



**Annual Report
2004-05**

AWARDS IN THE YEAR 2004-05

- ▶ Leading Indian business magazine Business Today, in a survey, rated us **Best Bank in India** for the second consecutive year.
- ▶ HDFC Bank has been named **Best Domestic Bank in India Region** in The Asset Triple A Country Awards 2004 and 2003.
- ▶ HDFC Bank was selected by BusinessWorld as **One of India's Most Respected Companies** as part of The Business World Most Respected Company Awards.
- ▶ Forbes Global named us in its listing of **Best Under a Billion, 100 Best Smaller Size Enterprises** in Asia/Pacific and Europe, in its November 2004 issue.
- ▶ Hong Kong-based Asiamoney magazine named the Bank:
 - **Best Overall Local/Domestic Bank India** in the Corporate Cash Management Poll.
 - **Overall Most Improved Company for Best Management Practices in India** in the Best Managed Companies Poll 2004.
 - **Best Local Cash Management Bank.**
 - **Best Overall Domestic Trade Finance Services Award.**
- ▶ HDFC Bank won the award for **Operational Excellence in Retail Financial Services** - India as part of the Asian Banker Excellence in Retail Financial Services Programme 2003.



TEN YEARS OF EXCELLENCE

On the 18th of February, 1995, the then finance minister, Dr. Manmohan Singh, inaugurated the first branch of a new bank called HDFC Bank. Promoted by India's premier housing finance institution, it was the first private sector bank to have received a license from the Reserve Bank of India, after the banking sector was thrown open to new players. Driven by the vision and leadership of a highly respected senior management team, and thanks to the dedicated efforts of thousands of employees over the last 10 years, your bank has today emerged as one of the leading banks in the country.

From the beginning, HDFC Bank began operations with the mission of becoming a World-class Indian Bank, and the endeavour of fulfilling all the financial requirements of our customers under one roof. Over the years, by delivering superior financial products and services, your bank has built a stable and long-lasting relationship with nearly seven million customers, without compromising our standards for maintaining high quality associations. Our culture for learning; our quick absorption of latest and best technologies; and our unwavering adherence to best practices in governance have been the core strengths that have brought us to our present position. Constantly learning through our growth, we have continued to use the dividends of our leadership position to fuel further expansion and presence. Today, ten years later, we are the market leader, or one of the top three, in most of the segments that we operate in.

Today, our bank is recognised by many to be the best in many respects. However, for us, our journey to be pre-eminent in every possible sphere continues, and our drive to become even better at serving our customers becomes stronger. For us, it starts with the same passion we started with ten years ago. Every day.



Fulfilling our Social Responsibility

... A few small steps



The Bank has provided sponsorship for a Water Project and a Higher Secondary School Programme



HIGHLIGHTS

Profit after tax
up by 30.6% to
Rs. 665.6 crores

Earnings per
share increases
from Rs. 17.95 to
Rs. 22.92

Dividend per share
increases from
Rs. 3.50 to
Rs. 4.50
(proposed)

Savings deposits
up from
Rs. 7,804 crores to
Rs. 11,418 crores

Balance Sheet size
up from
Rs. 42,307 crores to
Rs. 51,429 crores

Retail assets
up by
35.4% to
Rs. 9,918 crores

ATM Network
up from 910 to
1147 ATMs

Branch
Network
up from 312 to
467 outlets

Phone
Banking
coverage in
120 cities

Point-of-sales
(POS) Terminals
at merchant outlets
up from 26,400 to
41,685
terminals

TEN YEARS OF EXCELLENCE

The milestones that we have crossed over the last ten years continue to be a great motivator to create extraordinary results. The future depends on what we do in the present.

	Received banking licence and entered into strategic alliance with National Westminster Bank group.	Total balance sheet size crosses Rs.10 billion (Rs.1000 crore).		
	HDFC Bank formally inaugurated by the then Finance Minister Dr. Manmohan Singh.	Appointed clearing bank by the NSCCL heralding the genesis of what was to become a major "capital markets infrastructure" business.		Launched its first retail lending product - Loans against Shares.
HDFC given "in principle" approval to start a commercial bank.	HDFC Bank launches its IPO of Rs.500 million eliciting a record 55 times oversubscription.	Declared maiden dividend of 8% on equity shares for year-end March 31, 1997.	RoE crossed 20% for financial year ended March 31, 1998 at 23.9%.	
Company incorporated.		Launched retail investment advisory services.	Branch network touched 50.	
1994	1995	1996	1997	1998



1999	2000	2001	2002	2003	2004
Bank signed MoU for strategic business collaboration with Chase Manhattan Bank. Natwest group exits. Launched online, real-time NetBanking. Launched first international Debit Card in India. Business Today "Best Private Sector Bank" in India Award. Named by The Asian Bankers Journal as "Best Domestic Commercial Bank – India". Euromoney "Best Bank – India". Finance Asia "Best Domestic Commercial Bank – India".	Bank launched Mobile Banking (SMS based) - a first in India. Amalgamation of TimesBank Ltd. with HDFC Bank - another first in the Indian banking sector. Customer base crossed 1 million. Branch network crossed 100 branches (111 as at March 31, 2000), and total balance sheet size crossed Rs.100 billion (Rs.116 billion as at March 31, 2000). Named by The Asian Bankers Journal as "Best Domestic Commercial Bank – India". Euromoney "Best Domestic Bank" in India. Business India "India's Best Bank". Finance Asia "Best Domestic Commercial Bank – India".	Became first private sector bank authorised to collect Income Tax for Central Government. Bank listed its stock on NYSE through ADS issue of US \$172.5 million. Launched Credit Card business in Chennai. Named in the Forbes Global list of "The 300 Best Small Companies" in the world and as one of the "20 for 2001" best small companies in the world. Named by The Asian Bankers Journal as "Best Domestic Commercial Bank – India". Emerging Company of the Year 2000-01 in The Economic Times Awards for Corporate Excellence. Euromoney "Best Bank in India". Finance Asia "Best Domestic Commercial Bank – India".	Branch network touched 200. Named by Asiamoney as "Best Commercial Bank in India 2002". Named by The Asian Bankers Journal as "Best Local Bank – India". Euromoney "Best Bank in India". For use of IT, recognised as a "Computerworld Honors Laureate" and awarded the 21st Century Achievement Award for Finance, Insurance & Real Estate category by Computerworld, Inc., USA. Finance Asia "Best Commercial Bank – India".	Business Today "Best Bank in India" Award. Named in the Forbes Global ranking of "Best Under a Billion, 200 Best Small Companies. Best Domestic Bank in India Region in The Asset Triple A Country Awards. "Best Overall Local/ Domestic Bank – India" in a Asiamoney Corporate Cash Management Poll. Named by The Asian Bankers Journal as "Best Local Bank – India". "Best New Private Sector Bank 2003" in the Financial Express - Ernst & Young Best Banks Survey. Named by Outlook Money as "Best Bank in the Private Sector". Named by NASSCOM and economictimes.com the 'Best IT User in Banking' at the IT Users Awards. Finance Asia "Best Local Bank – India".	Credit Card launched in over 100 cities. Credit Card base crosses one million. Branch network touches 400. Business Today "Best Bank in India" Award. Named in the Forbes Global listing of Best Under a Billion, 100 Best Smaller Size Enterprises in Asia/Pacific and Europe. Best Domestic Bank in India Region in The Asset Triple A Country Awards. Named One of India's Most Respected Companies as part of The Business World Most Respected Company Awards. Named "Overall Most Improved Company for Best Management Practices in India" by Asiamoney. Won the award for "Operational Excellence in Retail Financial Services" - India as part of the Asian Banker Awards 2003. Bank plans add-on ADS issue of US\$ 300 million (listed on NYSE in January 2005).

FINANCIAL HIGHLIGHTS

	1995-96	1996-97
Interest Income	114,56	161,74
Interest Expense	70,84	87,18
Net Interest Income	43,72	74,56
Other Income	13,15	29,40
Net Revenues	56,87	103,96
Operating costs	22,67	42,18
Operating Result	34,20	61,78
Provisions and Contingencies	5,95	3,73
Profit before tax	28,25	58,05
Provision for taxation	7,97	17,55
Profit after tax	20,28	40,50
Funds :		
Deposits	685,70	1,279,07
Subordinated debt	-	-
Stockholders' Equity	221,08	243,98
Working Funds	992,29	1,815,26
Loans	368,62	575,26
Investments	314,28	729,72
Key Ratios :		
Earnings per share (Rs)	1.04	2.03
Return on Average Network	9.62%	17.42%
Tier 1 Capital Ratio	23.40%	13.00%
Total Capital Ratio	23.53%	13.02%
Dividend per share (Rs)	-	0.80
Dividend payout ratio	-	43.46%
Book value per share as at March 31 (Rs)	11.10	12.20
Market price per share as at March 31 (Rs)*	32.40	45.20
Price to Earnings Ratio	31.12	22.32
Rs. 10 Lac = Rs. 1 Million	Rs. 1 Crore = Rs. 10 Million	



(Rs. lacs)

1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
240,80	376,08	679,87	1,259,46	1,702,99	2,013,61	2,548,93	3,093,49
137,55	229,18	374,28	753,75	1,073,74	1,191,96	1,211,05	1,315,56
103,25	146,90	305,59	505,71	629,25	821,65	1,337,88	1,777,93
61,05	67,13	119,54	176,57	335,90	465,55	480,03	651,34
164,30	214,03	425,13	682,28	965,15	1,287,20	1,817,91	2,429,27
62,71	88,79	171,39	309,59	417,95	577,05	810,00	1,085,40
101,59	125,24	253,74	372,69	547,20	710,15	1,007,91	1,343,87
7,24	8,39	58,89	57,63	121,82	139,30	288,95	364,93
94,35	116,85	194,85	315,06	425,38	570,85	718,96	978,94
31,20	34,45	74,81	104,94	128,34	183,25	209,46	313,38
63,15	82,40	120,04	210,12	297,04	387,60	509,50	665,56
2,191,74	2,915,11	8,427,72	11,658,11	17,653,81	22,376,07	30,408,86	36,354,25
100,00	135,00	150,00	200,00	200,00	200,00	600,00	500,00
285,13	338,93	751,52	913,09	1,942,28	2,244,83	2,691,88	4,519,85
2,829,98	4,349,96	11,731,03	15,617,33	23,787,38	30,424,08	42,306,99	51,429,00
841,98	1,400,56	3,462,34	4,636,66	6,813,72	11,754,86	17,744,51	25,566,30
1,121,33	1,903,80	5,748,28	7,145,14	12,004,02	13,388,08	19,256,79	19,349,81
3.16	4.12	5.93	8.64	11.01	13.75	17.95	22.92
23.87%	26.41%	29.00%	24.53%	18.30%	18.10%	20.14%	20.44%
10.21%	8.34%	9.56%	8.69%	10.81%	9.49%	8.03%	9.60%
13.92%	11.86%	12.19%	11.09%	13.93%	11.12%	11.66%	12.16%
1.00	1.30	1.60	2.00	2.50	3.00	3.50	4.50 **
34.84%	34.71%	29.96%	25.55%	23.68%	24.72%	22.15%	24.00%
14.30	16.90	30.90	37.50	69.00	79.60	94.52	145.86
70.80	69.15	257.20	228.35	236.60	234.55	378.75	573.64
22.42	16.78	43.37	26.43	21.50	17.06	21.10	25.03
** Proposed		* Source : NSE					

BOARD OF DIRECTORS

Mr. Jagdish Capoor, *Chairman*

Mr. Aditya Puri, *Managing Director*

Mr. Keki Mistry

Dr. (Mrs.) Amla Samanta (up to April 25, 2004)

Mr. Anil Ahuja

Dr. Venkat Rao Gadwal

Mr. Vineet Jain

Mrs. Renu Karnad

Mr. Arvind Pande

Mr. Ranjan Kapur

Mr. Bobby Parikh

Mr. Ashim Samanta (w.e.f. November 19, 2004)

VICE PRESIDENT (LEGAL) & COMPANY SECRETARY

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: 2821 5235/6/7

Fax: 2835 0456

Email: mcssvb@eth.net

SENIOR MANAGEMENT TEAM

A Parthasarathy

A Rajan

Abhay Aima

Bharat Shah

C.N. Ram

G Subramanian

Harish Engineer

Neeraj Swaroop

Paresh Sukthankar

Samir Bhatia

Sudhir M Joshi

Vinod G Yennemadi

REGISTERED OFFICE

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

Tel: 5652 1000

Fax: 2496 0739

Website: www.hdfcbank.com

11TH ANNUAL GENERAL MEETING

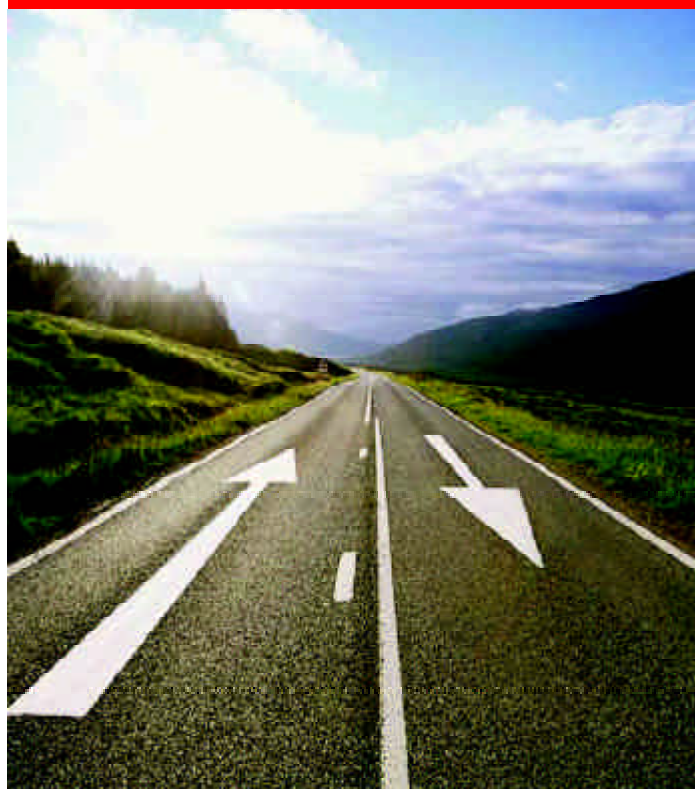
Date: June 17, 2005

Day: Friday

Time: 3:30 p.m.

Place: Birla Matushri Sabhagar,
19, New Marine Lines,
Mumbai 400 020

Book Closure: May 28, 2005 to June 17, 2005
Dates (both days inclusive)



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DIRECTORS' REPORT

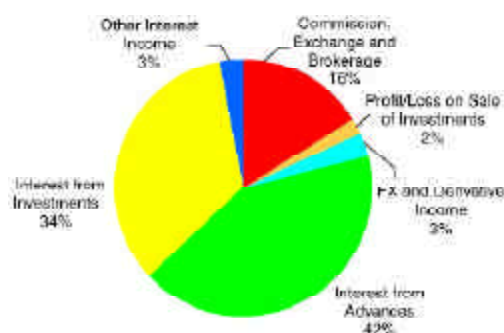
To the Members,

Your Directors have great pleasure in presenting the Eleventh Annual Report on the business and operations of your Bank together with the audited accounts for the year ended March 31, 2005.

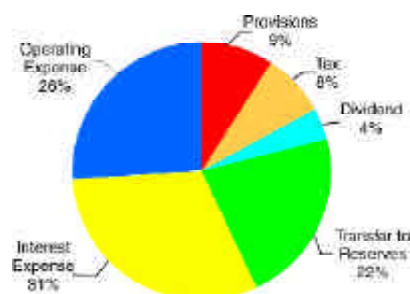
FINANCIAL PERFORMANCE

(Rs. in crores) For the year ended		
	March 31, 2005	March 31, 2004
Deposits and other borrowings	41144.3	32716.7
Advances	25566.3	17744.5
Total income	3744.8	3029.0
Profit before depreciation and tax	1123.0	844.7
Net profit	665.6	509.5
Profit brought forward	405.3	356.1
Total profit available for appropriation	1070.9	865.6
Appropriations:		
Transfer to statutory reserve	166.4	127.4
Transfer to general reserve	66.6	51.0
Transfer to capital reserve	0.6	—
Transfer to investment fluctuation reserve	75.0	169.1
Proposed dividend	140.1	100.0
Tax including surcharge and education cess on dividend	19.6	12.8
Education cess on dividend paid	0.3	—
Balance carried over to Balance Sheet	602.3	405.3

RUPEE EARNED (%)



RUPEE SPENT (%)



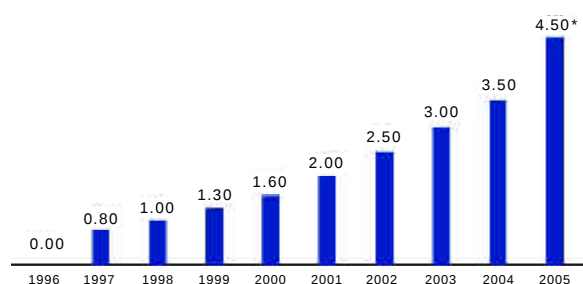
DIRECTORS' REPORT (contd.)

The Bank posted total income and net profit of Rs. 3744.8 crores and Rs. 665.6 crores respectively for the financial year 2004-05 as against Rs. 3029.0 crores and Rs. 509.5 crores respectively in the previous year. Appropriations from the net profit have been effected as per the table given above.

DIVIDEND

Your Bank has had a track record of moderate but steady increases in dividend declarations for the last 8 years and the dividend pay out ratio in the last few years has been in the range of 20 – 25 %. The Bank's dividend policy has sought to balance the multiple objectives of 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 in risk assets. In line with this policy and in recognition of the healthy performance during 2004-05 your directors are pleased to recommend a dividend of 40% for the year ended March 31, 2005 as against 35% for the year ended March 31, 2004. In addition, in recognition of the Bank having completed 10 years of successful operations, your Board is pleased to recommend a special one-time dividend of 5%. The total dividend for the year ended March 31, 2005 will therefore be 45%. This dividend shall be subject to tax on dividend to be paid by the Bank but will be tax free in the hands of the members.

DIVIDEND PER SHARE (Rs.)



* Proposed

AWARDS

Your Bank continued to receive awards and gain recognition from various leading domestic and international publications during 2004-05. The Bank was selected as the 'Best Bank in India' for the second consecutive year in 2004 by *Business Today* and as the 'Best Domestic Bank in India Region' by *The Asset Triple A Country Awards 2004*. The Bank was also rated as 'One of India's Most Respected Companies' by *Business World* as part of *The Business World Most Respected Company Awards - 2004*. *Forbes Global* again named the Bank in its listing of 'Best Under a Billion, 100 Best Smaller Size Enterprises in Asia/Pacific and Europe', in its November 2004 issue. The Bank was rated as the 'Best Overall Local/Domestic Bank – India' in the *Corporate Cash Management Poll* conducted by the Hong Kong-based *Asia Money magazine*. The said magazine also awarded the Bank with the titles of 'Overall Most Improved Company for Best Management Practices in India' in the *Best Managed Companies poll 2004*, 'Best Local Cash Management Bank', 'Best Overall Domestic Trade Finance Services Award', and also awarded the Managing Director, Mr. Aditya Puri as the 'Best Chief Executive Officer in India'. In May 2004, the Bank also won the 'Operational Excellence in Retail Financial Services – India' award as part of the *Asian Banker Excellence in Retail Financial Services Program 2003*.

RATINGS

The Bank has received a 'Triple-A rating' from *Credit Analysis & Research Ltd. (CARE)* for its subordinated bond issue as well as for its fixed deposit program. The Bank's certificate of deposit program also received a 'PR One Plus rating' from CARE. The subordinated debt and the deposit programs of the Bank also have a 'Triple-A rating' from *Fitch Ratings*. The Bank received a rating of 'CRISIL GVC – Level 1' from *CRISIL Ltd.*, indicating the Bank's capability with respect to wealth creation for all its stakeholders while adopting sound corporate governance practices.

DIRECTORS' REPORT (contd.)

Additional Capital

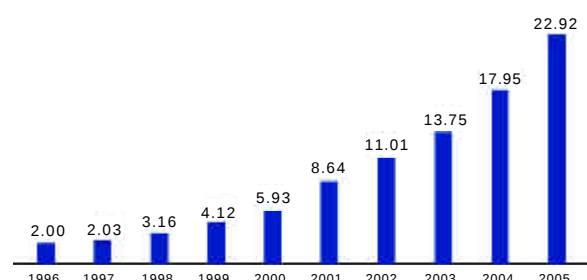
The Bank raised capital in the form of add-on American Depository Shares (ADS), which were listed on the New York Stock Exchange on January 21, 2005 at a price of US\$ 39.26 per ADS. Each ADS represents 3 equity shares. The issue size was US\$ 261 million plus a green shoe option of 15% (US\$ 39 million), which was exercised. Net of issue expenses, the Bank received US\$ 291 million. Consequent to this issue, the share capital of the Bank has increased by Rs. 23 crores and the reserves of the Bank have increased by Rs. 1252 crores as share premium after charging off issue related expenses.

During the year under review 21.6 lac shares were allotted to the employees of the Bank pursuant to the exercise of options under the Employee Stock Option Scheme of the Bank.

Employee Stock Options

Options granted during the year	Nil
The pricing formula	Not Applicable
Options vested	ESOS I, II and III : All the options under ESOS I, II and III stand fully vested in the beneficiaries.

