depends on the proportion of equity shares held by him with the total paid-up equity capital of the company.
- to demand poll alongwith other shareholder(s) who collectively hold 5,000 shares or is not less than 1/10th of the total voting power in respect of any resolution.
- to requisition an extraordinary general meeting of any company by shareholders who collectively hold not less than 1/10th of the total paid-up capital of the company.
- to move amendments to resolutions proposed at meetings.
- to receive dividend and other corporate benefits like rights, bonus shares etc. as and when declared / announced.
- to take inspection of the various registers of the company.
- to inspect the minutes books of general meetings and to receive copies thereof after complying with the procedure prescribed in the Companies Act, 1956.
- to appoint or remove director(s) and auditor(s) and thus participate in the management through them.
- to proceed against the company by way of civil or criminal proceedings.
- to apply for the winding-up of the company.
- to receive the residual proceeds upon winding up of a company.

Corporate Governance - (Contd.)

Kindly note that the rights mentioned above are prescribed in the Companies Act, 1956 and should be followed only after careful reading of the relevant sections. These rights are not necessarily absolute.

PROMOTERS' RIGHTS (HDFC LTD.)

The Articles of Association of the Bank provides following rights to HDFC Limited:

The Board shall appoint non-retiring directors from amongst the directors nominated by HDFC Limited with the approval of shareholders, so long as HDFC Limited and its subsidiaries, singly or jointly hold not less than 20% of the paid-up share capital of the Bank.

HDFC Limited shall nominate either a part-time Chairman and the Managing Director or a full time Chairman, with the approval of the Board and the shareholders so long as HDFC Limited and its subsidiaries, singly or jointly hold not less than 20% of the paid-up share capital of the Bank.

The Chairman and the Managing Director are not liable to retire by rotation.

For detailed provisions, kindly refer to the Articles of Association of the Bank, which is available on the web-site of the Bank- www.hdfcbank.com

KEY SHAREHOLDERS' RIGHTS PURSUANT TO AGREEMENTS

1. The India Private Equity Fund (Mauritius) and Indocean Financial Holdings Limited ('The Funds') acquired 15% holdings from Natwest Group in 1999. The Funds are advised by J P Morgan Advisors, Partners, Singapore. The Bank had

entered into an agreement dated February 9, 1999 with the Funds. As per this agreement, Bank had offered certain rights to the Funds inter alia the right to nominate two directors on the Board of the Bank as long as their holdings in the Bank were not less than 10% of the share capital of the Bank and to nominate one director as long as their holdings in the Bank were not less than 7% of the share capital of the Bank. Since the shareholding of the Funds (currently the holding as on March 31, 2004 is 5.48%) has been reduced to less than 7% of the share capital of the Bank, the Funds do not have right to nominate any director on the Board to represent their interest and the said agreement with Funds has become inoperative. Mr. Anil Ahuja no more represents the Funds but is a member of the Board purely in his individual capacity.

2. HDFC Limited and the promoters of erstwhile Times Bank Limited, Bennett, Coleman & Co. Ltd. and its group companies (Bennett Coleman Group) and Chase Funds had entered into a tripartite agreement dated November 26, 1999 for effecting amalgamation of Times Bank Limited with the Bank. Under this Agreement, Bennett Coleman Group has a right to nominate one director on the Board of the Bank as long as their holding exceeds 5% of the share capital of the Bank. Currently, (as on March 31, 2004), the Bennett Coleman Group holds 5.69% of the share capital of the Bank and Mr. Vineet Jain is nominated by the group on the Board of the Bank.

Contd.

Corporate Governance - (Contd.)

COMPOSITION OF COMMITTEES OF DIRECTORS AND THE ATTENDANCE AT THE MEETINGS

AUDIT & COMPLIANCE COMMITTEE

Total 6 meetings held

Name	No. of Meetings Attended
Mr. Jagdish Capoor	6
Mr. Anil Ahuja	6
Dr. (Mrs.)Amla Samanta ¹	6
Mr. Arvind Pande	5
Mr. Bobby Parikh ²	1

CREDIT APPROVAL COMMITTEE

Total 5 meetings held

Name	No. of Meetings Attended
Mr. Jagdish Capoor	4
Mr. Keki Mistry ³	1
Dr. (Mrs.)Amla Samanta	4
Mr. Aditya Puri	4
Mr. Bobby Parikh ⁴	Nil

PREMISES COMMITTEE

Total 4 meetings held

Name	No. of Meetings Attended
Mr. Aditya Puri	4
Dr. (Mrs.)Amla Samanta ¹	4
Dr. V. R. Gadwal ⁵	Nil
Mr. Ranjan Kapur ⁵	Nil
Mr. K. G. Krishnamurthy (Advisor)	2

COMPENSATION COMMITTEE

Total 3 meetings held

Name	No. of Meetings Attended
Mr. Jagdish Capoor	3
Mr. Anil Ahuja	2
Dr. (Mrs.) Amla Samanta ¹	3
Dr. V. R. Gadwal	3
Mr. Ranjan Kapur ⁶	Nil

SHARE /INVESTORS' GRIEVANCE COMMITTEE

Total 12 meetings held

Name	No. of Meetings Attended
Mr. Jagdish Capoor	12
Mr. Aditya Puri	12

RISK MONITORING COMMITTEE

Total 5 meetings held

Name	No. of Meetings Attended
Mr. Aditya Puri	5
Mr. Anil Ahuja	5
Mrs. Renu Karnad	5

FRAUD MONITORING COMMITTEE

Constituted on April 16, 2004

Name

Mr. Jagdish Capoor
Mr. Aditya Puri
Mr. Keki Mistry
Mr. Bobby Parikh
Mr. Arvind Pande

NOMINATION COMMITTEE

1 meeting held

Name	No. of Meetings Attended
Mr. Jagdish Capoor	1
Mr. Anil Ahuja	1
Dr. V. R. Gadwal	1
Mr. Arvind Pande	1

Corporate Governance - (Contd.)

1. Dr. (Mrs.) Amla Samanta ceases to be a member w.e.f. April 16, 2004.
2. Mr. Bobby Parikh has been inducted as a member of the Audit and Compliance Committee w.e.f. March 26, 2004.
3. Mr. Keki Mistry has been inducted as a member of the Credit Approval Committee w.e.f. July 14, 2003.
4. Mr. Bobby Parikh has been inducted as a member of Credit Approval Committee w.e.f. April 16, 2004.
5. Dr. V. R. Gadwal and Mr. Ranjan Kapur have been inducted as members of Premises Committee w.e.f. April 16, 2004.
6. Mr. Ranjan Kapur has been inducted as a member of Compensation Committee w.e.f. April 16, 2004.

SHAREHOLDERS HOLDING MORE THAN 1% OF THE SHARE CAPITAL OF THE BANK AS AT MARCH 31, 2004

Sr. No.	Name of the Shareholder	No. of shares held	% age to share capital
1.	Housing Development Finance Corporation Limited	3,88,60,000	13.64
2.	ADS Depository (J. P. Morgan Chase Bank)	3,73,65,252	13.12
3.	HDFC Investments Limited	3,00,00,000	10.53
4.	Life Insurance Corporation of India Limited	1,43,25,916	5.03
5.	The Standard Life Investments Ltd. A/c SLAC (Mauritius Investments) Ltd	1,21,64,098	4.27
6.	The India Private Equity Fund (Mauritius)	1,16,20,886	4.08
7.	Smallcap World Fund Inc.	1,12,92,240	3.96
8.	Bennett, Coleman & Company Limited	88,49,929	3.11
9.	Emerging Markets Growth Fund Inc.	45,00,452	1.58
10.	Indocean Financial Holding Limited	39,82,752	1.40

DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2004

No of equity shares held	Folio		Shares	
	Numbers	% age	Numbers	% age
upto 00500	2,09,274	97.05	2,61,19,628	9.17
00501 to 01000	3,732	1.73	28,32,423	0.99
01001 to 02000	1,091	0.51	16,05,988	0.56
02001 to 03000	374	0.17	9,52,964	0.33
03001 to 04000	187	0.09	6,70,988	0.24
04001 to 05000	160	0.07	7,33,916	0.26
05001 to 10000	304	0.14	21,69,871	0.76
10001 and above	508	0.24	24,97,05,935	87.68
Total	2,15,630	100.00	28,47,91,713	100.00

1,143,02 Folios comprising of 25,02,38,552 equity shares forming 87.86% of the share capital are in demat form.
1,013,28 Folios comprising of 3,45,53,161 equity shares forming 12.14% of the share capital are in physical form.