EARNINGS PER SHARE (Rs.)



The last tranche of ESOS III amounting to 5.5 lacs options vested in the employees of the Bank during the year ended March 31, 2005.

ESOS IV, V and VI : Out of the options granted under ESOS IV, V and VI, which were granted in the year 2003-2004, 30%, 30% and 40% of the total options so granted shall vest upon expiry of first year, second year and third year, respectively from the respective date of grant of options. During the year under review, 21.3 lacs, 7.3 lacs and 5.7 lacs options stand vested in the employees under ESOS IV, V and VI, respectively.

Options exercised and the total number of shares arising as a result of exercise of options

During the year under review, 21.6 lacs options were exercised and allotted. Allotment of 13.1 lacs shares in respect of options has been made in April 2005. The new shares issued under ESOS would rank pari passu with the existing shares in all respects.

Each option results into one fully paid-up equity share of Rs.10/- each in the Bank.

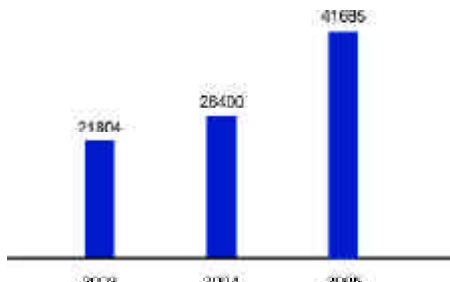
Details of the options exercised during the year are as under:

Scheme	Options exercised
ESOS I	3.4 lacs
ESOS II	13.8 lacs
ESOS III	3.6 lacs
ESOS IV	0.8 lacs
ESOS V	Nil
ESOS VI	Nil

DIRECTORS' REPORT (contd.)

Options Lapsed	During the year under review, following options have lapsed: <table><tr><th>Scheme</th><th>Options lapsed</th></tr><tr><td>ESOS I</td><td>—</td></tr><tr><td>ESOS II</td><td>0.5 lacs</td></tr><tr><td>ESOS III</td><td>1.6 lacs</td></tr><tr><td>ESOS IV</td><td>11.3 lacs</td></tr><tr><td>ESOS V</td><td>2.4 lacs</td></tr><tr><td>ESOS VI</td><td>2.7 lacs</td></tr></table>	Scheme	Options lapsed	ESOS I	—	ESOS II	0.5 lacs	ESOS III	1.6 lacs	ESOS IV	11.3 lacs	ESOS V	2.4 lacs	ESOS VI	2.7 lacs	Total number of options in force	<table><tr><th>Scheme</th><th>No. of options in force</th></tr><tr><td>ESOS I</td><td>1.4 lacs</td></tr><tr><td>ESOS II</td><td>5.3 lacs</td></tr><tr><td>ESOS III</td><td>4.7 lacs</td></tr><tr><td>ESOS IV</td><td>55.1 lacs</td></tr><tr><td>ESOS V</td><td>21.8 lacs</td></tr><tr><td>ESOS VI</td><td>14.8 lacs</td></tr></table>	Scheme	No. of options in force	ESOS I	1.4 lacs	ESOS II	5.3 lacs	ESOS III	4.7 lacs	ESOS IV	55.1 lacs	ESOS V	21.8 lacs	ESOS VI	14.8 lacs
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ESOS V	21.8 lacs																														
ESOS VI	14.8 lacs																														
Variation of terms of options	There is no variation in the financial aspect of ESOS schemes. The maximum number of options under ESOS IV, V and VI are being capped at 1% of the paid-up share capital of the Bank as on the date of grant of options or 10% of the total number of options granted under the employee stock option scheme.	Details of options granted to (i) Senior managerial personnel; During the year the Bank has not granted any options. (ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year. Not applicable																													
Money realized by exercise of options	The Bank received Rs. 2.2 crores towards share capital and Rs. 45.5 crores towards share premium on account of 21.6 lac options being exercised and allotted during the year.	(iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant; Not applicable																													

POINT OF SALE TERMINALS

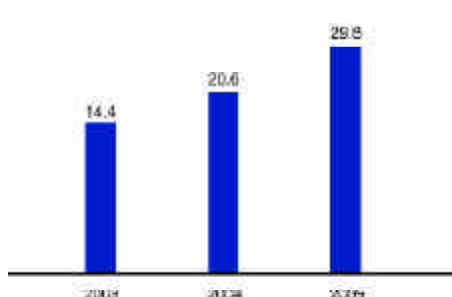


Year	Point of Sale Terminals
2003	31804
2004	26400
2005	41635

DIRECTORS' REPORT (contd.)

Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with (AS) 20 Earnings Per Share	The Diluted EPS of the Bank calculated after considering the effect of potential equity shares arising on account of exercise of options is Rs. 21.64 per share.	have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed.	
Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall	Had the Bank followed fair value method for accounting the stock option compensation expense would have been higher by Rs.104.1 crores. Consequently profit after tax would have been lower by Rs.66.0 crores and the basic EPS of the Bank would have been Rs. 20.65 per share (lower by Rs. 2.27 per share) and the Diluted EPS would have been Rs. 19.52 per share (lower by Rs. 2.12 per share).	Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock	The weighted average price of the stock options exercised is Rs. 215.7 and the weighted average fair value is Rs. 332.3.
		A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information:	The Securities and Exchange Board of India (SEBI) has prescribed two methods to account for stock grants; (i) the intrinsic value method; (ii) the fair value method. The Bank adopts the intrinsic value method to account for the stock options it grants to the employees. For the purposes of disclosure, the Bank has computed the fair value of options at the time of grant, using internally developed tested model with the following assumptions:

**DEBIT CARDS
(Lacs)**



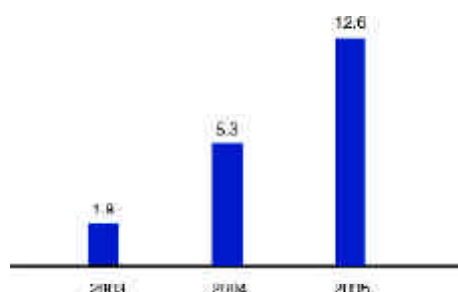
DIRECTORS' REPORT (contd.)

(i) Risk-free interest rate	The risk free interest rate will remain between 4.4% to 4.5%.
(ii) Expected life	Three years.
(iii) Expected volatility	Expected volatility will be around 45%.
(iv) Expected dividends	Dividend will be around Rs.4.0 per share during the tenor of the ESOS.
(v) The price of the underlying share in market at the time of option grant	The per share market price on the date of grant ranged from Rs. 357.0 to Rs. 362.9 at the time of grant of options.

Capital Adequacy Ratio

As a result of the ADS issue and retention of current profits, your Bank's total Capital Adequacy Ratio (CAR) stood at a healthy 12.2%, well above the regulatory minimum of 9.0%. Of this, Tier I CAR was 9.6%.

CREDIT CARDS (Lacs)



MANAGEMENT'S DISCUSSIONS AND ANALYSIS

Macro-economic and Industry Developments

The Indian economy registered a growth of 8.5 % in the fiscal year 2003-04, the highest-ever in the last fifteen years. The initial growth projections for the fiscal 2004-05 is estimated at 6.9 % growth in the Gross Domestic Product (GDP) of the Indian economy, despite a change in the central government, an erratic monsoon, the tsunami calamity and the ballooning international oil and steel prices. The country's industrial production rose 7.9 % in December 2004, boosted by an 8.8 % expansion in the manufacturing sector even as electricity generation and mining output reported slower growth, while the infrastructure sectors like rail goods traffic, cargo handled at ports and airports, air passenger traffic, recorded higher growth rates. Engineering goods, Gems and Jewellery, Textiles, Chemicals and related products and Petroleum products were the main drivers for the revival of growth in the manufacturing sector and increased export competitiveness. Production of food grains is estimated to decline by 3.0 % in the fiscal year 2004-05, because of the base effect and a deficient rainfall of 13% as a whole in the monsoon season and more critically 19% in July.

The inflationary situation has not been very benign in 2004-05 as compared to the previous year. The inflation rate based on the Wholesale Price Index (WPI) firmed up considerably during the last week of August 2004, reaching a peak of 8.74% for the week. Although the inflation rate came down in October 2004 from its peak level, the unabated volatility in international crude prices remained a critical risk. The Government and the Reserve Bank of India undertook some monetary measures viz. increase in the Cash Reserve Ratio (CRR) and increase in the Liquidity Adjustment Facility (LAF) Repo Rate and some fiscal measures viz. reduced expenditure and higher government surpluses with the Reserve Bank of India, to bring inflation under control. These measures brought about the expected results and the year on year inflation measured by the WPI came down to 5.05% for the week ended March 26, 2005.

DIRECTORS' REPORT (contd.)

Monetary conditions continued to be driven by large capital inflows in 2004-05 as in the previous year. Expansionary effects on base money and money supply were, however, headed off through operations under the Market Stabilisation Scheme (MSS) and the LAF. Consequently, money supply remained well within the projected trajectory of 14.0 per cent.

The growth in the Banks' deposits was also a shade lower due to substitution in favour of postal deposits and other investment products, which continued to grow at a high rate, benefiting from tax incentives and their relatively attractive rate of return in comparison with time deposits. Banks increasingly relied on non-deposit sources of funds in 2004-05

The flow of credit to industry from bank and non-bank sources surged during 2004-05 reflecting a broad-based strengthening of the industrial recovery. Food credit also increased during the year due to higher procurement operations, reversing the decline in the previous two years. Medium and large industry joined the housing and retail segments to drive up the demand for banks' non-food credit.

Domestic financial markets remained broadly stable during 2004-05 in an environment suffused with uncertainty and nervous sentiment created by the upturn in the international interest rate cycle, switches in capital flows and a soaring of international fuel prices. Money market segments largely exhibited easy liquidity conditions during the greater part of the year. The scenario began to change by October 2004 when

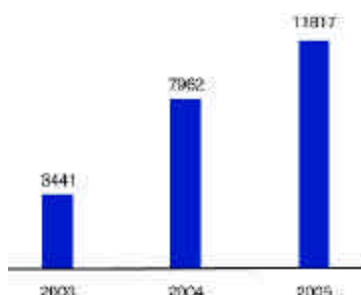
conditions in the money market tightened. Pressures emanating from a number of factors such as the robust expansion of non-food credit, drying up of capital inflows and an increase in reserve requirements drove the call rates above the reverse repo rate in the second half of October 2004. A hike in the reverse repo rate by 25 basis points to 4.75 per cent in October 2004 and by another 25 basis points in April 2005 correspondingly, raised the floor in the money markets.

Yields in the Government securities market firmed up due to resurgence of inflationary pressures in the first two quarters of the year and the hardening of international interest rates. A mix of higher credit off take and drying up of capital inflows also led to contraction in surplus bank liquidity and reduced the market appetite for Government paper. The 10-year benchmark yield touched a high of 7.31% in November 2004 before coming down to 6.65% in March 2005. The yields hardened again since March 2005 on concerns about the higher than expected Government borrowing as announced in the Union Budget 2005-06 and moved to over 7.2% levels in April 2005.

The stock markets mirrored the growing confidence in the strong fundamentals of the Indian economy as ebullient investor sentiment strained against intermittent technical corrections. Primary market activity gathered momentum during the year, particularly in the equity segment. Foreign institutional investors (FIIs) remained net buyers in each month of the year barring May 2004. Although market sentiment was dampened by political uncertainties in the early part of the year, the surge in international crude oil prices and the edging up of inflation domestically, a strong rally in the secondary market pushed the domestic stock indices to new highs.

Overall orderly conditions prevailed in the foreign exchange market during the fiscal 2004-05. In April 2004, the Rupee ended a continuous twenty-four months run of appreciation against the US Dollar and started weakening from May 2004 onwards. The new phase, however, turned out to be relatively short-lived, as the Rupee again started to gain against the US Dollar from September 2004. The third quarter of the current fiscal saw a sharp firming up of the Rupee

RETAIL ASSETS PROFITABLE GROWTH **(Rs. Crores)**



DIRECTORS' REPORT (contd.)

against the US dollar with the nominal monthly appreciation reaching a high of 2.6% in December 2004. The value of Rupee vis-à-vis other major currencies, including Euro, Pound Sterling and Japanese Yen has seen an inconsistent trend during the reported fiscal.

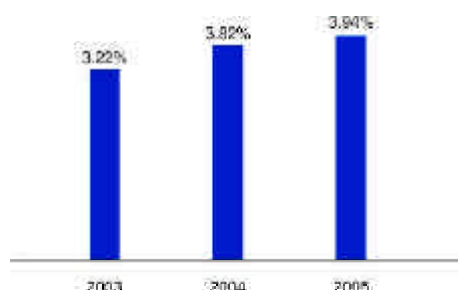
Growth in India so far has mostly been driven by private final consumption, with investment and exports playing a minor role, unlike in China and East Asia. The recent buoyancy of investment and exports needs to be enhanced to leverage growth in the Indian economy. Success in this regard will depend on how vigorously reforms are pursued to improve the investment climate and augment infrastructure. All in all, the Indian economy is poised for growth.

(Source: RBI, CSO, CRISINFAC)

Mission and Business Strategy

Our mission is to be "A World Class Indian Bank", benchmarking ourselves 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, corporate governance and regulatory compliance.

NET INTEREST MARGIN



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 focussing on quality and not on quantity 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 high earnings growth with low volatility.

Financial Performance

The overall performance during the financial year 2004-05 remained healthy across both profit & loss account and balance sheet parameters. Total net revenues (net interest income plus other income) at Rs. 2429.3 crores, increased by 33.6% from Rs. 1817.9 crores in 2003-04. The revenue growth was a result of an increase of 32.9% in net interest income and of 35.7% in other income (non-interest revenue). The increase in net interest income was driven by a 21.4% growth in interest earned to Rs. 3093.5 crores while interest expense grew by only 8.6% to Rs. 1315.6 crores. The average balance sheet size increased by 28.9% while net interest margin increased from 3.8% to 3.9%. Deposit costs declined primarily due to a higher proportion of average current and savings account balances in relation to average total deposits.

The other income (non-interest revenue) had three main components: Commissions, Profit/Income on Foreign Exchange & Derivatives and Profit/(Loss) on Sale and Revaluation of Investments. The first two are largely related to customer transactions while the last stream is linked primarily to the gains / losses on government securities held for Statutory Liquidity Ratio

DIRECTORS' REPORT (contd.)

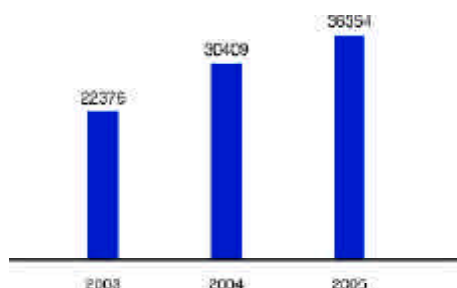
(SLR) requirements. In 2004-05, Commission Income increased by 88.8% to Rs. 605.0 crores with key growth drivers being commissions from distribution of third party mutual funds and insurance, fees on debit/credit cards and point-of-sale (POS) terminals and transactional charges/fees on deposit and depository (custody) accounts. Commissions from cash management and trade services also grew at a moderate pace due to higher volumes. Foreign Exchange and Derivatives revenues were Rs. 111.6 crores, (consisting of Foreign Exchange revenues of Rs. 91.2 crores and revenues from derivatives of Rs.20.4 crores) against Rs. 128.9 crores in 2003-04. Revenues from derivatives declined on account of a sharp decline in margins on customer derivative transactions as well as lower trading profits. Due to increase in yields in 2004-05, the Bank incurred net losses on sale of investments (net of revaluation gains) of Rs. 65.8 crores including the mark-to-market impact on transfer of Rs. 3078 crores of its SLR Securities from the 'Available for Sale' category to the 'Held to Maturity' category as permitted by the new Reserve Bank of India guidelines.

Operating (non-interest) expenses increased from Rs. 810.0 crores in 2003-04 to Rs. 1085.4 crores in 2004-05, driven significantly by an increase in investments relating to branch expansion as well as rolling out of retail loan products and credit cards to several more cities. Despite the higher investment related expenditure and revenues being depressed by the losses on sale of investments, operating expenses, as a proportion of net revenues remained

stable at 44.7%. Staff expenses accounted for 25.5% of non-interest expenses in 2004-05 as against 25.2% in 2003-04, despite an increase in average staff strength from 5,423 to 7,479. Loan loss provisions at Rs. 176.2 crores in 2004-05 were primarily driven by an increase in the general and specific loan loss provisions for retail loans. In 2003-04 provisions had been higher at Rs. 178.3 crores as they included incremental specific loan provisions, due to the Bank moving from the '180 day overdue' norm to the '90 day overdue' norm for recognizing non-performing assets in that year. Provision for amortization of investments was Rs. 188.1 crores, principally due to the amortization of the premium for the SLR investments in the 'Held to Maturity' category. Profit Before Tax for 2004-05 increased by 36.2% to Rs.978.9 crores. Net Profit was up 30.6% from Rs.509.5 crores in 2003-04 to Rs. 665.6 crores in 2004-05. Return on average net worth remained more or less stable at 20.4% from the previous figure of 20.1% despite the expansion in the capital base due to the ADS issue. The Bank's basic earnings per share increased from Rs. 17.95 per share to Rs. 22.92 per share. The diluted earnings per share of the Bank was Rs. 21.64 per share, as compared to Rs. 16.55 per share last year.

Total balance sheet size increased by 21.6% to Rs.51429 crores as of March 31, 2005. Total Deposits increased by 19.6% from Rs. 30409 crores to Rs.36354 crores. These deposits as at March 31, 2004 had included around Rs. 2000 crores of collections held as a banker to various initial public offerings. Adjusted for this, the growth in deposits was around 28.0%. Savings account deposits, which reflect the strength of the retail liabilities franchise and are an important source of low cost stable funds, increased by 46.3% from Rs. 7804 crores to Rs.11418 crores. Net advances grew by 44.1% to Rs. 25566 crores. This was primarily driven by a growth of 35.4% in retail advances to Rs. 9918 crores (including car loans, personal loans, commercial vehicles loans, two-wheeler loans, credit cards, etc., net of retail loans of Rs. 6151 crores sold/securitised during the year and excluding investment in securitised retail loan receivables). Wholesale advances increased by 38.7% to Rs. 14120 crores. The mix of the Bank's gross

DEPOSITS **(Rs.Crores)**



DIRECTORS' REPORT (contd.)

advances as on March 31, 2005, is therefore 46% retail and 54% wholesale. The Bank's core customer assets (advances and credit substitutes like commercial paper, corporate debentures, etc.) increased from Rs. 19494 crores in March 2004 to Rs. 26902 crores in March 2005. In addition, the Bank held Rs. 3061 crores of investments 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. 29963 crores as of March 31, 2005.

Business Segment Update

In 2004-05, the Bank's business performance has been healthy across multiple parameters, including customer acquisition, geographical spread, transaction volumes and revenues. The performance reflects the strong positioning the Bank has in each of its three primary business segments – Retail Banking, Wholesale Banking and Treasury, as well as its focus on balancing growth with appropriate returns at acceptable risk levels.

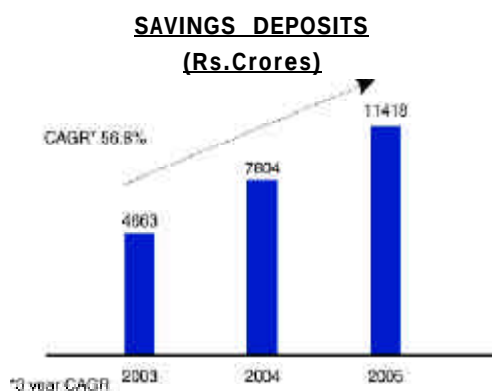
The Retail Banking business continued to be the fastest growing of the Bank's businesses in 2004-05. In this segment, the Bank has positioned itself as a one-stop-shop financial service provider, focused primarily on the middle class, mass affluent and high net worth segments. The Bank's range of retail financial products and services is fairly exhaustive including various deposit products, loans,

credit cards, debit cards, depository (custody services), investment advice, bill payments and various transactional services. Apart from own products, the Bank sells third party financial products like mutual funds and insurance to its retail customers. To provide its customers greater flexibility and convenience as well as to reduce 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 73% 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 three years now and the Bank has been leveraging this information and expertise to further boost its cross-selling efforts through the use of campaign management as well as score-cards.

During 2004-05, there was a significant expansion in the distribution network with the number of branches (including extension counters) increasing from 312 (in 163 cities) to 467 (in 211 cities) and the size of the Bank's ATM network expanding from 910 to 1147. Savings account deposits, which reflect not only the strength of the retail liability franchise but are also at the core of the Bank's customer acquisition efforts, grew by 46% in 2004-05.

With almost every retail loan product including car loans, personal loans, commercial vehicle loans, two-wheeler loans, business banking loans, loans against securities and credit cards experiencing strong growth, the retail loan portfolio increased by 47.5% to Rs. 11696 crores as of March 31, 2005. This growth is after the sale of about Rs. 4800 crores of retail loans during the year. The growth has come despite a highly competitive market. We have been dominant number two player in the retail asset segment consciously focussing on quality and not on quantity.

In 2003, the Bank had entered into the housing loan business through an arrangement with HDFC Ltd. Under the arrangement, the Bank sells the HDFC Home Loan product so that there is only one HDFC home loan product in the market. HDFC Ltd. approves and disburses these loans and the Bank is paid a sourcing fee, which is currently approximately 0.7% of



DIRECTORS' REPORT (contd.)