Corporate Governance - (Contd.)

CATEGORIES OF SHAREHOLDERS:

SHAREHOLDING PATTERN AS AT MARCH 31, 2004

Categories	No. of shares	Total	% age to cap
A. Promoters			
i. Housing Development Finance Corporation Limited	3,88,60,000		
ii. HDFC Investments Limited	3,00,00,000		
iii. HDFC Holdings Limited	1,000	6,88,61,000	24.18
B. Foreign Institutional Investors			
i. The Standard Life Investments Limited A/C SLAC (Mauritius Investments) Limited	1,21,64,098		
ii. Smallcap World Fund Inc	1,12,92,240		
iii. Emerging Markets Growth Fund Inc	45,00,452		
vi. Others (less than 1%)	4,87,46,960	7,67,03,750	26.93
C. ADS Depository (J. P. Morgan Chase Bank)		3,73,65,252	13.12
D. Bennett Coleman Group			
i. Bennett Coleman & Co. Limited	88,49,929		
ii. Dharmayug Investments Limited	24,86,956		
iii. Satyam Properties Finance Limited	17,39,130		
iv. Vardhaman Publishers Limited	17,39,130		
v. Bharat Nidhi Limited	5,73,913		
vi. PNB Finance Industries Limited	4,31,743		
vii. Samir Jain	2,60,869		
viii. Times Publishing House Limited	75,956		
ix. Rajdhani Printers Limited	34,782	1,61,92,408	5.69
E. Strategic Investors (JP Morgan Advisors)			
i. The India Private Equity Fund (Mauritius)	1,16,20,886		
ii. Indocean Financial Holding Limited	39,82,752	1,56,03,638	5.48
F. Life Insurance Corporation of India		1,43,25,916	5.03
G. Banks, Mutual Funds and Financial Institutions		60,45,946	2.12
H. Other Bodies Corporate		30,60,161	1.08
I. GIC & its Subsidiaries		13,61,557	0.48
J. Overseas Corporate Bodies			
i. Jarrington Pte Ltd.	12,55,330		
ii. Others	3,700	12,59,030	0.44
K. Directors		10,06,242	0.35
L. NRI's			
with repatriation	2,95,568		
without repatriation	2,34,341	5,29,909	0.19
M. Others		4,24,76,904	14.91
Total		28,47,91,713	100.00

Corporate Governance - (Contd.)

GENERAL BODY MEETINGS		
	Date	Venue
9th AGM*	June 2, 2003	Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020.
8th AGM**	May 30, 2002	Patkar Hall, S N D T Women's University, 1, Nathibai Thackersey Road, New Marine Lines, Mumbai 400 020.
7th AGM***	June 1, 2001	Nehru Centre Auditorium, Discovery of India Building, Worli, Mumbai 400 018.

* One special resolution was passed:

- i) Further issue of shares under Employee Stock Option Scheme (ESOS).

** Four special resolutions were passed:

- i) Appointment of Mr. Jagdish Capoor as the part time Chairman.
- ii) Re-appointment of Mr. Aditya Puri as the Managing Director.
- iii) Partial modification of resolution passed for ESOS in January, 2000.
- iv) Increase in FII limits from 40% to 49%.

*** Five special resolutions were passed:

- i) To approve the extension of services of Mr. S. S. Thakur as part time chairman of the Bank for 3 months.
- ii) To increase the Share Capital.
- iii) To amend the Articles of Association.
- iv) Increase in FII Limits from 24% to 40%.
- v) To approve issue of American Depository Shares (ADS).

No postal ballots were used/invited for voting at any of the above meetings.

MEANS OF COMMUNICATION :

The quarterly and half-yearly unaudited financial results were published in Business Standard in English and Maharashtra Times / Mumbai Sakal in Marathi (regional language). The results were also displayed on the Bank's web-site at www.hdfcbank.com. The shareholders can visit the Bank's web-site for financial information, shareholding information, dividend policy, key shareholders' agreements, Memorandum and Articles of Association of the Bank, etc. The web-site also gives a link to www.sec.gov where investors can view statutory filings of the Bank with the Securities Exchange Commission (SEC), USA.

The Bank has also posted information relating to its financial results and shareholding pattern on Electronic Data Information Filing and Retrieval System (EDIFAR) at www.sebiedifar.nic.in.

CODE FOR PREVENTION OF INSIDER TRADING

The Bank has adopted share dealing code for prevention of Insider Trading in the shares of the Bank. The share dealing code, inter alia prohibits purchase / sale of shares of the Bank by employees while in possession of unpublished price sensitive information in relation to the Bank.

Corporate Governance - (Contd.)

FINANCIAL CALENDAR :

Financial Year April 1, 2003 To March 31, 2004

Board Meeting for consideration of accounts and recommendation of dividend	April 16, 2004
Posting of Annual Report	April 28, 2004 to April 30, 2004
Book closure dates	May 8, 2004 to May 26, 2004
Last date of receipt of proxy forms	May 24, 2004
Date of 10th AGM	May 26, 2004
Dividend Payment date	May 27, 2004
Probable date of dispatch of warrants	From May 27, 2004 onwards
Board meetings for considering unaudited results for first 3 quarters of FY 2004-05	By 20th day of the succeeding quarter.

LISTING ON STOCK EXCHANGES :

The equity shares of the Bank are listed at the following Stock Exchanges. The annual fees for 2003-2004 have been paid to all the Stock Exchanges where the shares are listed.

Sr. No.	Name & Address of the Stock Exchange	Stock Code
1.	The Stock Exchange, Mumbai Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai 400 023.	500180
2.	The National Stock Exchange of India Ltd. Exchange Plaza, 5 th Floor, Bandra Kurla Complex, Bandra, Mumbai 400 051.	HDFCBANK
3.	The Stock Exchange, Ahmedabad Kamdhenu Complex, Opposite Sahajanand College, Panjarpole, Ahmedabad 380 015.	00500

Names of Depositories in India for dematerialisation of equity shares (ISIN No. INE040A01018):

- National Securities Depository Limited (NSDL)
- Central Depositories Services (India) Limited (CDSL)

The American Depository Shares (ADS) of the Bank are listed on:

New York Stock Exchange (ticker – HDB)
11, Wall Street, New York, N.Y. 11005

The Depository for ADS is (CUSIP No. 40415F101)

- J P Morgan Chase Bank, NY, USA

The Depository is represented in India (for ADS) by:

- ICICI Bank Limited, Bandra- Kurla Complex, Mumbai.

Corporate Governance - (Contd.)

SHARE TRANSFER PROCESS:

The Bank's shares being in compulsory dematerialised (demat) list are transferable through the depository system. Shares in physical form are processed by the Registrars and Share Transfer Agents, MCS Limited and approved by the Share Committee of the Bank. The share transfers are processed within a period of 12 days from the date of receipt of the transfer documents by MCS Limited.

Tel: 2821 5235/6/7 Fax 2835 0456
Email: mcssvb@eth.net
Counter Timing: 10.00 a.m. to 4.00 p.m.
(Monday to Saturday)

For the convenience of investors, transfers only upto 500 shares and complaints from the investors are accepted at the Bank's Office at Kamala Mills, Process House, 2nd Floor, Senapati Bapat Marg, Lower Parel, Mumbai 400 013.

INVESTOR HELPDESK:

Share transfers, dividend payments and all other investors related activities are attended to and processed at the office of our Registrars and Transfer Agents.

For lodgement of transfer deeds and any other documents or for any grievances / complaints kindly contact at the following address:

Mrs. Valsa Sajan / Mr. Sachin Manve,
MCS Limited,
Registrars and Transfer Agents,
Unit HDFC BANK,
Sri Venkatesh Bhavan,
Plot No. 27, Road No. 11,
MIDC Area, Andheri (East),
Mumbai 400 093.