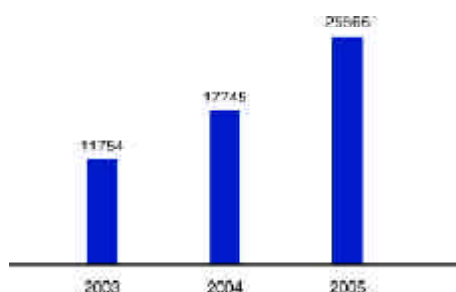
the approved and disbursed loans. HDFC Ltd., provides credit, legal and technical appraisal for these loans and also does the processing and collections of these loans. The Bank has a right to buy up to 70% of the fully disbursed home loans sold by the Bank through the issue of Mortgage Backed Securities (MBS). The MBS will be offered to the Bank at the underlying home loan yields less a fee (currently 1.25% p.a.) paid to HDFC Ltd., for administration and servicing of the loans. Effectively therefore, the Bank has derived the advantage of entering the mortgage business (accessing both a sourcing fee as well as the asset on its books as a MBS) 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, the Bank is parting with 30% of its origination (for which it receives a market driven origination fee). The arrangement therefore leverages the strengths of the two organisations in terms of HDFC Ltd's, product acceptance, operational efficiencies and credit expertise on one hand and the Bank's sales organisations and distribution on the other. The Bank's success in its foray into the housing loan business is evidenced from its loan originations, which crossed Rs. 1.75 billion per month in March 2005.

It has been over 4 years since the Bank launched its credit card business and the total number of cards issued crossed the 1.25 million mark during the year ended March 31, 2005. 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 41000 terminals, up from 26000 in the previous year. One of the most creditable performances of the year was the Bank's third party distribution of mutual funds, insurance and the Reserve Bank of India Bonds. The Bank also consolidated its position as one of the leading depository participants, providing high quality retail custody services in electronic form to over 700000 retail investor accounts.

In the Wholesale Banking business, the Bank provides its corporate and institutional clients a wide range of commercial and transactional banking products with an emphasis on high quality service and relationship management. The Bank's commercial banking business has traditionally been focused towards the top end of the corporate sector. In the last few years, however, the Bank has also built currently small but healthy and growing small & medium enterprises and agri-based lending business. The Bank's corporate loan portfolio continues to consist primarily of short and medium tenor working capital related products although the Bank also extends term loans for its corporate customers' capex funding requirements. A major thrust in agri-lending areas in the last few years has enabled the Bank to increase its total direct and indirect financing (excluding bond investments) from Rs. 1300 crores in March 2004 to Rs. 2400 crores in March 2005. In the transactional banking business, the Bank remains a leading provider of cash management, trade, custody and correspondent banking services to corporates, banks, mutual funds and other entities. During the fiscal 2004-05, growth in the wholesale banking business continued to be driven by new customer acquisition and higher cross sell with a focus on optimizing 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 remained an important driver of growth in the corporate banking business. In the cash management business (covering all outstation collection, disbursement and electronic fund transfer products across the Bank's various customer segments) the Bank consolidated its position as a leading player with volumes growing

ADVANCES
(Rs. Crores)



DIRECTORS' REPORT (contd.)

from about Rs. 600000 crores in 2003-04 to around Rs. 800000 crores in 2004-05. The Bank managed to extend its market leadership in cash settlement services for major stock exchanges to the commodities exchanges as well. For the tenth year in succession, in 2004-05, the Bank's overall lending to the priority sectors was over the regulatory 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 with reserve requirements and management of market and liquidity risk apart from providing foreign exchange and derivative products to customers. On the foreign exchange front, the revenues are driven primarily by spreads on customer transactions while derivatives revenues are driven by a mix of customer transactions and trading. In addition, the treasury group seeks to optimize profits from proprietary trading within established limits principally in Indian government securities and rupee-based interest rate swaps. During 2004-05 revenues from foreign exchange transactions grew by 23.2% from Rs. 74.0 crores to Rs. 91.2 crores although this growth was offset by the drop in derivative revenues from Rs. 59.2 crores to Rs. 20.4 crores due to a sharp decline in margins on customer derivative transactions as well as lower trading profits.

Given the regulatory requirement of holding government securities to meet the statutory liquidity

ratio (SLR) requirement, the Bank has to necessarily maintain a large portfolio of government securities. This enables the Bank to realize gains in a declining interest rate environment but exposes the Bank to losses or depreciation in value of investments when yields rise. To reduce this volatility to some extent and to balance the yield and market risk trade-off, the Bank has a policy of maintaining a relatively low duration of around 2.5 years in its government securities (SLR) portfolio as against an average estimated duration of over 4 years observed in the Indian banking system as a whole. To further mitigate the impact of mark-to-market losses if yields were to rise further, the Bank, in line with the revised Reserve Bank of India guidelines, transferred about Rs. 3000 crores of SLR securities from the "Available for Sale" (AFS) to the "Held to Maturity" (HTM) category. The SLR securities now in the AFS category are primarily floating rate bonds where the interest rate risk is therefore low. The Bank, therefore remains exposed to market risk primarily on the non-SLR investment portfolio in the AFS category.

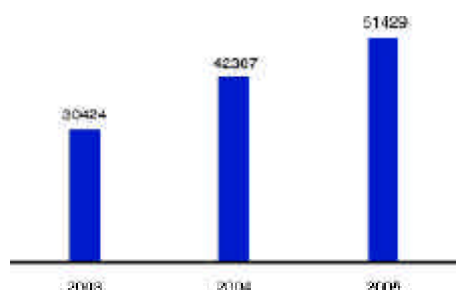
Service Quality

In a high volume, transaction intensive, financial services business like banking, the long-term sustainability of business growth depends to a large extent on the robustness of the Bank's operational processes and the quality of customer service. This is even more of a challenge in a rapid growth scenario which the Bank has been experiencing. The Bank has therefore been investing in various process improvement and service quality initiatives. Key amongst these is the Six Sigma program using TQSS (Transactional Quality using Six Sigma), which was launched in 2003. So far around 1050 employees have been trained in the TQSS methodology and over 170 projects have been initiated, primarily to reduce operational errors and process inefficiencies and also to help improve cycle time for product delivery to customers.

Risk Management & Portfolio Quality

Taking on various types of risk is integral to the banking business. Sound risk management and balancing risk-reward trade-offs are therefore critical to a bank's

BALANCE SHEET SIZE
(Rs. Crores)



DIRECTORS' REPORT (contd.)

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 retail and wholesale businesses. In retail loan 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 structure etc., are 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. 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 mitigation and management.

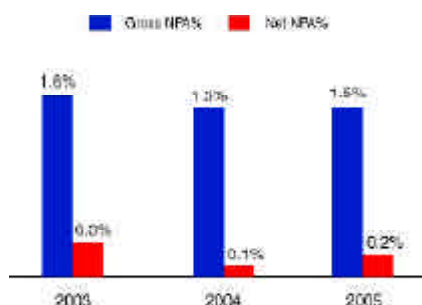
The Risk Monitoring Committee of the Board monitors the Bank's risk management policies and procedure, vets treasury risk limits before they are considered by the Board, and reviews portfolio composition and impaired credits. From an industry concentration perspective, as of March 31, 2005, the retail asset portfolio constituted 49% of the total customer assets

(including advances, corporate debt instruments, etc.). Other larger industry exposures include automotive (cars, two-wheelers and commercial vehicle manufacturers) at 9%, land transport at 4%, housing finance at 4% and heavy engineering/equipment at 1% of total customer assets. The well-diversified nature of the portfolio is evidenced in the fact that 23 industries account for 1% or more of the Bank's customer assets portfolio.

As of March 31, 2005, the Bank's ratio of gross non-performing assets (NPAs) to total customer assets was 1.47% as against 1.50% as of March 31, 2004. Increases in non-performing assets during the year were primarily related to delinquencies in various retail loan products. These delinquencies and NPAs were within the expected levels for each of the retail asset products given the seasoning of the retail portfolio. Net non-performing assets (gross non-performing assets less specific loan loss provisions, interest in suspense and ECGC claims received) were 0.24% of net advances and 0.20% of customer assets as of March 31, 2005 as against 0.16% and 0.12% respectively as of March 31, 2004. The specific loan loss provisions that 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 upfront based on estimated portfolio losses for its major retail loan product programs against which specific provisions are set-off as the portfolio ages and NPAs surface. As on March 31, 2005, total general loan loss provisions were 0.6% of the standard advances as against the regulatory requirement of 0.25%.

The Bank has been tracking the framing of the New Basel Capital Accord (Basel II) and the guidelines of the Reserve Bank of India in this regard. It has also assessed the key requirements of the framework, identified the areas in rating systems, risk architecture, technology support, process documentation, etc. needing augmentation and has laid down a roadmap for meeting the requirements in this respect. The Bank is in the process of implementing a solution, which meets its requirements in the wholesale credit area in connection with the Internal Ratings Based (IRB) Approach for credit risk. This will supplement the risk management systems the Bank already has in place since inception.

NPA % TO CUSTOMER ASSETS



DIRECTORS' REPORT (contd.)

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 processes and procedures as well as to regulatory and legal requirements. The department also pro-actively recommends improvements in operational processes and service quality. To ensure independence, the Audit & Compliance department reports directly to the Chairman of the Board of Directors and 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 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 & Compliance department and reviews the effectiveness of controls and compliance with regulatory guidelines.

SOCIAL INITIATIVES

Your Bank is committed to contributing its mite to the community primarily by supporting and encouraging the participation and contributions of its employees in social initiatives. During 2004-05, your Bank, in conjunction with a non-government organization (NGO) launched a Payroll Giving Program through which employees can make contributions from their monthly salaries to support causes of their choice

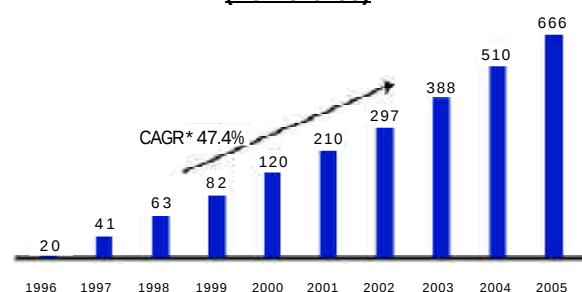
with the Bank matching such contributions from its side. Apart from this ongoing program, in response to the tragic tsunami disaster which caused huge loss of life and property in the coastal belt of South India, your Bank's employees made generous monetary contributions to the Prime Minister's Relief Fund with your Bank making an equivalent contribution to this cause. During the year, your Bank, in association with a social organization, sponsored a water project which now provides drinking water to villagers in the Karjat hills in Maharashtra. Before this project was commissioned in the summer months, the villagers had to carry water from the bottom of the hill to a height of almost 2500 feet for their daily needs. The Bank has also in partnership with another trust, sponsored the setting up of a high school education program in a village in the Uttar Kannada district in Karnataka state.

HUMAN RESOURCES

Given the Bank's significant expansion in terms of geography as well as in terms of products and business volumes, the Bank's staffing-needs continued to increase during the year particularly in the retail banking businesses. Total number of employees increased from 5673 as of March 31, 2004 to 9030 as of March 31, 2005. 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 so far covers around 95% employees.

CONSISTENT FINANCIAL PERFORMANCE

(Rs. Crores)



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

DIRECTORS' REPORT (contd.)

Bank had 9,030 employees as on March 31, 2005. Fifty-five employees employed throughout the year were in receipt of remuneration of more than Rs. 24.0 lacs per annum or more and six employees employed for part of the year were in receipt of remuneration of more than Rs. 2.0 lacs 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 have been followed along with proper explanation relating to material departures;
- 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, 2005 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

Mr. Ashim Samanta was appointed as an additional director of the Bank with effect from November 19, 2004 and shall hold office up to the date of ensuing Annual General Meeting of the Bank. Your Bank has received notice from a member pursuant to Section 257 of the Companies Act, 1956 signifying his intention to propose the candidature of Mr. Ashim Samanta for the office of Director.

Mr. Vineet Jain and Mr. Arvind Pande will retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

Mr. Anil Ahuja also retires by rotation at the ensuing Annual General Meeting and has expressed his desire of not seeking re-appointment at the said Annual General Meeting.

Dr. (Mrs.) Amla Samanta relinquished her office of Director with effect from April 25, 2004 upon completion of eight years pursuant to the Banking Regulation Act, 1949. Your directors wish to place on record their sincere appreciation for the contribution made by Dr. Samanta during her tenure as a Director.

The brief resume/details relating to Directors who are to be appointed/re-appointed are furnished in the report on Corporate Governance.

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 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 co-operation 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 appreciation to the dedicated and committed team of employees for their contribution in building A World Class Indian Bank.

On behalf of the Board of Directors

Jagdish Capoor
Chairman

Mumbai, 13 April, 2005

AUDITORS' REPORT

TO THE SHAREHOLDERS OF HDFC BANK LIMITED

We have audited the attached Balance Sheet of **HDFC Bank Limited** ("the Bank") as at 31st March 2005 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 purpose 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 as required by law have been kept by the Bank so far as appears from our examination of those books.
5. The financial accounting systems of the Bank are centralized and, therefore, accounting returns are not required to be submitted by the branches.

6. The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account of the Bank.
7. In our opinion, the Balance Sheet, 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.
8. 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, 2005 from being appointed as a director under Section 274(1)(g) of the Companies Act, 1956.
9. In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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 generally accepted in India:
 - (i) in case of the Balance Sheet, of the state of affairs of the Bank as at 31st March, 2005;
 - (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: 13 April, 2005

BALANCE SHEET

AS AT 31 MARCH, 2005

		(Rs. lacs)	
	Schedule	As at 31-03-2005	As at 31-03-2004
CAPITAL AND LIABILITIES			
Capital	1	309,88	284,79
Reserves and Surplus	2	4,209,97	2,407,09
Employees' Stock Options (Grants) Outstanding		43	1,45
Deposits	3	36,354,25	30,408,86
Borrowings	4	4,790,01	2,307,82
Subordinated debt	19 (5)	500,00	600,00
Other Liabilities and Provisions	5	5,264,46	6,296,98
Total		<u>51,429,00</u>	<u>42,306,99</u>
ASSETS			
Cash and balances with Reserve Bank of India	6	2,650,13	2,541,98
Balances with Banks and Money at Call and Short notice	7	1,823,87	1,008,90
Investments	8, 19(8)	19,349,81	19,363,46
Advances	9	25,566,30	17,744,51
Fixed Assets	10	708,32	616,91
Other Assets	11	1,330,57	1,031,23
Total		<u>51,429,00</u>	<u>42,306,99</u>
Contingent Liabilities	12	140,777,15	82,116,17
Bills for Collection		2,549,68	2,097,89

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

Mumbai, 13 April, 2005

Rs. 10 lacs = Rs. 1 million

For and on behalf of the Board

JAGDISH CAPOOR
Chairman

ADITYA PURI
Managing Director

SANJAY DONGRE
Vice President (Legal)
& Company Secretary

KEKI M. MISTRY
RANJAN KAPUR
VINEET JAIN
ASHIM SAMANTA
Dr. VENKAT RAO GADWAL
RENU KARNAD
ARVIND PANDE
BOBBY PARIKH
Directors

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH, 2005

			(Rs. lacs)
	Schedule	Year ended 31-03-2005	Year ended 31-03-2004
I. INCOME			
Interest earned	13	3,093,49	2,548,93
Other income	14	651,34	480,03
Total		3,744,83	3,028,96
II. EXPENDITURE			
Interest expended	15	1,315,56	1,211,05
Operating expenses	16	1,085,40	810,00
Provisions and contingencies [includes income tax provision of Rs. 313,38 lacs (previous year Rs. 209,46 lacs)]	17	678,31	498,41
Total		3,079,27	2,519,46
III. PROFIT			
Net Profit for the year		665,56	509,50
Profit brought forward		405,32	356,13
Total		1,070,88	865,63
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		166,39	127,38
Proposed dividend		140,07	100,05
Tax (including cess) on dividend		19,64	12,82
Cess on dividend pertaining to previous year paid during the year		26	—
Transfer to General Reserve		66,56	50,95
Transfer to Capital Reserve		62	—
Transfer to Investment Fluctuation Reserve		75,00	169,11
Balance carried over to Balance Sheet		602,34	405,32
Total		1,070,88	865,63
V. EARNINGS PER EQUITY SHARE	18		
(Face value Rs. 10/- per share) (Rupees)			
Basic		22.92	17.95
Diluted		21.64	16.55

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

Mumbai, 13 April, 2005

For and on behalf of the Board

JAGDISH CAPOOR
Chairman

ADITYA PURI
Managing Director

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BOBBY PARIKH
Directors

Rs. 10 lacs = Rs. 1 million

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH, 2005

	(Rs. lacs)	
	Year ended 31-03-2005	Year ended 31-03-2004
Cash flows from operating activities		
Net profit before income tax	978,94	718,96
<i>Adjustment for:</i>		
Depreciation charge for the year (including lease equalisation charge)	144,07	126,32
(Profit)/Loss on Revaluation of Investments	(13,98)	10,91
Amortisation of premia on investments	188,06	93,22
Loan Loss provisions	176,22	178,28
Provision for wealth tax	65	75
ESOS compensation lapsed	—	(4)
Other Provisions and Contingencies	—	16,70
(Profit)/Loss on sale of fixed assets	(21)	45
	1,473,75	1,145,55
<i>Adjustments for :</i>		
(Increase) in Investments	(160,43)	(6,005,63)
(Increase) in Advances	(7,961,18)	(6,051,86)
Increase in Borrowings	2,482,19	223,17
Increase in Deposits	5,945,39	8,032,79
(Increase)/Decrease in Other assets	(232,71)	635,09
(Decrease)/Increase in Other liabilities and provisions	(1,146,64)	2,634,40
(Increase)/Decrease in Deposit Placements	(376,48)	418,22
	23,89	1,031,73
Direct taxes paid	(371,95)	(284,39)
Net cash flow (used in) / from operating activities	(348,06)	747,34
Cash flows from investing activities		
Purchase of fixed assets	(244,28)	(214,39)
Proceeds from sale of fixed assets	95	2,48
Net cash used in investing activities	(243,33)	(211,91)

Rs. 10 lacs = Rs. 1 million

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH, 2005 (contd.)

		(Rs. lacs)
	Year ended 31-03-2005	Year ended 31-03-2004
Cash flows from financing activities		
Money received on exercise of stock options by employees	76,39	42,91
Proceeds from ADR issue (net of underwriting commission Rs. 37,73 lacs)	1,274,77	—
(Redemption) / Proceeds from issue of subordinated debt	(100,00)	400,00
Dividend provided last year paid during the year	(100,05)	(84,95)
Tax on Dividend	(13,08)	(10,88)
Net cash generated from financing activities	1,138,03	347,08
Net increase in cash and cash equivalents	546,64	882,51
Cash and cash equivalents as at the beginning of the year	3,194,36	2,311,85
Cash and cash equivalents as at the end of the year	3,741,00	3,194,36

In terms of our report of even date attached.

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

N. P. SARDA
Partner

Mumbai, 13 April, 2005

For and on behalf of the Board

JAGDISH CAPOOR
Chairman

ADITYA PURI
Managing Director

SANJAY DONGRE
Vice President (Legal)
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KEKI M. MISTRY
RANJAN KAPUR
VINEET JAIN
ASHIM SAMANTA
Dr. VENKAT RAO GADWAL
RENU KARNAD
ARVIND PANDE
BOBBY PARIKH
Directors

SCHEDULE TO THE ACCOUNTS

AS AT 31 MARCH, 2005 (contd.)

		(Rs. lacs)
	As at 31-03-2005	As at 31-03-2004
SCHEDULE 1 – CAPITAL		
Authorised Capital	450,00	450,00
45,00,00,000 (31 March, 2004 : 45,00,00,000)		
Equity Shares of Rs. 10/- each		
Issued, Subscribed and Paid-up Capital	309,88	284,79
30,98,75,308 (31 March, 2004 : 28,47,91,713)		
Equity Shares of Rs. 10/- each		
Total	309,88	284,79
SCHEDULE 2 – RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening Balance	452,37	324,99
Additions during the year	166,39	127,38
Total	618,76	452,37
II. General Reserve		
Opening Balance	148,30	97,35
Additions during the year	66,56	50,95
Total	214,86	148,30
III. Balance in Profit and Loss Account	602,34	405,32
IV. Share Premium Account		
Opening Balance	977,39	929,71
Additions during the year	1,335,02	47,68
Deductions during the year	(37,73)	—
Total	2,274,68	977,39
V. Investment Fluctuation Reserve		
Opening Balance	409,19	240,08
Additions during the year	75,00	169,11
Total	484,19	409,19

Rs. 10 lacs = Rs. 1 million

SCHEDULE TO THE ACCOUNTS

AS AT 31 MARCH, 2005 (contd.)

		(Rs. lacs)
	As at 31-03-2005	As at 31-03-2004
VI. Amalgamation Reserve		
Opening Balance	14,52	14,52
Total	14,52	14,52
VII. Capital Reserve		
Opening Balance	—	—
Additions during the year	62	—
Total	62	—
Total	4,209,97	2,407,09
SCHEDULE 3 - DEPOSITS		
I. Demand Deposits		
(i) From Banks	566,98	771,12
(ii) From Others	10,063,48	8,064,00
Total	10,630,46	8,835,12
II. Savings Bank Deposits	11,418,38	7,804,30
III. Term Deposits		
(i) From Banks	393,45	391,19
(ii) From Others	13,911,96	13,378,25
Total	14,305,41	13,769,44
Total	36,354,25	30,408,86
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
(i) Reserve Bank of India	—	—
(ii) Banks	3,291,00	1,555,54
(iii) Institutions and agencies	510,00	92,15
Total	3,801,00	1,647,69
II. Borrowings outside India	989,01	660,13
Total	4,790,01	2,307,82

Secured borrowings included in I & II above: Rs. 510,00 lacs (previous year: Rs. 1,40 lacs)

Rs. 10 lacs = Rs. 1 million

SCHEDULE TO THE ACCOUNTS

AS AT 31 MARCH, 2005 (contd.)

		(Rs. lacs)
	As at 31-03-2005	As at 31-03-2004
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	1,554,73	3,667,27
II. Interest Accrued	584,30	416,54
III. Others (including provisions)	2,965,72	2,100,30
IV. Proposed Dividend (including tax on dividend)	159,71	112,87
Total	<u>5,264,46</u>	<u>6,296,98</u>
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	<u>353,57</u>	<u>254,19</u>
II. Balances with Reserve Bank of India		
(a) In current accounts	2,196,56	2,187,79
(b) In other accounts	100,00	100,00
Total	<u>2,296,56</u>	<u>2,287,79</u>
Total	<u>2,650,13</u>	<u>2,541,98</u>
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
(i) Balances with Banks :		
(a) In current accounts	393,02	237,49
(b) In other deposit accounts	178,69	33,16
Total	<u>571,71</u>	<u>270,65</u>
(ii) Money at call and short notice :		
(a) With banks	880,40	54,15
Total	<u>1,452,11</u>	<u>324,80</u>
II. Outside India		
(i) In current accounts	14,45	6,46
(ii) Money at call and short notice	357,31	677,64
Total	<u>371,76</u>	<u>684,10</u>
Total	<u>1,823,87</u>	<u>1,008,90</u>

Rs. 10 lacs = Rs. 1 million

SCHEDULE TO THE ACCOUNTS

AS AT 31 MARCH, 2005 (contd.)

(Rs. lacs)

As at
31-03-2005

As at
31-03-2004

SCHEDULE 8 - INVESTMENTS

Investments in India in

(i) Government securities	11,227,07	11,530,55
(ii) Other approved securities	6,73	6,50
(iii) Shares	89,55	107,00
(iv) Debentures and Bonds	6,798,79	6,930,34
(v) Joint Venture	2,43	2,43
(vi) Units, Certificate of Deposits and Others	1,225,24	786,64
Total	19,349,81	19,363,46

SCHEDULE 9 - ADVANCES

A. (i) Bills purchased and discounted	4,655,67	3,193,97
(ii) Cash Credits, Overdrafts and Loans repayable on demand	5,536,28	3,740,65
(iii) Term loans	15,374,35	10,809,89
Total	25,566,30	17,744,51
B. (i) Secured by tangible assets*	19,447,37	15,277,11
(ii) Covered by Bank/Government Guarantees	137,37	116,74
(iii) Unsecured	5,981,56	2,350,66
Total	25,566,30	17,744,51

* Including advances against Book Debts

C. Advances in India		
(i) Priority Sector	5,616,62	2,498,39
(ii) Public Sector	437,16	335,28
(iii) Banks	10,87	10,72
(iv) Others	19,501,65	14,900,12
Total	25,566,30	17,744,51

SCHEDULE 10 - FIXED ASSETS

A. Premises (including Land)		
Gross Block		
At cost on 31 March of the preceding year	250,89	193,35
Additions during the year	40,41	58,32
Deductions during the year	(8)	(78)
Total	291,22	250,89

Rs. 10 lacs = Rs. 1 million

SCHEDULE TO THE ACCOUNTS

AS AT 31 MARCH, 2005 (contd.)

		(Rs. lacs)
	As at 31-03-2005	As at 31-03-2004
Depreciation		
As at 31 March of the preceding year	31,06	23,57
Charge for the year	9,54	7,87
On deductions during the year	—	(38)
Total	40,60	31,06
Net Block	250,62	219,83
B. Other Fixed Assets (including furniture and fixtures)		
Gross Block		
At cost on 31 March of the preceding year	766,61	616,93
Additions during the year	195,81	159,26
Deductions during the year	(6,96)	(9,58)
Total	955,46	766,61
Depreciation		
As at 31 March of the preceding year	369,53	258,96
Charge for the year	134,53	117,62
On deductions during the year	(6,30)	(7,05)
Total	497,76	369,53
Net Block	457,70	397,08
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	11,75	11,52
Charge for the year	—	23
Total	11,75	11,75

Rs. 10 lacs = Rs. 1 million

SCHEDULE TO THE ACCOUNTS

AS AT 31 MARCH, 2005 (contd.)

	(Rs. lacs)	
	As at 31-03-2005	As at 31-03-2004
Lease Adjustment Account		
As at 31 March of the preceding year	32,08	31,48
Charge for the year	—	60
Total	32,08	32,08
Unamortised cost of assets on lease	—	—
Total	708,32	616,91
SCHEDULE 11 - OTHER ASSETS		
I. Interest accrued	513,80	430,41
II. Advance tax (net of provision)	167,20	129,78
III. Stationery and stamps	4,93	1,66
IV. Bond and share application money pending allotment	—	9,25
V. Security deposit for commercial and residential property	91,11	75,30
VI. Cheques in course of collection	7,61	78,41
VII. Other assets *	545,92	306,42
Total	1,330,57	1,031,23

*Includes deferred tax asset (net) of Rs. 73,50 lacs. (previous year: Rs. 52,99 lacs)

SCHEDULE 12-CONTINGENT LIABILITIES

I. Claims against the Bank not acknowledged as debts -Taxation	140,57	82,44
II. Claims against the Bank not acknowledged as debts -Others	13,48	16,84
III. Liability on account of outstanding forward exchange contracts	53,398,18	39,444,08
IV. Liability on account of outstanding derivative contracts	81,767,47	38,938,98
V. Guarantees given on behalf of constituents- in India	2,431,98	1,641,73
VI. Acceptances, endorsements and other obligations	2,793,02	1,892,10
VII. Other items for which the Bank is contingently liable	232,45	100,00
Total	140,777,15	82,116,17

Rs. 10 lacs = Rs. 1 million

SCHEDULE TO THE ACCOUNTS

AS AT 31 MARCH, 2005 (contd.)

		(Rs. lacs)
	Year ended 31-03-2005	Year ended 31-03-2004
SCHEDULE 13- INTEREST EARNED		
I. Interest/discount on advances/bills	1,663,70	1,108,66
II. Income from investments	1,306,36	1,322,22
III. Interest on balance with RBI and other inter-bank funds	114,03	110,96
IV. Others	9,40	7,09
Total	<u>3,093,49</u>	<u>2,548,93</u>
SCHEDULE 14- OTHER INCOME		
I. Commission, exchange and brokerage	604,96	320,35
II. (Loss)/Profit on sale of investments	(79,74)	37,78
III. Profit / (Loss) on revaluation of investments	13,98	(10,91)
IV.. Profit / (Loss) on sale of building and other assets	21	(45)
V. Profit on exchange transactions	91,17	74,00
VI. Miscellaneous income	20,76	59,26
Total	<u>651,34</u>	<u>480,03</u>
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on Deposits	1,107,64	1,038,29
II. Interest on RBI/Inter-bank borrowings	166,16	143,62
III. Other interest*	41,76	29,14
Total	<u>1,315,56</u>	<u>1,211,05</u>

**Principally includes interest on subordinated debt.*

SCHEDULE 16 - OPERATING EXPENSES

I. Payments to and provisions for employees	276,67	204,09
II. Rent, taxes and lighting	119,77	98,44

Rs. 10 lacs = Rs. 1 million

SCHEDULE TO THE ACCOUNTS

AS AT 31 MARCH, 2005 (contd.)

		(Rs. lacs)
	Year ended 31-03-2005	Year ended 31-03-2004
III. Printing and stationery	46,37	37,48
IV. Advertisement and publicity	54,95	37,06
V. Depreciation on bank's property	144,07	125,72
VI. Directors' fees, allowances and expenses	15	12
VII. Auditors' fees and expenses*	72	49
VIII. Law charges	2,44	1,25
IX. Postage ,telegram, telephone etc.	101,55	77,00
X. Repairs and maintenance	72,76	66,17
XI. Insurance	33,21	17,90
XII. Other Expenditure **	232,74	144,28
Total	1,085,40	810,00

* Excludes Rs. 24 lacs (previous year: Rs. 14 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 and hotel charges, entertainment, registrar and transfer agency fees and system management fees.

SCHEDULE 17- PROVISIONS AND CONTINGENCIES

I. Income tax	313,38	209,46
II. Wealth tax	65	75
III. Loan loss provision	176,22	178,28
IV. Amortisation of premia on investments	188,06	93,22
V. Others	—	16,70
Total	678,31	498,41

SCHEDULE TO THE ACCOUNTS

AS AT 31 MARCH, 2005 (contd.)

SCHEDULE 18 – EARNINGS PER EQUITY SHARE

Annualised earnings per equity share have been calculated based on the net income after taxation of Rs. 665,56 lacs (previous year: Rs. 509,50 lacs) and the weighted average number of equity shares in issue during the year amounting to 29,03,83,946 (previous year: 28,38,06,538).

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

	(Rupees)	
	For the year	
	2004-2005	2003-2004
Nominal value per share	10.00	10.00
Basic earnings per share	22.92	17.95
Effect of potential equity shares for stock options and subordinated debt (per share)	(1.28)	(1.40)
Diluted earnings per share	21.64	16.55

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.

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

	(Rs. lacs)	
	For the year	
	2004-2005	2003-2004
Earnings used in basic earnings per share	665,56	509,50
Impact of dilution on profits	7,15	12,27
Earnings used in diluted earnings per share	672,71	521,77

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

	For the year	
	2004-2005	2003-2004
Weighted average number of equity shares used in computing basic earnings per equity share.	29,03,83,946	28,38,06,538
Effect of potential equity shares for stock options outstanding and subordinated debt.	2,04,56,563	3,13,76,824
Weighted average number of equity shares used in computing diluted earnings per equity share.	31,08,40,509	31,51,83,362

Rs. 10 lacs = Rs. 1 million

SCHEDULE TO THE ACCOUNTS

AS AT 31 MARCH, 2005 (contd.)

SCHEDULE 19 – NOTES AND PRINCIPAL ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2005.

1. Capital Adequacy Ratio

The Bank's capital adequacy ratio, calculated in accordance with the Reserve Bank of India guidelines, is as follows:

	(Rs. lacs)	
	For the year	
	2004-2005	2003-2004
<u>Capital Structure</u>		
Tier I Capital		
Subscribed and Paid-up Capital	309,88	284,79
Statutory Reserve	618,76	452,37
Balance in Profit and Loss account	602,34	405,32
Share Premium Account	2,274,68	977,39
Amalgamation Reserve	14,52	14,52
General Reserve	214,86	148,30
Capital Reserve	62	—
Less: Deferred Tax Asset	(73,50)	(52,99)
Total	3,962,16	2,229,70
Tier II Capital		
Subordinated Debt	420,00	440,00
General Loan Loss Provisions	150,54	158,93
Investment Fluctuation Reserve	484,19	409,19
Total	1,054,73	1,008,12
Total Capital funds	5,016,89	3,237,82
<u>Risk Weighted Assets and Contingents</u>		
Credit Risk	40,018,26	27,142,40
Market Risk – Trading Book	772,22	165,58
Market Risk – Others	480,55	465,84
Total	41,271,03	27,773,82
<u>Capital Adequacy Ratios</u>		
Tier 1	9.60%	8.03%
Tier 2	2.56%	3.63%
Total	12.16%	11.66%

Rs. 10 lacs = Rs. 1 million

SCHEDULE TO THE ACCOUNTS

AS AT 31 MARCH, 2005 (contd.)

Pursuant to new regulatory guidelines, the capital adequacy ratio of the Bank as on March 31, 2005 has been calculated after factoring therein higher risk weights for consumer credit (125% from 100%) and investments in Mortgage Backed Securities (MBS) (75% from 50%) as well as the capital requirement for market risk on the trading book.

Trading book as on March 31, 2005, includes securities in the Held for Trading category, open forex position, trading positions in derivatives and derivatives entered into for hedging trading book exposures. As of March 31, 2004, trading book included investments in the Held for Trading category and open forex position. Market Risk – Others, represents market risk on investments in the Available for Sale and Held to Maturity categories, computed as per the extant Reserve Bank of India guidelines.

	For the year	
	2004-2005	2003-2004
2 Business ratios / information		
Interest income as a percentage of working funds ¹	6.85%	7.28%
Net interest income as a percentage of working funds	3.94%	3.82%
Non-interest income as a percentage of working funds	1.44%	1.37%
Operating profit ² as a percentage of working funds	2.56%	2.56%
Return on assets (<i>average</i>)	1.47%	1.45%
Business ³ per employee (Rs. lacs)	806	866
Profit per employee ⁴ (Rs. lacs)	8.80	9.39
Percentage of Net Non Performing Assets ⁵ to Customer Assets ⁶	0.20%	0.12%
Percentage of Net Non Performing Assets to Net Advances ⁷	0.24%	0.16%
Gross Non Performing Assets to Gross Advances	1.69%	1.85%

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 – Amortisation of premia 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.
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 and loans & investments in securitised assets bought in.
7. Net Advances are equivalent to gross advances net of bills rediscounted, specific loan loss provisions, interest in suspense and ECGC claims received.

Rs. 10 lacs = Rs. 1 million

SCHEDULE TO THE ACCOUNTS

AS AT 31 MARCH, 2005 (contd.)

3 American Depositary Shares

The Bank raised capital in the form of add-on American Depositary Shares (ADS), which were listed on the New York Stock Exchange on January 21, 2005 at a price of US\$ 39.26 per ADS. Each ADS represents 3 equity shares. The issue size was US\$ 261 million plus a green shoe option of 15% (US\$ 39 million), which was exercised. Net of issue expenses, the Bank received US\$ 291 million. Consequent to this issue, the share capital of the Bank has increased by Rs. 22,92 lacs and the reserves of the Bank have increased by Rs. 1,251,84 lacs as share premium after charging off issue related expenses.

4 Reserves and Surplus

General Reserve

The Bank has made an appropriation from the profit and loss account balance of Rs. 66,56 lacs (previous year: Rs. 50,95 lacs) out of profits for the year ended March 31, 2005 to General Reserve pursuant to Companies (Transfer of Profits to Reserves) Rules, 1975.

Investment Fluctuation Reserve

The Bank has made an appropriation from the profit and loss account balance of Rs. 75,00 lacs (previous year: Rs. 169,11 lacs) out of profits for the year ended March 31, 2005. The Bank, after the above appropriation, carries an Investment Fluctuation Reserve of Rs. 484,19 lacs (previous year: Rs. 409,19 lacs) which is 4.5% (previous year: 3.0%) of the investment portfolio, excluding investments categorised as Held to Maturity and investments held under the Liquidity Adjustment Facility with the Reserve Bank of India, which are transitory in nature.

5 Subordinated Debt

Subordinated debt outstanding as at March 31, 2005 is a long-term unsecured non-convertible debt aggregating Rs. 500 crores (previous year: Rs. 600 crores).

Based on the balance term to maturity as at March 31, 2005, only 84% 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. 90 crores (previous year: Rs. 150 crores) issued to certain Government owned Indian Financial Institutions contains a clause, to convert into fully paid equity shares an amount not exceeding 20% of the amount outstanding in the event of a default in the payment of interest or principal. If the Bank were to default on all such debts and be obligated to issue the maximum number of shares based on the amount outstanding and interest payable until March 31, 2005, such amount would approximately be 1,86 lac shares (previous year: 3,10 lac shares).

6 Other liabilities

Others in other liabilities include:

- General loan loss provisions of Rs. 150,54 lacs (previous year: Rs. 158,93 lacs)
- Share application monies received Rs. 42,35 lacs (previous year: Rs. 12,55 lacs) pursuant to the exercise of employee stock options.

SCHEDULE TO THE ACCOUNTS

AS AT 31 MARCH, 2005 (contd.)

7 Dividend paid on shares issued on exercise of stock options

The Bank has allotted 1,378,100 shares after the balance sheet date, in April 2005, pursuant to the exercise of options during the quarter ended March 31, 2005. These shares will be eligible for full dividend, if approved at the ensuing Annual General Meeting.

Provisions regarding the levy of education cess of 2% were introduced by the Finance (No. 2) Act, 2004, (enacted in September 2004) with retrospective effect from April 1, 2004. Pursuant to the change in law, the Bank has now appropriated an amount of Rs. 26 lacs towards education cess in respect of dividend, pertaining to the fiscal 2003-2004 and paid during the year ended March 31, 2005.

8 Investments

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

(Rs. lacs)

	As at March 31, 2005				As at March 31, 2004			
	Held for Trading	Available for Sale	Held to Maturity	Total	Held for Trading	Available for Sale	Held to Maturity	Total
Government Securities	127,85	3,130,93	7,968,29	11,227,07	424,43	8,443,76	2,662,36	11,530,55
Other Approved Securities	—	6,73	—	6,73	—	6,50	—	6,50
Shares	—	45,14	44,41	89,55	—	22,09	84,91	107,00
Bonds and Debentures	—	6,178,44	620,35	6,798,79	198,18	5,852,30	879,86	6,930,34
Joint Ventures	—	—	2,43	2,43	—	—	2,43	2,43
Others	—	1,225,24	—	1,225,24	—	786,64	—	786,64
Total	127,85	10,586,48	8,635,48	19,349,81	622,61	15,111,29	3,629,56	19,363,46

- Investments as at March 31, 2005 do not have any outstanding for securities held under the Liquidity Adjustment Facility with the Reserve Bank of India (previous year: Rs. 1,995,00 lacs).
- Investments include securities aggregating Rs. 704,09 lacs (previous year: Rs. 100,00 lacs), which are kept as a margin with the Clearing Corporation of India Limited and Rs. 154,89 lacs (previous year: Nil), which are kept as a margin with the Reserve Bank of India towards Real Time Gross Settlement (RTGS).
- Other investments include commercial paper of Rs. 129,65 lacs (previous year: Rs. 89,98 lacs) and deposit with NABARD under the RIDF Deposit Scheme amounting to Rs. 136,96 lacs (previous year: Rs. 106,67 lacs).
- During the quarter ended September 30, 2004, the Bank transferred a portion of its Government (SLR) Securities held in the "Available for Sale" category to the "Held to Maturity" category at the least of cost/book value/market price, pursuant to enabling regulatory guidelines. The loss resulting from the transfer, amounting to Rs. 87,11 lacs has been taken to the Profit or Loss Account.
- The Bank has made investments in certain companies wherein 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 per (AS) 27, Financial Reporting of Interest in Joint Ventures, issued by the Institute of Chartered Accountants of India,

SCHEDULE TO THE ACCOUNTS

AS AT 31 MARCH, 2005 (contd.)

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 the investment portfolio of the Bank (Rs. lacs)

	March 31, 2005	March 31, 2004
Gross value of investment	19,355,31	19,382,95
Depreciation in the value of investment	5,50	19,49
Net book value	19,349,81	19,363,46

- Issuer composition of Non-SLR Investments as on March 31, 2005 (Rs. lacs)

No.	Issuer	Amount	Extent of private placement	Extent of "below investment grade" securities	Extent of "unrated" securities	Extent of "unlisted" securities
1	Public Sector Undertakings	223,03	222,96	—	136,96	136,96
2	Financial Institutions	120,31	71,25	—	60,30	5,04
3	Banks	4,40	4,40	—	—	4,40
4	Private Corporates	1,262,68	788,74	—	61,41	288,51
5	Subsidiaries/ Joint Ventures	2,43	2,43	—	2,43	2,43
6	Others	6,508,66	5,715,32	—	978,99	3,741,16
7	Provision held towards depreciation	(5,50)	—	—	—	—
	Total	8,116,01	6,805,10	—	1,240,09	4,178,50

- Issuer 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	Public Sector Undertakings	455,72	182,67	—	127,04	182,49
2	Financial Institutions	41,50	41,50	—	—	25,00
3	Banks	51,39	50,00	—	—	51,08
4	Private Corporates	1,582,59	1,212,80	—	138,49	1,101,45
5	Subsidiaries/ 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	7,826,41	6,898,17	—	970,10	6,738,41

Rs. 10 lacs = Rs. 1 million

SCHEDULE TO THE ACCOUNTS

AS AT 31 MARCH, 2005 (contd.)

- Details of Repo / Reverse Repo deals done during the year ended March 31, 2005 (Rs. lacs)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	As on March 31, 2005
Security sold under repos	—	2,643,49	540,54	—
Security purchased under reverse repos	—	4,383,59	1,127,25	—

The above includes deals done under Liquidity Adjustment Facility (LAF) with the Reserve Bank of India (net of margin).

- Details of Repo / Reverse Repo deals done during the year ended March 31, 2004 (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 the Reserve Bank of India (net of margin).