Kindly contact Investor Helpdesk between 10.30 a.m. to 3.30 p.m. between Monday to Friday (except on bank holidays)

Telephone: 2496 1616 Extn.: 3463
Fax: 2496 5235
Email: investor.helpdesk@hdfcbank.com

You may also address queries relating to Bank's operational and financial performance to: investor.helpdesk@hdfcbank.com

Name of the Compliance Officer of the Bank:
Mr. Sanjay Dongre - Vice President (Legal) & Company Secretary
Telephone 2498 8484 Extn : 3473

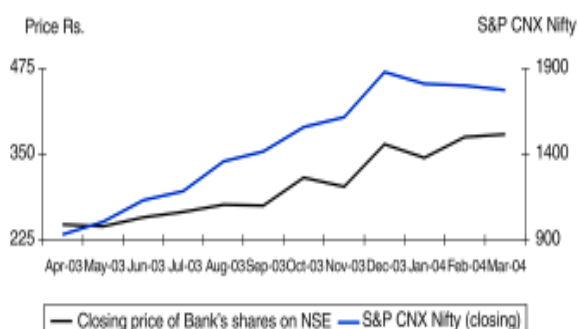
Corporate Governance - (Contd.)

SHARE PRICE / VOLUME

The monthly high and low quotation and the volume of shares traded on NSE

Month	Highest (Rs.)	Lowest (Rs.)	Volume Traded
Apr, 03	250.00	231.00	27,62,028
May, 03	257.00	239.05	21,47,654
Jun, 03	267.20	239.00	42,17,873
Jul, 03	303.50	252.55	69,22,062
Aug, 03	291.60	235.05	41,21,324
Sep, 03	291.00	263.15	57,73,671
Oct, 03	329.90	275.50	99,07,561
Nov, 03	323.00	265.50	56,11,020
Dec, 03	385.05	304.00	1,05,59,102
Jan, 04	406.75	335.50	1,18,27,051
Feb, 04	383.40	325.50	56,29,390
Mar, 04	400.00	335.15	51,90,862

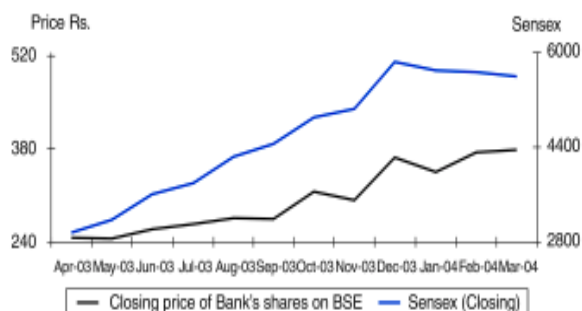
SHARE PRICE - NSE



The monthly high and low quotation and the volume of shares traded on BSE

Month	Highest (Rs.)	Lowest (Rs.)	Volume Traded
Apr, 03	249.90	230.00	20,04,122
May, 03	257.00	240.20	29,66,432
Jun, 03	266.25	239.55	21,09,154
Jul, 03	303.00	253.00	57,00,002
Aug, 03	292.70	263.15	18,79,298
Sep, 03	292.00	263.00	21,15,701
Oct, 03	326.00	276.70	44,98,036
Nov, 03	322.00	290.25	17,26,484
Dec, 03	382.00	304.50	43,36,969
Jan, 04	404.00	341.20	50,68,722
Feb, 04	382.90	328.00	23,48,735
Mar, 04	400.00	336.00	17,81,730

SHARE PRICE - BSE





Corporate Governance - (Contd.)

The monthly high and low quotation and the volume of ADS traded on New York Stock Exchange			
Month	Highest (US\$)	Lowest (US\$)	Avg. Daily Volume
Apr, 03	17.50	15.43	45,185
May, 03	17.17	16.01	48,876
Jun, 03	19.25	16.98	40,038
Jul, 03	23.40	18.75	93,868
Aug, 03	23.84	21.45	44,619
Sep, 03	22.50	20.25	65,100
Oct, 03	26.03	21.85	64,395
Nov, 03	26.38	22.50	103,289
Dec, 03	34.43	26.16	81,000
Jan, 04	34.90	28.25	110,550
Feb, 04	31.88	27.50	101,857
Mar, 04	31.97	27.00	68,543

SHARE PRICE -NYSE