9. Movements in provisions for depreciation on investments (Rs. lacs)

	2004 – 2005	2003 – 2004
As at April 1	19,49	8,58
Add: Provisions made during the year	143,78	69,80
Less: Write-off, write back of excess provision during the year	157,77	58,89
As at March 31	5,50	19,49

The movement in provisions for depreciation on investments is reckoned on a monthly basis, based on the change in investment valuations done as at every month end for each category/group of investments.

10. Non performing Non-SLR investments (Rs. lacs)

Particulars	2004-2005	2003-2004
As at April 1	8,93	48
Additions during the year	15	8,93
Reductions during the year	—	48
As at March 31	9,08	8,93
Total provisions held	5,50	4,46

Rs. 10 lacs = Rs. 1 million

SCHEDULE TO THE ACCOUNTS

AS AT 31 MARCH, 2005 (contd.)

11. Other Assets

Other assets include deferred tax asset (net) of Rs. 73,50 lacs (previous year: Rs. 52,99 lacs). The break up of the same is as follows:

	(Rs. lacs)	
	March 31, 2005	March 31, 2004
Deferred tax asset		
Loan loss provisions	140,55	115,32
Others	9,93	10,66
Total	150,48	125,98
Deferred tax liability		
Depreciation	(76,98)	(72,99)
Total	(76,98)	(72,99)
Deferred Tax Asset (net)	73,50	52,99

12 Interest Income

Interest income under the sub-head Income from Investments includes dividend received during the year ended March 31, 2005 on units, equity and preference shares amounting to Rs. 37,73 lacs (previous year: Rs. 76,94 lacs)

13 Earnings from Securitised-out Assets

During the year ended March 31, 2005, the Bank securitised loans with a carrying value of Rs. 4,802,22 lacs excluding retained interest (previous year: Rs. 544,91 lacs), which resulted in gains of Rs. 62,25 lacs (previous year: Rs. 12,38 lacs), being the excess of the sale consideration over the book value and provisions towards servicing and incidental costs of the contracts so securitised out. The Bank has retained beneficial interest in the assets sold to the extent of Rs. 1,144,10 lacs (previous year: Rs. 24,90 lacs) as on March 31, 2005.

14 Commission, exchange and brokerage income

Commission, exchange and brokerage income is net of correspondent bank charges and brokerage paid on purchase and sale of investments.

15 Miscellaneous income

Miscellaneous income includes Rs. 20,41 lacs (previous year: Rs. 54,86 lacs) pertaining to derivative transactions.

16 Other expenditure

Other Expenditure includes Sales and Marketing Expense amounting to Rs. 84,18 lacs (previous year: Rs. 49,40 lacs) and Outsourcing Fees amounting to Rs. 66,52 lacs (previous year: Rs. 30,30 lacs) exceeding 1% of the total income of the Bank.

SCHEDULE TO THE ACCOUNTS

AS AT 31 MARCH, 2005 (contd.)

17. Income Taxes

(Rs. lacs)

	<u>2004-2005</u>	<u>2003-2004</u>
The income tax expense comprises the following:		
Current income tax expense	333,89	242,71
Deferred income tax (benefit) / expense	(20,51)	(33,25)
Income tax expense	313,38	209,46

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	978,94	718,96
Effective statutory income tax rate	36.59%	35.88%
Expected income tax expense	358,22	257,96
Adjustments to reconcile expected income tax to actual tax expense:		
Permanent differences:		
Income exempt from taxes	(50,48)	(52,94)
Other (including adjustments for prior years) – net	30	4,44
Effect of change in statutory tax rates – net	5,34	—
Income tax expense	313,38	209,46

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

18. Maturity pattern of key assets and liabilities

(Rs. lacs)

As at March 31, 2005	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 & Advances	3,158,62	1,112,26	5,216,14	1,806,24	5,417,59	6,998,03	1,483,48	373,94	25,566,30
Investments	2,956,82	528,70	750,88	1,004,75	2,129,18	9,131,48	1,614,23	1,233,77	19,349,81
Deposits	3,198,38	733,24	1,942,26	2,104,77	3,014,08	24,293,47	1,068,05	—	36,354,25
Borrowings	3,744,11	13,43	401,75	614,85	—	1,10	14,77	—	4,790,01
FCY Assets	359,33	176,73	551,19	326,13	105,42	204,88	13,79	1	1,737,48
FCY Liabilities	185,34	82,92	474,92	717,03	210,45	682,83	14,77	—	2,368,26

Rs. 10 lacs = Rs. 1 million

SCHEDULE TO THE ACCOUNTS

AS AT 31 MARCH, 2005 (contd.)

(Rs. lacs)

As at March 31, 2004	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 & 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	1,923,32	1,597,04	19,363,46
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
FCY Assets	1,129,20	22,80	106,35	95,42	123,34	110,03	12,20	—	1,599,34
FCY 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.

19. Single and Group Borrower Exposures

As a measure aimed at better risk management and avoidance of concentration of credit risk, the Reserve Bank of India has prescribed credit exposure limits for banks in respect of their lending to single borrowers and group borrowers vide circular no. DBOD No. Dir. BC. 14 /13.03.00/2004-05 dated July 21, 2004. The exposure limits prescribed are 15% of the capital funds of banks in case of single borrowers and 40% of the capital funds of banks in case of group borrowers. In case of infrastructure projects such as power, telecommunications, road and port projects, an additional exposure of up to 5% of capital funds is allowed.

During the year, the Bank's credit exposures to single borrowers and group borrowers were within the aforesaid limits except in three cases where single borrower limits were exceeded, for which the Bank had obtained prior approval of the Reserve Bank of India. As at March 31, 2005, single borrower limit exceeded in case of one such borrower. The said credit exposure is classified as 'State Sponsored Financial Institution' under the industry-wise categorisation and amounts to Rs. 1,064,66 lacs as on March 31, 2005.

20. Capital Market Exposure

(Rs. lacs)

	March 31, 2005	March 31, 2004
Investments in shares, bonds, debentures & equity oriented mutual funds	22,52	24,51
Advances against shares	422,42	130,47
Other funded exposures	166,05	18,55
Margin Trading	—	—
Non fund exposures	373,64	430,75
Total	984,63	604,28
Advance reckoned for capital market exposure	18,135,00	12,569,64
Capital market exposure as a ratio of advances	5.43%	4.81%

Rs. 10 lacs = Rs. 1 million

SCHEDULE TO THE ACCOUNTS

AS AT 31 MARCH, 2005 (contd.)

- Exposure is higher of limits sanctioned or the amount outstanding.
- Advance against shares does not include advances to individuals against collateral of shares for personal purposes like education, housing, consumption etc. of Rs. 699,25 lacs (previous year: Rs. 540,99 lacs) in line with the guidelines issued by the Reserve Bank of India vide circular DBOD.BP.BC.119/21.04.137/2000-2001.
- Advances reckoned for capital market exposure are 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.
- The Capital Market Exposure is within the norms prescribed by the Reserve Bank of India.

21. Lending to other sensitive sectors		(Rs. lacs)
	March 31, 2005	March 31, 2004
Real Estate Sector	96,95	33,06
Commodities Sector	365,90	371,46
Total	462,85	404,52

22. Financing of equities and investments in shares		(Rs. lacs)
	March 31, 2005	March 31, 2004
Equity Shares	35,53	24,51
Preference Shares	56,60	84,92
Advance against shares	1,121,67	671,46
Total	1,213,80	780,89

Advance against shares includes advances to individuals for personal purposes like education, housing, consumption etc., against security of shares of Rs. 699,25 lacs (previous year Rs. 540,99 lacs), which are excluded for reckoning the Bank's aggregate exposure to the capital markets.

23. Movements in NPAs (funded)		(Rs. lacs)
Gross NPAs	2004-2005	2003-2004
As at April 1	335,61	265,45
Additions during the year	258,31	138,95
Deletions during the year	154,75	68,79
As at March 31	439,17	335,61
Provisions		
As at April 1	307,66	222,53
Add: Provisions made during the year	216,01	150,74
Less: Write-off, write back of excess provision during the year	145,13	65,61
As at March 31	378,54	307,66
Net NPAs as at March 31	60,63	27,95

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

Rs. 10 lacs = Rs. 1 million

SCHEDULE TO THE ACCOUNTS

AS AT 31 MARCH, 2005 (contd.)

24. Category-wise NPAs (funded)		(Rs. lacs)
Non Performing Asset Category	March 31, 2005	March 31, 2004
Gross NPAs		
Sub-standard	164,22	56,55
Doubtful	171,61	205,90
Loss	103,34	73,16
As at March 31	439,17	335,61
Provisions		
Sub-standard	107,16	39,59
Doubtful	168,04	194,91
Loss	103,34	73,16
As at March 31	378,54	307,66
Net NPA	60,63	27,95

(Rs. lacs)

25 Loans Restructured	2004-2005	2003-2004
Total amount of loans subjected to restructuring	47,45	37,69
<i>Of which:</i>		
Standard assets subjected to restructuring	37,12	37,69
Substandard assets subjected to restructuring	10,33	—

26 Country Risk Exposure

The Bank does not have net funded exposure to any foreign country in excess of 1% of its total assets as on March 31, 2005. Hence no provision has been made in respect of country risk.

27 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:

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.

SCHEDULE TO THE ACCOUNTS

AS AT 31 MARCH, 2005 (contd.)

HDFC Investments Ltd.

HDFC Trustee Company Ltd.

GRUH Finance Ltd.

HDFC Realty Ltd.

HDFC Chubb General Insurance Company Ltd.

HDFC Venture Capital Ltd.

HDFC Ventures Trustee Company Ltd.

Home Loan Services India Pvt. Ltd.

Associates

Computer Age Management Services Pvt. Ltd.

SolutionNET India Pvt. Ltd.

Softcell Technologies Ltd.

HDFC Securities Ltd.

Atlas Documentary Facilitators Company Pvt. Ltd.

Flexcel International Pvt. Ltd.

HBL Global Pvt. Ltd.

Key Management Personnel

Aditya Puri, Managing Director

Related Party to Key Management Personnel

Salisbury Investments Pvt. Ltd.

The Bank's related party balances and transactions are summarized as follows:

HDFC Securities Ltd. (HSL)

In fiscal year 2004-05, the Bank paid Rs. 8 lacs (previous year: Rs. 38 lacs) for sales assistance provided by HSL. The Bank paid Rs. 7 lacs (previous year: Rs. Nil) for fixed asset acquired from HSL. An amount of Rs. 16 lacs (previous year: Rs. Nil) was receivable from HSL as of March 31, 2005. Total amount received by the Bank for services provided to HSL in fiscal year 2004-05 aggregates to Rs. 92 lacs (previous year: Rs. 17 lacs). The Bank paid Rs. Nil (previous year: Rs. 33 lacs) as rent and maintenance charges to HSL. As of March 31, 2005 the Bank has investment amounting to Rs. 89 lacs (previous year: Rs. 89 lacs) in the capital of HSL.

HDFC Ltd.

In fiscal year 2004-05, the Bank paid Rs. 44 lacs (previous year: Rs. 25 lacs) to HDFC Ltd. as maintenance and service charges. For the year ended March 31, 2005, the Bank paid an aggregate of Rs. 42 lacs (previous year: Rs. 52 lacs) as rent to HDFC Ltd. for the use of premises owned or leased by HDFC Ltd. The Bank has deposited an amount of Rs. 2 lacs (previous year: Rs. 2 lacs) to secure these leased properties. For the fiscal year ended 2004-05 the Bank earned Rs. 10,24 lacs (previous year: Rs. 91 lacs) from HDFC Ltd. as fees for sourcing home loans. As on March 31, 2005, fees amounting to Rs. 1,71 lacs (previous year: Rs. Nil) are receivable as fees for sourcing home loans.

Rs. 10 lacs = Rs. 1 million

SCHEDULE TO THE ACCOUNTS

AS AT 31 MARCH, 2005 (contd.)

HDFC Standard Life Insurance Company Ltd. (HDFC Standard Life)

In fiscal year 2004-05, the Bank paid Rs. 1,66 lacs (previous year: Rs. Nil) to HDFC Standard Life as premium for insurance of its employees covered under gratuity and superannuation scheme. In the same period, the Bank received fees and commission aggregating to Rs. 16,99 lacs (previous year: Rs. 2,99 lacs) from HDFC Standard Life for sale of insurance policies.

HDFC Asset Management Company Ltd. (HDFC AMC)

The Bank has retained HDFC AMC to invest its funds primarily in debt instruments up to an amount approved by the Board of Directors of the Bank. The amount of investment outstanding as of March 31, 2005 was Rs. 320,24 lacs (previous year: Rs. 303,32 lacs). In fiscal year 2004-05, the Bank paid Rs. 7 lacs (previous year: Rs. 6 lacs) as professional fees and Rs. 33 lacs (previous year: Rs. 33 lacs) towards rent for premises occupied by the Bank. Security deposit of Rs. 17 lacs (previous year: Rs. 17 lacs) has been kept with HDFC AMC to secure the above-mentioned leased property. The Bank earned Rs. 10,09 lacs (previous year: Rs. 5,86 lacs) for distribution of units of mutual funds of HDFC AMC.

HDFC Chubb General Insurance Company Ltd. (HDFC Chubb)

In fiscal year 2004-05, the Bank paid Rs. 79 lacs (previous year: Rs. 75 lacs) towards insurance premium. A deposit of Rs. 1 lac (previous year: Rs. Nil) has been kept with HDFC Chubb. The Bank earned commission of Rs. 2,19 lacs (previous year: Rs. Nil) for sale of Insurance policies.

HDFC Realty Ltd.

There has been no dealing with HDFC Realty Ltd., in the fiscal year 2004-05. For the year ended March 31, 2004 the Bank paid Rs. 12 lacs to HDFC Realty Ltd., toward property related services.

Atlas Documentary Facilitators Company Pvt. Ltd. (ADFC)

In fiscal year 2004-05, the Bank paid ADFC Rs. 38,86 lacs (previous year: Rs. 20,57 lacs) for back-office processing services. Deposit of Rs. 60 lacs (previous year: Rs. 60 lacs) has been kept with ADFC for various services provided. As on March 31, 2005, an amount of Rs. 4,01 lacs (previous year: Rs. 1,36 lacs) is payable to ADFC for various back-office processing services rendered to the Bank. The Bank earned Rs. 2,95 lacs (previous year: Rs. 1,93 lacs) from ADFC as rent of the premises occupied by ADFC and towards other services rendered by the Bank. As of March 31, 2005, the Bank has an equity investment of Rs. 2 lacs (previous year Rs. 2 lacs) in the company.

HBL Global Pvt. Ltd. (HBL Global)

In fiscal year 2004-05, the Bank paid a net fee of Rs. 117,31 lacs (previous year: Rs. 59,17 lacs) to HBL Global towards sales and promotional expense.

A security deposit of Rs. 4,07 lacs (previous year: Rs. 4,07 lacs) has been kept with HBL Global towards services provided by them. As on March 31, 2005 an amount of Rs. 3,37 lacs (previous year: Rs. 2,79 lacs) is payable to them for accounts sourced in the fiscal year 2004-05. The Bank earned Rs. 50 lacs as rent for premises occupied by HBL Global, during the fiscal year 2004-05.

Flexcel International Pvt. Ltd. (Flexcel)

The Bank has a loan of Rs. 25 lacs (previous year: Rs. 50 lacs) outstanding from Flexcel as on March 31, 2005. The Bank paid Flexcel Rs. Nil (previous year: Rs. 11 lacs) for services received. As of March 31, 2005, the Bank has an equity investment of Rs. 1,53 lacs (previous year Rs. 1,53 lacs) in the company.

SCHEDULE TO THE ACCOUNTS

AS AT 31 MARCH, 2005 (contd.)

Salisbury Investments Pvt. Ltd.

Salisbury Investments Pvt. Ltd. is a company in which the relatives of the Managing Director hold a stake. In fiscal year 2004-05, amount of deposit outstanding with Salisbury Investments Pvt. Ltd. was Rs. 2,10 lacs (previous year: Rs. 2,10 lacs). For the year ended March 31, 2005, the Bank paid rent of Rs. 11 lacs (previous year: Rs. 11 lacs), which is towards the residential accommodation of the Managing Director of the Bank.

Management Remuneration

The Bank has paid a total amount of Rs. 1,47 lacs (previous year: Rs. 93 lacs) as remuneration to the Managing Director. This includes the taxable value of perquisites as per the Income Tax Rules.

Other Strategic Investments

The Bank frequently partners with other HDFC group companies when making strategic investments. The Bank currently has three strategic investments, Computer Age Management Services Pvt. Ltd. (CAMS), SolutionNET India Pvt. Ltd. (SolutionNET) and Softcell Technologies Ltd. (Softcell) in which HDFC group companies are co-investors. The Bank has invested an amount of Rs. 61 lacs (previous year: Rs. 61 lacs) in capital of CAMS, Rs. 76 lacs (previous year: Rs. 76 lacs) in capital of SolutionNET and Rs. 2,60 lacs (previous year: Rs. 2,60 lacs) in the capital of Softcell.

The Bank routinely conducts business with some of the companies in which it has made strategic investments. For the year ended March 31, 2005, the Bank paid CAMS Rs. 17 lacs (previous year: Rs. 7 lacs) and Softcell Rs. 65 lacs (previous year: Rs. 63 lacs) for providing software-related services. In the year ended March 31, 2005 the Bank has paid Rs. 3,79 lacs (previous year: Rs. 1,91 lacs) towards fixed assets purchased from Softcell.

28. Segment Reporting

The Bank operates in three segments viz. retail banking, wholesale banking and treasury services.

Summary of the three operating segments of the Bank is: (Rs. lacs)

Particulars	2004-2005	2003-2004
1 Segment Revenue		
a) Retail Banking	3,536,27	2,531,97
b) Wholesale Banking	2,056,35	1,761,45
c) Treasury	286,89	440,60
Total	5,879,51	4,734,02
Less: Inter Segment Revenue	2,134,68	1,705,06
Income from Operations	<u>3,744,83</u>	<u>3,028,96</u>
2. Segment Results		
a) Retail Banking	520,64	222,21
b) Wholesale Banking	539,36	348,26
c) Treasury	(81,06)	148,49
Total Profit Before Tax	978,94	718,96
Income Tax expense	(313,38)	(209,46)
Total Result	<u>665,56</u>	<u>509,50</u>

Rs. 10 lacs = Rs. 1 million

SCHEDULE TO THE ACCOUNTS

AS AT 31 MARCH, 2005 (contd.)

		(Rs. lacs)
	2004-2005	2003-2004
3. Capital Employed		
Segment assets		
a) Retail Banking	24,469,93	18,551,56
b) Wholesale Banking	24,962,34	18,112,47
c) Treasury	1,756,03	5,460,19
d) Unallocated	240,70	182,77
Total Assets	51,429,00	42,306,99
Segment liabilities		
a) Retail Banking	27,361,46	21,410,46
b) Wholesale Banking	14,932,39	16,290,24
c) Treasury	4,455,16	1,800,09
d) Unallocated	160,14	114,32
Total Liabilities	46,909,15	39,615,11
Net Segment assets / (liabilities)		
a) Retail Banking	(2,891,53)	(2,858,90)
b) Wholesale Banking	10,029,95	1,822,23
c) Treasury	(2,699,13)	3,660,10
d) Unallocated	80,56	68,45
Other Information		
4. Capital Expenditure		
a) Retail Banking	186,34	155,14
b) Wholesale Banking	47,02	49,44
c) Treasury	10,92	13,00
Total	244,28	217,58
5. Depreciation		
a) Retail Banking	109,20	95,00
b) Wholesale Banking	23,96	21,37
c) Treasury	10,91	9,35
Total	144,07	125,72

Rs. 10 lacs = Rs. 1 million

SCHEDULE TO THE ACCOUNTS

AS AT 31 MARCH, 2005 (contd.)

29 Derivatives

Management of Risk in Derivatives Trading

The Bank's Market Risk department plays a key role in sanctioning of the limits, and laying down the risk assessment and monitoring methods. The policies of the Bank include setting limits upon the notional principal value of unmatched currency swaps, product specific gaps, maximum tenor, overall outstanding and also the setting-up of counter party-wise pre-settlement risk limits. For some other limits such as tenor wise exposures, the Bank has set cascading limits at various levels of hierarchy.

All limits are monitored on a daily basis by the Bank's Treasury Operations department. Exposure reports are submitted to both the Treasurer as well as the Head - Market Risks, and any limit excesses are brought to the notice of the Management immediately for further action.

Policies for Hedging Risk

All transactions undertaken by the Bank for trading purposes are classified under the Trading Book. All other transactions are classified as part of the Banking Book. The Banking Book includes transactions concluded for the purpose of providing structures to customers on a back-to-back basis. It also consists of transactions in the nature of hedges based on identification of supporting trades, with appropriate linkages done for matching amounts and tenors within the approved tolerance limits.

Accounting Policies

Income from derivative transactions classified as hedge are recorded on an accrual basis and these transactions are not marked to market. Derivative transactions, which are not in the nature of hedge are marked to market as per the generally accepted practices prevalent in the industry. Any resultant gain or loss is recognized in the Profit or Loss account. Option premia paid or received is generally recorded in the Profit or Loss account at the expiry of the option.

Provisioning, Collateral and Credit Risk Mitigation

The Bank enters into derivative deals with counter parties based on their business ranking and financial position. The Bank sets up appropriate limits having regard to the ability of the counterparty to honour its obligations in the event of crystallization of the exposure. Appropriate credit covenants are stipulated where required as trigger events to call for collaterals or terminate a transaction and contain the risk.

The Bank conforms to the Reserve Bank of India guidelines on provisioning, unless the Bank estimates the requirement of holding provisions in excess of the Reserve Bank of India guidelines, wherein such excess provision is provided for.

Rs. 10 lacs = Rs. 1 million

SCHEDULE TO THE ACCOUNTS

AS AT 31 MARCH, 2005 (contd.)

Disclosure on Risk Exposure in Derivatives

(Rs. crores)

Sr. No	Particulars	Currency Derivatives	Interest Rate Derivatives
1	Derivatives (Notional Principal Amount)		
	a) Banking (including Hedging)	3,101	11,162
	b) Trading	2,006	67,010
2	Marked to Market Positions		
	a) Asset (+)	1	—
	b) Liability (-)	—	(8)
3	Credit Exposure	115	852
4.	Likely change of one percentage change in interest rate (100*PV01)		
	a) Banking (including Hedging)	5	30
	b) Trading	—	13
5.	Maximum of 100*PV01 observed during the year		
	a) Banking (including Hedging)	5	40
	b) Trading	—	24
6.	Minimum of 100*PV01 observed during the year		
	a) Banking (including Hedging)	—	6
	b) Trading	—	2

The Bank has computed Maximum and Minimum of PV01 for the year based on balances at the end of every month.

30 Provisions, Contingent Liabilities and Contingent Assets

As per (AS) 29, Provisions, Contingent Liabilities and Contingent Assets, issued by the Institute of Chartered Accountants of India, given below are movements in provision for credit card reward points and a brief description of the nature of contingent liabilities recognised by the Bank.

a) Movement in provision for credit card reward points

(Rs. lacs)

	March 31, 2005	March 31, 2004
Opening provision for reward points	2,27	54
Provision for reward points made during the year	4,52	2,33
Utilisation/Write back of provision for reward points	(3,55)	(60)
Closing provision for reward points	3,24	2,27

The closing provision is based on actuarial valuation of accumulated credit card reward points. This amount will be utilised towards redemption of the credit card reward points as and when claim for redemption is made by the cardholders.

SCHEDULE TO THE ACCOUNTS

AS AT 31 MARCH, 2005 (contd.)

b) Description of Contingent Liabilities

Sr. No.	Contingent Liability*	Brief description
1.	Claims against the Bank not acknowledged as debts - Others	The Bank is a party to various legal proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, results of operations or cash flows.
2.	Liability on account of forward exchange and derivative contracts.	The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest/principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts that are recorded, as contingent liabilities are typically amounts used as a benchmark for the calculation of the interest component of the contracts.
3.	Guarantees given on behalf of constituents, Acceptances, Endorsements and other	As a part of its commercial banking activities the Bank issues documentary credit and guarantees on behalf of its customers. Documentary credits such as letters of obligations credit enhance the credit standing of the customers of the Bank. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.
4.	Other items for which the Bank is contingently liable	These include: a) Credit enhancements in respect of securitised out loans to which the Special Purpose Vehicle has recourse. b) Bills rediscounted by the Bank. c) Capital Commitments.

* Also refer Schedule 12 - Contingent Liabilities

Rs. 10 lacs = Rs. 1 million

SCHEDULE TO THE ACCOUNTS

AS AT 31 MARCH, 2005 (contd.)

31 Comparative figures

Figures for the previous year have been regrouped wherever necessary to conform to 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 for 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.

B SIGNIFICANT ACCOUNTING POLICIES

1 Investments

In accordance with the Reserve Bank of India guidelines, Investments are classified into "Held for Trading", "Available for Sale" and "Held to Maturity" categories (hereinafter called "categories"). Under each of these categories, investments are further classified under six groups (hereinafter 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, are 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 "Held for Trading".

Investments that the Bank intends to hold till 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 these categories 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.

SCHEDULE TO THE ACCOUNTS

AS AT 31 MARCH, 2005 (contd.)

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 Reserve Bank of India guidelines.

Held to Maturity

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

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

2 Advances

Advances are classified as performing and non-performing based on the Reserve Bank of India guidelines. Interest on non-performing advances is transferred 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 the Reserve Bank of India guidelines.

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.

The policy followed by the Bank for the restructuring of standard and sub-standard assets is in consonance with the guidelines issued by the Reserve Bank of India vide circular no. DBOD No. BP. BC. 98/21.01.048/200 dated March 30, 2001. As per these guidelines, a provision is required to be made in respect of the interest component sacrificed while restructuring an asset. The same is calculated on the basis of the present value of future interest due as per the original loan agreement and the discount rate used for the purpose is the current prime lending rate plus an appropriate credit risk premium depending upon the borrower category.

The sub-standard assets which are thus subject to restructuring are eligible to be upgraded to the standard category only after a minimum period of one year after the date when the first payment of interest or principal, whichever is earlier, falls due, subject to satisfactory performance during the said period. Once the asset is thus upgraded, the amount of provision made earlier, net of the amount provided for the sacrifice in the interest amount in present value terms, as aforesaid, is reversed.

SCHEDULE TO THE ACCOUNTS

AS AT 31 MARCH, 2005 (contd.)

3 Non Performing Assets

The Bank classifies any credit facility/investment, other than advances granted for specified agricultural purposes, in respect of which the interest and / or installment of principal has remained due for over 90 days, as a non-performing asset. Loans granted for specified agricultural purposes are treated as non-performing when interest and/or installment of principal remain overdue for two harvest seasons but for a period not exceeding two half years.

4 Fixed Assets and Depreciation

Fixed assets are capitalized at cost. Cost includes cost of purchase and all expenditure like site preparation, installation costs and professional fees incurred on the asset before it is put to use. Subsequent expenditure incurred on assets put to use is capitalized only when 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
- Computers 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

Accounting for transactions involving foreign exchange is done in accordance with (AS) 11 (Revised 2003), The Effects of changes in Foreign Exchange Rates, issued by the Institute of Chartered Accountants of India.

Foreign currency monetary items are reported using the closing rate.

Foreign exchange spot and forward contracts outstanding as at the balance sheet date and held for trading, are revalued at the closing spot and forward rates respectively and the resulting profit or losses are included in the Profit or Loss account.

SCHEDULE TO THE ACCOUNTS

AS AT 31 MARCH, 2005 (contd.)

Foreign exchange forward contracts, which are not intended for trading and are outstanding at the balance sheet date are, in effect, valued at the closing spot rate. The premia or discount arising at the inception of such a forward exchange contract is amortized as expense or income over the life of the contract.

6 Lease Accounting

The Bank recognizes lease income 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 Staff 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 on retirement, on death while in employment or on termination of employment of 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 an insurance company for an amount notified by the said insurance company. The Bank accounts for the liability for future gratuity benefits based on an independent external actuarial valuation carried out annually.

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 an insurance company, which administers the fund. The Bank has no liability for future superannuation fund benefits other than its annual contribution, and recognizes 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 recognizes such contributions as an expense in the year incurred.

Leave Encashment

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

8 Interest Income

Interest income is recognised in the profit or loss account on an accrual basis, except in the case of non-performing assets.

Rs. 10 lacs = Rs. 1 million

SCHEDULE TO THE ACCOUNTS

AS AT 31 MARCH, 2005 (contd.)

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

Dividend on equity shares, preference shares and on mutual fund units is 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.

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

The Bank estimates the probable redemption of credit card reward points using an actuarial method by employing an independent actuary. Provision for the said reward points is then made based on the actuarial valuation report as furnished by the said independent actuary.

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 timing 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 judgment that realization 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 timing differences are expected to be received, settled or reversed. 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 Derivative Financial Instruments

The Bank recognizes all derivative instruments as assets or liabilities in the balance sheet and measures them at the market value, unless those instruments qualify as hedge contracts. For a derivative not designated as a hedge, changes in the market value are recognized in the Profit or Loss Account in the period of change.

The Bank enters into forward exchange contracts and currency options with its customers and typically covers such customer exposures in the inter-bank foreign exchange markets. The Bank also enters into such instruments to cover its own foreign exchange exposures. All such instruments are carried at fair value, determined based on market quotations.

The Bank enters into rupee interest rate swaps mainly for its own account. The Bank also enters into interest rate currency swaps and cross currency interest rate swaps with its customers and typically covers these exposures in the inter-bank market. Such contracts are carried on the balance sheet at fair value, based on market quotations where available or priced using market determined yield curves.

SCHEDULE TO THE ACCOUNTS

AS AT 31 MARCH, 2005 (contd.)

13 Securitisation Transactions

The Bank securitises out its receivables to Special Purpose Vehicles in securitisation transactions. The securitised paper is without recourse to the Bank. Such securitised-out receivables are de-recognised in the balance sheet when they are sold and consideration has been received by the Bank. Sales and transfers that do not meet the criteria for surrender of control are accounted for as secured borrowings.

In respect of certain transactions, the Bank provides credit enhancements in the form of cash collaterals/ guarantees and/or by subordination of cash flows to senior Pass Through Certificates (PTC). Retained interest and subordinated PTCs are disclosed under Advances. In respect of some of the PTCs, the Bank provides options to the investors to sell them to the Bank on predetermined dates and at predetermined prices.

Gain or loss from the sale of receivables is recognized in the period the sale occurs which is, excess of the sale consideration over the book value less provisions towards servicing and incidental costs of the contracts so securitised out. Where the principal and part of the interest is securitised out, the carrying amount of the securitised contracts is apportioned between the part transferred and the part retained on the basis of their fair value as on the date of transfer. The gains are disclosed under interest income. Expected delinquencies are provided for.

14 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.

15 Segment Information – Basis of Preparation

Business Segments

The Bank operates in three segments: retail banking, wholesale 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 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, gains from securitization 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 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 and the corporate supply chain customers, investment income from commercial paper, debentures and bonds,

SCHEDULE TO THE ACCOUNTS

AS AT 31 MARCH, 2005 (contd.)

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 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.

16 Accounting for Provisions, Contingent Liabilities and Contingent Assets

As per (AS) 29, Provisions, Contingent Liabilities and Contingent Assets, issued by the Institute of Chartered Accountants of India, the Bank recognises provisions only when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

No provision is recognised for -

- a) Any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank; or
- b) Any present obligation that arises from past events but is not recognised because –
 - It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - A reliable estimate of the amount of obligation cannot be made.

SCHEDULE TO THE ACCOUNTS

AS AT 31 MARCH, 2005 (contd.)

Such obligations are recorded as Contingent Liabilities. These are assessed continually and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.

Contingent Assets are not recognised in the financial statements since this may result in the recognition of income that may never be realized.

17 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, 13 April, 2005

For and on behalf of the Board

JAGDISH CAPOOR
Chairman

ADITYA PURI
Managing Director

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

KEKI M. MISTRY
RANJAN KAPUR
VINEET JAIN
ASHIM SAMANTA
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, 2004 and 2005

	As of March 31,		
	2004	2005	2005
	(in millions, except shares and per share amount)		
ASSETS:			
Cash and cash equivalents.....	Rs. 33,010.4	Rs. 37,575.8	US\$ 861.5
Term placements.	3,565.2	8,699.6	199.4
Investments held for trading, at market.....	6,233.8	1,278.5	29.3
Investments available for sale, at market.....	133,274.6	204,292.8	4,683.5
Investments held to maturity, at amortized cost.....	36,368.4	—	—
Securities purchased under agreements to resell	19,950.0	—	—
Loans (net of allowance of Rs 3,494.3 and Rs 5,438.5, respectively).....	177,681.1	256,486.9	5,880.0
Accrued interest receivable.....	4,178.7	4,912.1	112.6
Property and equipment, net	6,169.1	7,083.2	162.4
Other assets	6,404.3	9,037.9	207.2
Total assets.....	<u>Rs. 426,835.6</u>	<u>Rs. 529,366.8</u>	<u>US\$ 12,135.9</u>
LIABILITIES AND SHAREHOLDERS' EQUITY:			
Liabilities			
Interest-bearing deposits	Rs. 215,710.8	Rs. 257,237.9	US\$ 5,897.2
Non-interest bearing deposits	88,351.2	106,304.6	2,437.1
Total deposits	304,062.0	363,542.5	8,334.3
Short-term borrowings	24,064.2	62,079.1	1,423.2
Accrued interest payable	4,165.4	5,843.0	134.0
Long-term debt.....	6,086.0	5,028.1	115.3
Accrued expenses and other liabilities	57,242.2	43,536.1	998.0
Total liabilities	<u>Rs. 395,619.8</u>	<u>Rs. 480,028.8</u>	<u>US\$ 11,004.8</u>
Shareholders' equity:			
Equity shares: par value—Rs.10 each;			
authorized 450,000,000 shares; issued and outstanding 282,844,438 shares and 309,875,308 shares, respectively	2,828.4	3,098.7	US\$ 71.0
Additional paid in capital.....	12,527.3	25,789.2	591.2
Advance received pending allotment of shares.....	125.5	423.3	9.7
Retained earnings	9,057.1	12,871.6	295.1
Statutory reserve.....	4,523.7	6,187.6	141.9
Deferred stock based compensation	(374.6)	(66.1)	(1.5)
Accumulated other comprehensive income.....	2,528.4	1,033.7	23.7
Total shareholders' equity.....	<u>31,215.8</u>	<u>49,338.0</u>	<u>1,131.1</u>
Total liabilities and shareholders' equity.....	<u>Rs. 426,835.6</u>	<u>Rs. 529,366.8</u>	<u>US\$ 12,135.9</u>

Rs. 10 lacs = Rs. 1 million

SUMMARISED US GAAP FINANCIAL STATEMENTS (contd.)

STATEMENTS OF INCOME

For each of the years ended March 31, 2003, 2004 and 2005

	Years ended March 31,			
	2003	2004	2005	2005
	(In millions, except shares and per share amounts)			
Interest and dividend revenue:				
Loans.....	Rs. 7,805.3	Rs. 11,705.0	Rs. 16,431.4	US\$ 376.7
Trading account.....	478.9	289.6	144.4	3.3
Securities, including dividend.....	9,907.2	11,487.3	11,399.1	261.3
Other	1,233.4	1,109.6	1,234.5	28.3
Total interest revenue.....	19,424.8	24,591.5	29,209.4	669.6
Interest expense:				
Deposits	10,508.5	10,279.2	11,074.1	253.9
Short-term borrowings.....	1,032.9	1,435.9	1,759.4	40.3
Long-term debt.....	237.8	268.0	390.2	9.0
Total interest expense.....	11,779.2	11,983.1	13,223.7	303.2
Net interest revenue.....	7,645.6	12,608.4	15,985.7	366.4
Allowance for credit losses, net.....	741.5	2,343.4	3,048.2	69.9
Net interest revenue after allowance for credit losses	6,904.1	10,265.0	12,937.5	296.5
Non-interest revenue, net:				
Fees and commissions	2,306.4	3,140.7	6,124.4	140.4
Trading account gains/(losses), net.....	507.8	396.8	(39.3)	(0.9)
Realized gain/ (losses) on sales of available for sale securities, net.....	721.7	(48.3)	194.3	4.5
Foreign exchange transactions	445.3	740.0	911.7	20.9
Derivative transactions.....	379.1	443.9	204.0	4.7
Other, net	37.0	24.5	816.4	18.7
Total non-interest revenue, net	4,397.3	4,697.6	8,211.5	188.3
Total revenue, net.....	11,301.4	14,962.6	21,149.0	484.8
Non-interest expense:				
Salaries and staff benefits	1,661.2	2,154.0	3,249.9	74.5
Premises and equipment	1,343.6	1,828.5	2,260.8	51.8
Depreciation and amortization	1,052.4	1,254.9	1,440.7	33.0
Administrative and other	2,000.7	3,131.9	4,462.5	102.3
Total non-interest expense.....	6,057.9	8,369.3	11,413.9	261.6
Income before income tax	5,243.5	6,593.3	9,735.1	223.2
Income tax.....	1,729.7	1,838.8	3,125.4	71.7
Net income.....	Rs. 3,513.8	Rs. 4,754.5	Rs. 6,609.7	Rs. 151.5
Per share information:				
Earnings per equity share—basic	Rs. 12.57	Rs. 16.87	Rs. 22.78	US\$ 0.52
Earnings per equity share—diluted.....	Rs. 12.51	Rs. 16.70	Rs. 22.60	US\$ 0.52
Per ADS information (where 1 ADS represents 3 shares):				
Earnings per ADS—basic.....	Rs.37.71	Rs. 50.61	Rs. 68.34	US\$ 1.57
Earnings per ADS—diluted.....	Rs.37.53	Rs. 50.10	Rs. 67.80	US\$ 1.55

Rs. 10 lacs = Rs. 1 million

SUMMARISED US GAAP FINANCIAL STATEMENTS (contd.)

STATEMENTS OF CASH FLOWS

For each of the years ended March 31, 2003, 2004 and 2005

Years ended March 31,

	2003	2004	2005	2005
	(In millions)			
Cash flows from operating activities:				
Net income.....	Rs. 3,513.8	Rs. 4,754.5	Rs. 6,609.7	US\$ 151.5
Adjustment to reconcile net income to net cash provided by/(used in) operating activities :				
Allowance for credit losses	741.5	2,343.4	3,048.2	69.9
Depreciation and amortization.....	1,052.4	1,254.9	1,440.7	33.0
Amortization of deferred stock based compensation	138.0	135.1	308.5	7.1
Amortization of deferred acquisition costs.....	(474.4)	(156.2)	(496.3)	(11.4)
Amortization of premium/(discount) on investments	761.6	1,489.6	1,516.1	34.8
Provision for deferred income taxes.....	(102.8)	(588.4)	(213.5)	(4.9)
Provision made for guarantees.....	—	112.7	50.1	1.2
Gain on securitization of loans.....	—	(123.8)	(622.5)	(14.3)
Net realized (gain) / loss on sale of available for sale securities	(721.7)	48.3	(194.3)	(4.5)
Gain/(loss) on disposal of property & equipment, net	(10.8)	4.4	(2.1)	(0.1)
Provision made for leave accrued.....	—	—	186.3	4.3
Net change in:				
Trading account assets	(138.5)	(2,257.7)	4,955.3	113.6
Accrued interest receivable.....	(2,199.9)	2,105.1	(733.4)	(16.8)
Other assets.....	(2,406.2)	2,675.3	(2,057.0)	(47.2)
Accrued interest payable.....	2,718.6	(2,731.9)	1,677.6	38.5
Accrued expense and other liabilities.....	11,615.9	31,190.6	(13,728.7)	(314.7)
Net cash provided/(used) by operating activities	14,487.5	40,255.9	1,744.7	40.0
Cash flows from investing activities:				
Net change in term placements	(7,747.4)	4,182.2	(5,134.3)	(117.7)
Activity in available for sale securities:				
Purchases	(382,916.3)	(265,970.2)	(153,898.8)	(3,528.2)
Proceeds from sales.....	341,254.1	209,229.1	96,986.1	2,223.4
Maturities, prepayments and calls.....	24,209.6	22,626.0	20,543.1	471.0
Activity in held to maturity securities:				
Purchases	(56,274.0)	(78,592.0)	(11,888.8)	(272.6)
Maturities, prepayments and calls.....	52,896.0	79,721.9	10,792.0	247.4
Net change in repos and reverse repos.....	6,779.6	(24,550.0)	19,950.0	457.4
Proceeds from loans securitized.....	—	5,917.4	48,234.6	1,105.8
Increase in loans originated, net of principal collections	(47,512.5)	(67,765.8)	(129,466.1)	(2,968.0)
Additions to property and equipment	(2,533.5)	(2,143.9)	(2,442.8)	(56.0)
Proceeds from sale or disposal of property and equipment	16.2	24.9	9.5	0.2
Net cash used in investing activities.....	(71,828.2)	(117,320.4)	(106,315.5)	(2,437.3)

Rs. 10 lacs = Rs. 1 million

SUMMARISED US GAAP FINANCIAL STATEMENTS (contd.)

STATEMENTS OF CASH FLOWS (Contd.)

For each of the years ended March 31, 2003, 2004 and 2005

	Years ended March 31,			
	2003	2004	2005	2005
	(In millions)			
Cash flows from financing activities:				
Net increase in deposits.....	47,221.9	80,302.0	59,480.5	1,363.6
Net increase/(decrease) in short-term borrowings.....	(20.7)	2,484.6	38,014.9	871.5
Proceeds from issuance of long-term debt.....	—	4,000.0	—	—
Repayments of long-term debt.....	(41.9)	(30.0)	(1,057.9)	(24.2)
Proceeds from issuance of equity shares.....	86.7	203.6	659.1	15.1
Proceeds from issuance of ADS.....	—	—	12,747.6	292.2
Proceeds from applications received for shares pending allotment.....	146.5	125.5	423.3	9.7
Payment of dividends and dividend tax.....	(697.5)	(955.7)	(1,131.3)	(25.9)
Net cash provided by financing activities.....	46,695.0	86,130.0	109,136.2	2,502.0
Net change in cash.....	(10,645.7)	9,065.5	4,565.4	104.7
Cash and cash equivalents, beginning of year.....	34,590.6	23,944.9	33,010.4	756.8
Cash and cash equivalents, end of year	Rs.23,944.9	Rs. 33,010.4	Rs. 37,575.8	US\$ 861.5
Supplementary cash flow information:				
Interest paid	Rs. 9,183.4	Rs.14,819.5	Rs. 11,543.9	US\$ 264.6
Income taxes paid.....	Rs. 2,374.7	Rs. 2,843.9	Rs. 3,719.5	US\$ 85.3
Supplementary information on non cash transactions:				
Investments transferred from held to maturity to available for sale category.....	Rs 450.0	Rs. 4.9	Rs. 37,005.6	US\$ 848.4
Investments transferred from trading to available for sale category.....	Rs. 1,162.3	Rs. —	Rs. —	US\$ —

SUMMARISED US GAAP FINANCIAL STATEMENTS (contd.)

STATEMENTS OF SHAREHOLDERS' EQUITY For each of the years ended March 31, 2003, 2004 and 2005

	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, 2002	279,032,838	Rs. 2,790.3	Rs. 11,679.1	—	Rs. 4,684.8	Rs. 2,280.9	Rs. (198.2)	Rs. 824.0	Rs. 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 received pending allotment of shares				146.5					146.5
Amortization of deferred stock based compensation							138.0		138.0
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
Change in unrealized gain on available for sale securities, net								864.7	864.7
Comprehensive income	—	—	—	—	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	3,125,500	31.2	318.9	(146.5)					203.6
Stock option granted			449.5				(449.5)		—
Dividends, including dividend tax					(955.7)				(955.7)
Advance received 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

Rs. 10 lacs = Rs. 1 million

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 31-03-2005	Results for the year ended 31-03-2004
Net profit as per Indian GAAP	6,655.6	5,095.0
Adjustments for:		
Investments	1,070.7	(483.3)
Loans	(1,285.8)	(561.0)
Affiliates	188.2	61.2
Stock options	(310.2)	(135.1)
Loan acquisition cost write back	496.4	697.0
Others	(213.6)	(175.1)
Taxes	8.4	255.8
Net income as per US GAAP	6,609.7	4,754.5

Rs. 10 lacs = Rs. 1 million

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** ("the Bank") for the year ended on 31st March, 2005 as stipulated in clause 49 of the Listing Agreement of the 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 abovementioned 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 Investors' Grievance (Share) 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: 21 April, 2005.

CORPORATE GOVERNANCE (contd.)

(Report on Corporate Governance pursuant to clause 49 of the listing agreements entered into with the Stock Exchanges and forms a part of the report of the Board of Directors).

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. The Bank understands and respects its fiduciary role and responsibility to shareholders and strives hard to meet their expectations. We believe that best board practices, transparent disclosures and shareholder empowerment are necessary for creating shareholder value.

The Bank has infused the philosophy of corporate governance into 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 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 Indian stock exchanges where the securities issued by the Bank are listed. The Board had strength of 11 Directors as on March 31, 2005. The Board had an optimum combination of Executive and Non-executive Directors and a 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.

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.

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. Jagdish Capoor, Mr. Aditya Puri, Mr. Keki Mistry and Mrs. Renu Karnad, are Independent Directors on the Board.
- The Bank has not entered into any materially significant transactions during the year, which could have a potential conflict of interest between the Bank and its promoters, directors, management and / or their relatives etc. other than the transactions entered into in the normal course of business.

REMUNERATION OF DIRECTORS:

The details of the remuneration paid to Mr. Puri during the year 2004-05 are as under:

Break up of remuneration	Amount paid (Rs.)
Salary	72,00,000/-
Allowances	1,25,924/-
Performance Bonus (for FY 2003-04)	36,00,000/-
Provident Fund	8,64,000/-
Gratuity	1,55,427/-
Superannuation	10,80,000/-

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 and furnishings,

CORPORATE GOVERNANCE (contd.)

club fees, personal accident insurance, use of car and telephone at residence, medical reimbursement, leave and leave travel concession, provident fund, superannuation and gratuity were provided in accordance with the rules of the Bank in this regard. No sitting fees are paid to Mr. Puri.

During the year 2004-05, period 45,000 options were vested in Mr Puri. However, no options were exercised by him during the year.

Mr. Jagdish Capoor has been re-appointed as part-time Chairman of the Bank with effect from July 6, 2004. During the year Mr. Capoor was paid remuneration of Rs. 8,20,968/-. Mr. Capoor is also paid sitting fees for attending Board and Committee meetings.

The remuneration of the Managing Director and the Chairman have been approved by the Reserve Bank of India and the shareholders.

The Bank pays sitting fees of Rs.10,000/- per meeting to the non-executive Directors for attending meetings of the Board and its various Committees except Investors' Grievance (Share) Committee where the sitting fees is Rs.5,000/- per meeting. During the year under review, no scheme pursuant to SEBI (Employees Stock Options Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 was constituted and consequently, neither the employees nor directors of the Bank have been granted any options thereunder.

COMPOSITION OF THE BOARD OF DIRECTORS

MR. JAGDISH CAPOOR

Mr. Jagdish Capoor holds a Master of Commerce degree and is a Certified Associate of the Indian Institute of Bankers. Mr. Capoor was appointed as part-time Chairman for a period of 3 years with effect from July 6, 2001. At the Annual General Meeting held on May 26, 2004, the shareholders approved the re-appointment of Mr. Capoor as Chairman on a part-time basis for three years beginning July 6, 2004 upon revised terms and conditions. Prior to joining

the bank, Mr. Capoor was Deputy Governor of the RBI. Mr. Capoor was Chairman of Deposit Insurance and Credit Guarantee Corporation of India and Bharatiya Reserve Bank Note Mudran Limited and served as a director on the boards of Bank of Baroda, Export Import Bank of India, the State Bank of India, the National Bank for Agriculture and Rural Development and the National Housing Bank. Presently, Mr. Capoor is Chairman of Agricultural Finance Corporation Limited and is a director of The Indian Hotels Company Limited and Assets Care Enterprise Limited. He is also a member of the Board of Governors of the Indian Institute of Management, Indore and the Governing Board of the Stock Exchange, Mumbai.

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

Mr. Capoor does not hold any equity shares in the Bank as on March 31, 2005.

MR. ADITYA PURI

Mr. Aditya Puri holds a Bachelor's degree in Commerce from Punjab University and is an Associate member of the Institute of Chartered Accountants of India. Mr. Puri has been Managing Director of the Bank since September, 1994. Mr. Puri has over 28 years of experience in both domestic and international banking. Prior to joining the Bank, Mr. Puri was Chief Executive Officer of Citibank, Malaysia from 1992 to 1994. At the Annual General Meeting held on May 26, 2004, the shareholders approved the re-appointment of Mr. Puri as Managing Director from September 30, 2005 to March 31, 2007 upon revised terms and conditions. The RBI has approved the Managing Director's remuneration w.e.f. April 1, 2004. Mr. Puri has been appointed on the Board of SAMEA (South Asia, Middle East and Africa-Region) Board of the Master Card International for 2005.

Mr. Puri holds 7,87,953 equity shares in the Bank as on March 31, 2005.

CORPORATE GOVERNANCE (contd.)

MR. ANIL AHUJA

Mr. Anil Ahuja holds a Bachelor of Technology degree from the Indian Institute of Technology, New Delhi and a Post-Graduate Diploma in Business Management from the Indian Institute of Management, Ahmedabad. Mr. Ahuja has served as our non-executive director since July 16, 1999. Presently, he is the CEO of J. P. Morgan Partners Advisors, Singapore. He is a director on the boards of HDFC Securities Limited, MTR Foods Limited and Domino's Pizza India Limited. In the past, he served as an Executive Director to Indocean Chase Capital Advisors and as a Vice President of Citibank N. A.

He is a member of Audit and Compensation Committees of HDFC Securities Limited.

Mr. Anil Ahuja is liable to retire by rotation and has expressed his desire of not seeking re-appointment at the ensuing Annual General Meeting.

Mr. Anil Ahuja holds 7,000 equity shares in the Bank as on March 31, 2005.

DR. VENKAT RAO GADWAL

Dr. V. R. Gadwal holds a Bachelor and Master of Science degree from Osmania University, Hyderabad and a doctorate in Agriculture from the Indian Agricultural Research Institute, New Delhi. 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 our non-executive directors since March 15, 1999. Dr. Gadwal also serves as consultant and advisor to agricultural research and development institutions such as Maharashtra Hybrid Seeds Company Limited ("MAHYCO") and MAHYCO Research Foundation. Presently, Dr. Gadwal is the President of the Indian Society for Cotton Improvements.

Dr. Gadwal holds 4,000 equity shares in the Bank as on March 31, 2005.

MR. VINEET JAIN

Mr. Vineet Jain holds a Bachelor of Science degree and a degree in International Business Administration - Marketing. Mr. Jain has been our non-executive director since April 14, 2001. He is Managing Director of Bennett, Coleman & Company Limited and Chairman of Times Internet Limited, Times Online Money Limited, Bharat Nidhi Limited and Worldwide Media Limited (formerly known as Magz International Limited). He is also on the boards of Times Infotainment Media Limited, The Press Trust of India Limited, Times Journal India Private Limited and Times Centre for Media Studies.

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 a nominee of the Bennett, Coleman Group.

Mr. Vineet Jain is a member of Share Transfer Committee of Bennett, Coleman & Company Limited.

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

Mr. Vineet Jain holds 2,60,869 equity shares in the Bank as on March 31, 2005.

MR. KEKI MISTRY

Mr. Keki Mistry holds a Bachelor of Commerce degree in Advanced Accountancy and Auditing and is also a Chartered Accountant. He was actively involved in setting up several HDFC group companies, including HDFC Bank. Mr. Mistry had been deputed on consultancy assignments for the Commonwealth Development Corporation to Thailand, Mauritius, the Caribbean Islands and Jamaica. He has also worked as a consultant for the Mauritius Housing Company and Asian Development Bank. Mr. Mistry is Managing Director of Housing Development Finance Corporation Limited (HDFC Ltd.) and Chairman of GRUH Finance Limited and Intelenet Global Services Private Limited.

CORPORATE GOVERNANCE (contd.)

He is a director of HDFC Developers Limited, HDFC Chubb General Insurance Company Limited, HDFC Trustee Company Limited, HDFC Standard Life Insurance Company Limited, Credit Information Bureau (India) Limited, Infrastructure Leasing & Financial Services Limited, Sun Pharmaceutical Industries Limited, Mahindra Holidays & Resorts India Limited, The Great Eastern Shipping Company Limited, NexGen Publishing Limited, GW Capital Private Limited and Association of Leasing and Financial Services Companies.

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

Mr. Mistry is a member of Remuneration Committee of GRUH Finance Limited.

He is also a member of Audit Committee of :

HDFC Standard Life Insurance Company Limited,
 HDFC Chubb General Insurance Company Limited (Chariman),
 HDFC Trustee Company Limited,
 GRUH Finance Limited,
 Credit Information Bureau (India) Limited (Chairman),
 Infrastructure Leasing & Financial Services Limited,
 Sun Pharmaceutical Industries Limited (Chairman).

Mr. Mistry holds 77,596 equity shares in the Bank as on March 31, 2005.

MRS. RENU KARNAD

Mrs. Renu Karnad is a law graduate and also holds a Master's degree in Economics from Delhi University. Mrs. Karnad is an executive director of HDFC Limited. Mrs. Karnad is Chairperson of HDFC Venture Capital Limited and a director of HDFC Asset Management Company Limited, GRUH Finance Limited, HDFC Realty Limited, Credit Information Bureau (India) Limited (CIBIL), Feedback Ventures Limited, HDFC Chubb General Insurance Company Limited, Mother

Dairy Fruits & Vegetables Limited, Ascendas Pte Limited, ICI India Limited, Home Loan Services India Private Limited, Egyptian Housing Finance Company (EHFC), S.A.E. and Intelenet Global Services Private Limited.

Mrs. Karnad is Chairperson of Remuneration Committee of ICI India Limited. She is a member of Compensation Committee of GRUH Finance Limited. She is a member of Audit Committee of HDFC Chubb General Insurance Company Limited, HDFC Asset Management Company Limited and ICI India Limited.

Mrs. Karnad holds 58,924 equity shares in the Bank as on March 31, 2005.

MR. ARVIND PANDE

Mr. Arvind Pande holds a Bachelor of Science degree from Allahabad University and a BA (Hons.) and MA (Economics) degrees from Cambridge University, U.K. He started his career in Indian Administrative Services and has held various positions in the Government of India. He was a Joint Secretary to the Prime Minister of India for Economics, Science and Technology issues. 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 was the Chairman and Chief Executive Officer of The Steel Authority of India Limited (SAIL).

Mr. Pande is a director of Sandhar Locking Devices Limited, IVRCL Infrastructure and Projects Limited, Visa Industries Limited, Bharatiya Co-operative General Insurance Limited, Assets Care Enterprise Limited and Era Constructions (India) Limited.

Mr. Pande is Chairman of Audit Committee of IVRCL Infrastructure and Projects Limited.

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

Mr. Pande does not hold any shares in the Bank as on March 31, 2005.

CORPORATE GOVERNANCE (contd.)

MR. BOBBY PARIKH

Mr. Bobby Parikh is a Chartered Accountant and has specialised in the areas of Tax and Business Advisory Services with extensive experience in advising clients across a range of industries. He is member of various trade and business associations and their committees. He is also on the advisory/executive boards of certain non-government and non-profit organisations. Mr. Parikh was the Country Managing Partner of Arthur Anderson & Co. and the Chief Executive Officer of Ernst & Young Private Limited in India. He is currently the Managing Partner of M/s. BMR & Associates. Mr. Bobby Parikh is an “audit committee financial expert” under U.S. regulations.

Mr. Bobby Parikh does not hold any shares in the Bank as on March 31, 2005.

MR. RANJAN KAPUR

Mr. Ranjan Kapur holds a Master of Arts degree in English from St. Stephens College, New Delhi. He started his career with Citibank, N.A. Mr. Kapur has held various senior positions in Ogilvy & Mather India Private Limited (O&M). He was nominated to the world wide board of O&M in 1998 and was 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. Mr. Kapur is a director of Pidilite Industries Limited, MIRC Electronics Limited, Equus Advertising Company Limited, Meridian Communication Private Limited, Group M Media India Private Limited, Bates India Private Limited, Rediffusion-Dentsu, Young & Rubicam Private Limited and Everest Integrated Communications Private Limited.

Mr. Kapur does not hold any shares in the Bank as on March 31, 2005.

MR. ASHIM SAMANTA

Mr. Ashim Samanta holds a Bachelor of Commerce degree from University of Bombay and has wide and extensive experience in business for nearly 25 years. He possesses vast experience in day to day operations

and management in the field of bulk drugs and pharmaceutical formulations. He is a director of Samanta Organics Private Limited for the last 15 years. He is a partner of a firm which manages mid sized poultry farms. Mr. Samanta has also been engaged in setting up and running of film editing and dubbing studio.

Mr. Samanta holds 600 equity shares in the Bank as on March 31, 2005.

BOARD MEETINGS:

During the period under review, six (6) Board Meetings were held on April 16, 2004, May 26, 2004, July 14, 2004, October 21, 2004, November 30, 2004 and January 8, 2005

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

Name of Director	Attendance at the Bank's Board Meetings	Directorship of other Indian Public Limited Companies	Membership of other Companies' Committees	Chairmanship of other Companies' Committees
Mr. Jagdish Capoor, Chairman	6	3	3	1
Mr. Aditya Puri, Managing Director	6	Nil	Nil	Nil
Mr. Keki Mistry	6	13	10	3
Dr. (Mrs.) Amla Samanta*	1	NA	NA	NA
Dr. Venkat Rao Gadwal	6	Nil	Nil	Nil
Mr. Anil Ahuja	5	3	2	Nil
Mr. Vineet Jain	2	7	1	Nil
Mrs. Renu Karnad	5	11	5	1
Mr. Arvind Pande	5	6	1	1
Mr. Ranjan Kapur	5	3	Nil	Nil
Mr. Bobby Parikh	5	Nil	Nil	Nil
Mr. Ashim Samanta**	Nil	Nil	Nil	Nil

CORPORATE GOVERNANCE (contd.)

- * Dr. (Mrs.) Amla Samanta relinquished the office of director with effect from April 25, 2004.
- ** Mr. Ashim Samanta has been appointed as an Additional Director of the Bank with effect from November 19, 2004.

ATTENDANCE AT LAST AGM:

All directors of the Bank other than Mr. Vineet Jain attended the last Annual General Meeting held on May 26, 2004. Mr. Ashim Samanta was not on the Board of the Bank on the date of the last AGM.

The Bank held an Extra-ordinary General Meeting on November 30, 2004 wherein all directors of the Bank except Mr. Vineet Jain and Mr. Ashim Samanta were present.

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. Ranjan Kapur. The other members of the Committee are Mr. Anil Ahuja, Mr. Arvind Pande, Mr. Bobby Parikh and Dr. V. R. Gadwal. Mr. Jagdish Capoor resigned as a member of the Audit Committee w.e.f. October 21, 2004. Mr. Ranjan Kapur was inducted as a member of the Audit Committee and appointed its Chairman with effect from October 21, 2004. Dr. V. R. Gadwal was inducted as a member of the Committee with effect from January 6, 2005.

All the members of the Audit Committee are financially literate independent directors and Mr. Bobby Parikh is an audit committee financial expert.

During the year, the Committee held six meetings.

The terms of reference of the Audit Committee are in accordance with clause 49 of the Listing Agreement entered into with the Stock Exchanges in India and inter alia includes the following:

- 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.

In addition to the above, the Board has adopted a Charter for the Audit Committee in connection with certain U.S. regulatory standard.

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.

The Committee consists of Mr. Jagdish Capoor, Mr. Anil Ahuja, Dr. Venkat Rao Gadwal and Mr. Ranjan Kapur. Mr. Ranjan Kapur was inducted as a member of the Compensation Committee on April 16, 2004. The Committee is chaired by Mr. Jagdish Capoor. All the members of the Committee other than Mr. Capoor are independent directors.

During the year the Committee held one meeting.

CORPORATE GOVERNANCE (contd.)

INVESTORS' GRIEVANCE (SHARE) COMMITTEE:

The Investors' Grievance (Share) Committee approves and monitors transfers, transmissions, splitting and consolidation 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 Reports, dividends etc.

The Committee comprise Mr. Jagdish Capoor and Mr. Aditya Puri.

The Committee is chaired by Mr. Jagdish Capoor and met 12 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 Committee.

As on March 31, 2005, 136 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 193 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 the 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 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 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 four 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.

The Committee comprise Mr. Jagdish Capoor, Mr. Aditya Puri, Mr. Keki Mistry and Mr. Bobby Parikh. Mr. Bobby Parikh was inducted as a member of the Committee on April 16, 2004. The Committee is chaired by Mr. Jagdish Capoor and met three 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. The Committee comprise Dr. V. R. Gadwal, Mr. Aditya Puri, Mr. Ranjan Kapur and Mr. K. G. Krishnamurthy, in an advisory capacity.

Mr. Ranjan Kapur and Dr. V. R. Gadwal were inducted in the Committee on April 16, 2004.

The Committee is chaired by Dr. V. R. Gadwal 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

CORPORATE GOVERNANCE (contd.)

directors with reference inter alia 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. Ranjan Kapur, Mr. Anil Ahuja, Dr. V. R. Gadwal and Mr. Arvind Pande. The Committee is chaired by Mr. Ranjan Kapur. Mr. Jagdish Capoor resigned from the membership of the Committee with effect from October 21, 2004 and on the same day, Mr. Ranjan Kapur was inducted in the Committee. All the members of the Committee are independent directors.

One meeting of the Committee was held during the year.

FRAUD MONITORING COMMITTEE:

Pursuant to the directives of the RBI to all commercial banks, 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 of frauds and immediate reporting thereof to regulatory and enforcement agencies and actions taken 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;
- 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 is chaired by Mr. Jagdish Capoor.

One meeting of the Committee was held during the year.

CUSTOMER SERVICE COMMITTEE:

The Bank has constituted a Customer Service Committee on October 21, 2004 pursuant to the guidelines issued by the RBI. The Committee monitors the quality of services rendered to the customers and also ensure implementation of directives received from RBI in this regard. The Committee would formulate a comprehensive deposit policy, incorporating the issues arising out of death of a depositor for operations of his account, the product approval process, the annual survey of depositor satisfaction and the triennial audit of such services.

The members of the Committee are Mr. Ranjan Kapur, Mr. Keki Mistry, Dr. Venkat Rao Gadwal and Mr. Arvind Pande. The Committee is chaired by Mr. Ranjan Kapur.

One meeting of the Committee was held during the year.

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 ¹	3
Mr. Anil Ahuja	4
Dr. (Mrs.) Amla Samanta ²	1
Mr. Arvind Pande	4
Mr. Bobby Parikh	5
Mr. Ranjan Kapur ³	3
Dr. V. R. Gadwal ⁴	3

FRAUD MONITORING COMMITTEE

1 meeting held

Name	No. of Meetings Attended
Mr. Jagdish Capoor	1
Mr. Aditya Puri	1
Mr. Keki Mistry	1
Mr. Bobby Parikh	1
Mr. Arvind Pande	1

PREMISES COMMITTEE

Total **4** meetings held

Name	No. of Meetings Attended
Mr. Aditya Puri	4
Dr. (Mrs.) Amla Samanta ²	1
Dr. V. R. Gadwal ⁶	3
Mr. Ranjan Kapur ⁶	3
Mr. K. G. Krishnamurthy, Advisor	3

COMPENSATION COMMITTEE

1 meeting held

Name	No. of Meetings Attended
Mr. Jagdish Capoor	1
Mr. Anil Ahuja	1
Dr. (Mrs.) Amla Samanta ²	1
Dr. V.R. Gadwal	1
Mr. Ranjan Kapur ⁷	Nil

CORPORATE GOVERNANCE (contd.)

COMPOSITION OF COMMITTEES OF DIRECTORS AND THE ATTENDANCE AT THE MEETINGS

NOMINATION COMMITTEE

1 meeting held

Name	No. of Meetings Attended
Mr. Jagdish Capoor ¹	1
Mr. Anil Ahuja	1
Dr. V.R. Gadwal	1
Mr. Arvind Pande	1
Mr. Ranjan Kapur ³	Nil

CREDIT APPROVAL COMMITTEE

Total **3** meetings held

Name	No. of Meetings Attended
Mr. Jagdish Capoor	3
Mr. Keki Mistry	1
Mr. Bobby Parikh ⁵	2
Mr. Aditya Puri	3

RISK MONITORING COMMITTEE

Total **4** meetings held

Name	No. of Meetings Attended
Mr. Anil Ahuja	4
Mrs. Renu Karnad	3
Mr. Aditya Puri	4

CUSTOMER SERVICE COMMITTEE

1 meeting held

Name	No. of Meetings Attended
Mr. Ranjan Kapur	1
Mr. Keki Mistry	1
Mr. Arvind Pande	Nil
Dr. V. R. Gadwal	1

INVESTORS' GRIEVANCE (SHARE) COMMITTEE

Total **12** meetings held

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

See notes overleaf

CORPORATE GOVERNANCE (contd.)

NOTE

1. Mr. Jagdish Capoor ceased to be a member of the Audit and Compliance Committee and Nomination Committee w.e.f. October 21, 2004. ➤ 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.
2. Dr. (Mrs.) Amla Samanta ceased to be a Director w.e.f. April 25, 2004. ➤ to attend and speak in person, at general meetings. Proxy cannot vote on show of hands but can vote on a poll.
3. Mr. Ranjan Kapur has been inducted as a member and Chairman of the Audit and Compliance Committee and Nomination Committee w.e.f. October 21, 2004. ➤ to vote at the general meeting on show of hands wherein every shareholder has one vote. In case of vote on poll, the number of votes of a shareholder is proportionate to the number equity shares held by him.
4. Dr. V. R. Gadwal has been inducted as a member of the Audit and Compliance Committee w.e.f. January 6, 2005. ➤ As per Banking Regulation Act, 1949, the voting rights on a poll of a shareholder of a banking company are capped at 10% of the total voting rights of all the shareholders of the banking company.
5. Mr. Bobby Parikh has been inducted as a member of Credit Approval Committee w.e.f. April 16, 2004 ➤ to demand poll along with other shareholder(s) who collectively hold 5,000 shares or are not less than 1/10th of the total voting power in respect of any resolution.
6. Mr. Ranjan Kapur and Dr. V. R. Gadwal have been inducted as members of the Premises Committee w.e.f. April 16, 2004. ➤ 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.
7. Mr. Ranjan Kapur has been inducted as a member of the Compensation Committee w.e.f. April 16, 2004.

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 move amendments to resolutions proposed at meetings.
- to receive dividends and other corporate benefits like rights, bonus shares etc. as and when declared / announced.
- to inspect 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.

CORPORATE GOVERNANCE (contd.)

- 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.

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 LIMITED)

The Memorandum and Articles of Association of the Bank provides the 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.

Under the terms of our organizational documents, HDFC Limited has a right to nominate two directors who are not required to retire by rotation, so long as HDFC Limited, its subsidiaries or any other company promoted by HDFC Limited either singly or in the aggregate holds not less than 20% of paid up equity

share capital of the Bank. The two directors so nominated by HDFC Limited are the Chairman and the Managing Director.

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

KEY SHAREHOLDERS' RIGHTS PURSUANT TO AGREEMENTS

HDFC Limited, 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 a Agreement, Bennett, Coleman Group has a right to nominate one director on the Board of the Bank as long as it's holding exceeds 5% of the share capital of the Bank. Currently, (as on March 31, 2005), the Bennett, Coleman Group holds 5.23% of the share capital of the Bank and Mr. Vineet Jain is nominated by the group on the Board of the Bank.

The Bank had entered into an agreement dated February 9, 1999 with The India Private Equity Fund (Mauritius) and Indocean Financial Holdings Limited ('the Funds') which inter alia offered the right to the Funds 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. The holdings of the Funds in the share capital of the Bank is less than 7%. The said agreement has come to an end.

CORPORATE GOVERNANCE (contd.)

SHAREHOLDERS HOLDING MORE THAN 1% OF THE SHARE CAPITAL OF THE BANK AS AT MARCH 31, 2005

Sr. No.	Name of the Shareholder	No. of shares held	% to share capital
1.	ADS Depository (J. P. Morgan Chase Bank)	6,03,42,747	19.47
2.	Housing Development Finance Corporation Limited	3,88,60,000	12.54
3.	HDFC Investments Limited	3,00,00,000	9.68
4.	Life Insurance Corporation of India	1,23,92,992	4.00
5.	SLAC (Mauritius Investments) Limited	1,21,64,098	3.93
6.	Deutsche Securities Mauritius Limited	1,20,49,674	3.89
7.	Smallcap World Fund Inc.	98,59,340	3.18
8.	Bennett, Coleman & Co Limited	88,49,929	2.86
9.	The New Economy Fund	64,50,000	2.08
10.	Emerging Markets Growth Fund Inc.	45,00,452	1.45
11.	Indocean Financial Holding Limited	39,82,752	1.29

DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2005

No of equity shares held	Folio		Shares	
	Numbers	% to total holders	Numbers	% to total shares
up to 00500	1,87,634	96.83	2,31,03,658	7.46
00501 to 01000	3,538	1.83	26,86,452	0.87
01001 to 02000	1,067	0.55	15,80,859	0.51
02001 to 03000	363	0.19	9,30,339	0.30
03001 to 04000	170	0.09	6,08,432	0.20
04001 to 05000	151	0.08	6,91,940	0.22
05001 to 10000	298	0.15	21,12,530	0.68
10001 and above	564	0.29	27,81,61,098	89.77
Total	1,93,785	100.00	30,98,75,308	100.00

1,10,081 Folios comprising of 25,55,14,895 equity shares forming 82.457% of the share capital are in demat form.
83,704 Folios comprising of 5,43,60,413 equity shares forming 17.543% of the share capital are in physical form.

CORPORATE GOVERNANCE (contd.)

CATEGORIES OF SHAREHOLDERS			
SHAREHOLDING PATTERN AS AT MARCH 31, 2005			
Category	No of shares	Total	% to Capital
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	22.22
B. Foreign Institutional Investors			
i. SLAC (Mauritius Investments) Limited	1,21,64,098		
ii. Deutsche Securities Mauritius Limited	1,20,49,674		
iii. Smallcap World Fund Inc	98,59,340		
iv. The New Economy Fund	64,50,000		
v. Emerging Markets Growth Fund Inc	45,00,452		
vi. Others (less than 1%)	5,32,51,071	9,82,74,635	31.71
C. ADS Depository (J. P. Morgan Chase Bank)		6,03,42,747	19.47
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	5.23
E. Life Insurance Corporation of India		1,23,92,992	4.00
F. Other Bodies Corporates		41,26,257	1.33
G. Indocean Financial Holding Limited		39,82,752	1.29
H. Banks, Mutual Funds and Financial Institutions		32,90,429	1.06
I. Overseas Corporate Bodies			
i. Jarrington Pte. Ltd.	12,55,330		
ii. Others	2,200	12,57,530	0.41
J. GIC & its Subsidiaries		12,38,557	0.40
K. Directors		11,96,942	0.39
L. NRI's			
with repatriation	2,90,645		
without repatriation	2,57,407	5,48,052	0.18
M. Others		3,81,71,007	12.31
TOTAL		30,98,75,308	100.00

CORPORATE GOVERNANCE (contd.)

GENERAL BODY MEETINGS			
	Date	Venue	Special Resolutions passed
EGM	November 30, 2004	Amar Gian Grover Auditorium, Lala Lajpatrai College, Lala Lajpatrai Marg, Haji Ali, Mumbai 400 034	Issue of American Depositary Shares.
10 th AGM	May 26, 2004	Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020	i) Re-appointment of Mr. Jagdish Capoor as Chairman on part-time basis on revised terms and conditions; ii) Re-appointment of Mr. Aditya Puri as Managing Director on revised terms and conditions; iii) Delisting of equity shares from the Stock Exchange, Ahmedabad.
9 th AGM	June 2, 2003	Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020	Further issue of shares under Employee Stock Option Scheme (ESOS)
8 th AGM	May 30, 2002	Patkar Hall, S N D T Women's University, 1, Nathibai Thackersey Road, New Marine Lines, Mumbai 400 020	i) Appointment of Mr. Jagdish Capoor as part-time Chairman. ii) Re-appointment of Mr. Aditya Puri as Managing Director. iii) Partial modification of resolution passed for ESOS in January, 2000 iv) Increase in FII limits in equity capital of the Bank from 40% to 49%

No resolution was passed with the use of postal ballots.

MEANS OF COMMUNICATION :

The quarterly and half-yearly unaudited financial results were published in Business Standard in English and 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 and Exchange Commission, 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 a share dealing code for the 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, 2004 To March 31, 2005

Board Meeting for consideration of accounts and recommendation of dividend	April 13, 2005
Posting of Annual Report	May 17, 2005 to May 20, 2005
Book closure dates	May 28, 2005 to June 17, 2005 (both days inclusive)
Last date of receipt of proxy forms	June 15, 2005
Date of 11 th AGM	June 17, 2005
Dividend payment date	June 18, 2005
Probable date of dispatch of warrants	From June 18, 2005 onwards
Board Meetings for considering unaudited results for first 3 quarters of FY 2005-06	By 20 th day of the succeeding quarter

WHISTLE BLOWER POLICY

The Bank has adopted the Whistle Blower Policy pursuant to which employees of the Bank can raise their concerns relating to the fraud, malpractice or any other activity or event which is against the interest of the Bank or Society as a whole.

LISTING ON STOCK EXCHANGES :

In order to impart liquidity and convenience for trading, the equity shares of the Bank are listed at the following Stock Exchanges. The annual fees for 2004-05 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, 5th Floor,
Bandra Kurla Complex,
Bandra, Mumbai 400 051. HDFCBANK

Pursuant to the shareholders' resolution passed at the tenth Annual General Meeting held on May 26, 2004, the equity shares of the Bank have been delisted from the Stock Exchange, Ahmedabad w.e.f. October 15, 2004.

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 Depositary Shares (ADS) of the Bank are listed on:

The New York Stock Exchange (ticker – HDB)

11, Wall Street, New York, N.Y. 11005

CORPORATE GOVERNANCE (contd.)

The Depository for the ADSs (CUSIP No. 40415F101) is:

- J P Morgan Chase Bank, N.A.

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

ICICI Bank Limited, Bandra- Kurla Complex, Mumbai.

SHARE TRANSFER PROCESS:

The Bank's shares which are 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 Investors' Grievance (Share) Committee of the Bank. The share transfers are processed within a period of 8 days from the date of receipt of the transfer documents by MCS Limited.

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 / Mr. Vikrant Deshmukh,
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.
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 up to 500 shares and complaints from investors are accepted at the Bank's office at 2nd Floor, Process House, Senapati Bapat Marg, Kamala Mills Compound, Lower Parel (West), Mumbai 400 013.

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

Telephone: 2498 8484, 2496 1616 Extn.: 3463

Fax: 2496 5235

Email: investor.helpdesk@hdfcbank.com

You may also address queries relating to the 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

COMPLIANCE CERTIFICATE OF THE AUDITORS

The Statutory Auditors have certified that the Bank has complied with the conditions of Corporate Governance as stipulated in clause 49 of the Listing Agreement with the Stock Exchanges and the same is annexed to the Annual Report.

The Certificate from the Statutory Auditors will be sent to the Stock Exchanges along with the Annual Report of the Bank.

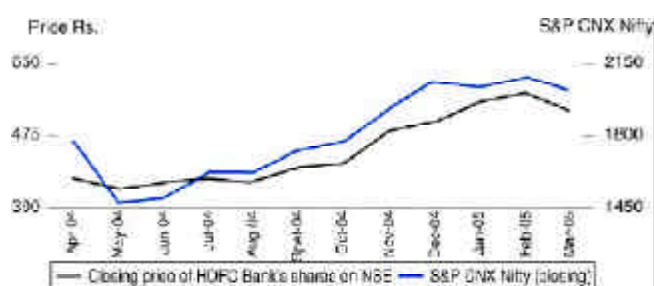
CORPORATE GOVERNANCE (contd.)

SHARE PRICE / VOLUME

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

Month	Highest (Rs.)	Lowest (Rs.)	Volume Traded
April, 04	400.00	368.00	45,77,065
May, 04	395.00	256.15	50,69,133
June, 04	392.00	346.00	61,06,564
July, 04	379.50	341.10	56,68,562
Aug, 04	381.90	353.10	39,00,766
Sept, 04	416.70	366.20	1,27,45,110
Oct, 04	425.00	396.15	53,84,771
Nov, 04	504.40	415.50	75,75,004
Dec, 04	529.95	464.50	88,53,481
Jan, 05	570.00	475.10	1,06,06,421
Feb, 05	599.85	550.25	56,26,849
Mar, 05	628.60	508.00	61,41,146

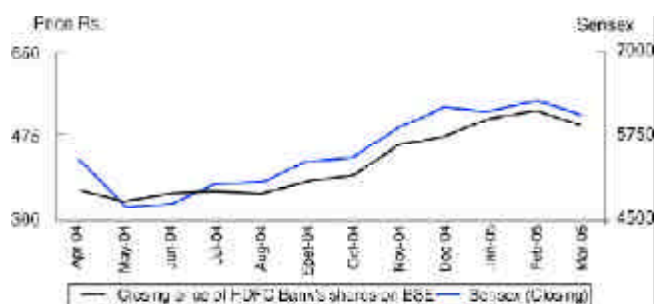
HDFC Bank share price versus the NSE-Nifty



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

Month	Highest (Rs.)	Lowest (Rs.)	Volume Traded
April, 04	400.00	370.00	18,32,391
May, 04	394.00	262.00	21,97,563
June, 04	391.90	345.00	30,72,722
July, 04	384.90	348.05	28,45,826
Aug, 04	380.90	354.00	24,99,558
Sept, 04	417.00	365.00	42,53,705
Oct, 04	423.00	397.05	22,02,141
Nov, 04	504.00	415.55	28,65,685
Dec, 04	525.00	464.50	25,53,326
Jan, 05	570.00	461.15	27,49,649
Feb, 05	599.00	550.65	21,93,879
Mar, 05	629.95	508.00	1,36,94,737

HDFC Bank share price versus the BSE-Sensex



CORPORATE GOVERNANCE (contd.)

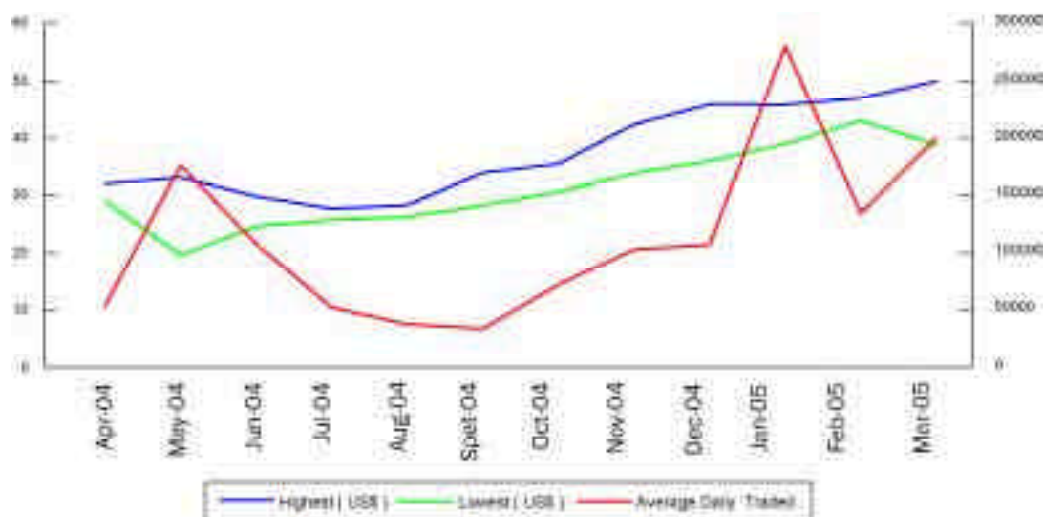
SHARE PRICE / VOLUME

The monthly high and low quotation and the volume of ADSs traded on the New York Stock Exchange			
Month	Highest (US\$)	Lowest (US\$)	Avg. Daily Volume
April, 04	31.98	29.00	53,452
May, 04	33.10	19.60	1,75,800
June, 04	29.75	24.56	1,07,561
July, 04	27.63	25.65	52,066
Aug, 04	28.23	26.21	37,795
Sept, 04	33.95	28.21	33,947
Oct, 04	35.48	30.50	71,657
Nov, 04	42.39	33.85	102,838
Dec, 04	45.88	36.00	106,722
Jan, 05	45.87	38.97	280,315
Feb, 05	47.06	43.06	1,34,294
Mar, 05	50.00	38.79	1,99,650

SHARE PRICE - NYSE

ADS Price US\$

Avg. Daily Volume



KEY COMPARATIVE BETWEEN U.S. AND INDIAN REGULATIONS

NYSE regulations applicable to U.S. listed companies	Indian Stock Exchange regulations and the Bank's practice
Companies must have a majority of independent directors. (NYSE Corporate Governance Standard 303A.01)	Under Indian law, if the chairman of the board of directors is not an executive director of the company, at least one third of the directors should be independent. If the chairman is an executive director, at least half of the Board of the company should comprise independent directors. The chairman of our board of directors is not an executive director and 7 out of 11 members of the board are independent.
Certain additional standards apply to "independent directors" (NYSE Corporate Governance Standard 303A.02)	Under Indian law, a director is "independent" so long as he or she does not have any material pecuniary relationship or transactions (apart from director's remuneration) with the company, its promoters, its management or its subsidiaries, which in the judgment of the board may affect the independence or judgment of the director. We apply the U.S. definition of "independent director". Under that definition, the board does not consider Mr. Jagdish Capoor, the Chairman of the board, to be an independent director.
Non-management directors must meet at regularly scheduled executive sessions without management. (NYSE Corporate Governance Standard 303A.03)	Under Indian law, there is no requirement for such sessions. However, as a good corporate governance practice, one meeting was held without management.
Companies must have a nominating/corporate governance committee composed entirely of independent directors. (NYSE Corporate Governance Standard 303A.04)	As per listing agreements entered into with the Stock Exchanges in India, a nominating/corporate governance committee is not required. However, the Bank has a Nomination Committee that is responsible for recommending the appointment of independent/non-executive directors to the board of directors. All the members of the Nomination Committee are non-executive and independent directors.
The nominating/corporate governance committee must have a written charter that addresses certain specific committee purposes and responsibilities and provides for an annual performance evaluation of the committee. (NYSE Corporate Governance Standard 303A.04)	Since the listing agreement with the Indian Stock Exchanges does not require a nominating/corporate governance committee, it also does not require a charter for such a committee.

KEY COMPARATIVE BETWEEN U.S. AND INDIAN REGULATIONS (contd.)

NYSE regulations applicable to U.S. listed companies	Indian Stock Exchange regulations and the Bank's practice
Companies must have a Compensation Committee composed entirely of independent directors. (NYSE Corporate Governance Standard 303A.05)	Under Indian law, a company's board of directors sets the compensation for non-executive directors. As per Sub-clause (2)(ii) of Annexure 1C of Clause 49 of the Listing Agreements which is a non-mandatory requirement, the listed companies may constitute a remuneration committee consisting of non-executive directors and an independent chairman. The Bank has constituted a Compensation Committee.
The compensation committee must have a written charter that addresses certain specific purposes and responsibilities of the committee and provides for an annual performance evaluation of the committee. (NYSE Corporate Governance Standard 303A.05)	Indian listing requirements do not require that the compensation committee have a charter.
Companies must have an audit committee that satisfies the independence requirements of Rule 10A-3 under the Exchange Act and the requirements of NYSE Corporate Governance Standard 303A.02. (NYSE Corporate Governance Standards 303A.06 and 303A.07)	The audit committee is required to be constituted under Indian Law which requires majority of the member of audit committee to be independent. The Bank has an Audit and Compliance Committee composed of five members, all of whom are non-executive independent directors. This satisfies rule 10A-3.
The audit committee must have a written charter that addresses certain specific purposes and responsibilities of the committee, provides for an annual performance evaluation of the committee and sets forth certain minimum duties and responsibilities. (NYSE Corporate Governance Standard 303A.07)	The Bank has a written audit committee charter that satisfies the NYSE rule.
Companies must adopt and disclose corporate governance guidelines. (NYSE Corporate Governance Standard 303A.09)	Listing agreement with the Indian Stock Exchanges do not require the adoption and disclosure of corporate governance guidelines.
Companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers. (NYSE Corporate Governance Standard 303A.10)	As required by SEBI regulations, the Bank has adopted a code governing trading in the Bank's securities by insiders. In addition, the Bank has adopted a Code of Ethics for the Managing Director, CFO and Senior Management of the company.

