

Financial Highlights

	2000-2001	2001-2002	2002-2003
Interest Income	1,255,04	1,681,18	1,963,17
Interest Expense	753,75	1,073,74	1,191,96
Net Interest Income	501,29	607,44	771,21
Other Income	176,57	335,90	465,55
Net Revenues	677,86	943,34	1,236,76
Operating costs	309,59	417,95	577,05
Operating Result	368,27	525,39	659,71
Provisions and Contingencies	53,21	100,01	88,86
Loan Loss Provisions	52,96	85,77	88,39
Others	25	14,24	47
Profit before tax	315,06	425,38	570,85
Provision for taxation	104,94	128,34	183,25
Profit after tax	210,12	297,04	387,60
Funds :			
Deposits	11,658,11	17,653,81	22,376,07
Subordinated debt	200,00	200,00	200,00
Stockholders' Equity	913,09	1,942,28	2,244,83
Working Funds	15,617,33	23,787,38	30,424,08
Loans	4,636,66	6,813,72	11,754,86
Investments	7,145,14	12,004,02	13,388,08
Key Ratios :			
Earnings per share (Rs)	8.64	11.01	13.75
Return on Average Networth	24.53%	18.30%	18.10%
Tier 1 Capital Ratio	8.69%	10.81%	9.49%
Total Capital Ratio	11.09%	13.93%	11.12%
Dividend per share (Rs)	2.00	2.50	3.00
Dividend payout ratio	25.55%	23.68%	24.72%
Book value per share as at March 31 (Rs)	37.50	69.00	79.60
Market price per share as at March 31 (Rs)*	228.35	236.60	234.55
Price to Earnings Ratio	26.43	21.50	17.06

Rs. 10 Lac = Rs. 1 Million

Rs. 1 Crore = Rs. 10 Million

**Proposed

*Source : NSE

						Rs. lacs
2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
2,455,71	2,905,43	4,230,18	6,647,93	10,115,00	16,332,26	16,172,90
1,211,05	1,315,56	1,929,50	3,179,45	4,887,12	8,911,10	7,786,30
1,244,66	1,589,87	2,300,68	3,468,48	5,227,88	7,421,16	8,386,60
480,03	651,34	1,123,98	1,516,23	2,283,15	3,290,60	3,807,61
1,724,69	2,241,21	3,424,66	4,984,71	7,511,03	10,711,76	12,194,21
810,00	1,085,40	1,691,09	2,420,80	3,745,62	5,532,81	5,764,48
914,69	1,155,81	1,733,57	2,563,91	3,765,41	5,178,95	6,429,73
195,73	176,87	480,06	925,16	1,484,78	1,879,71	2,140,59
178,28	176,22	479,76	861,01	1,216,03	1,726,28	1,938,93
17,45	65	30	64,15	268,75	153,43	201,66
718,96	978,94	1,253,51	1,638,75	2,280,63	3,299,24	4,289,14
209,46	313,38	382,73	497,30	690,45	1,054,31	1,340,44
509,50	665,56	870,78	1,141,45	1,590,18	2,244,93	2,948,70
30,408,86	36,354,25	55,796,82	68,297,94	100,768,60	142,811,58	167,404,44
600,00	500,00	1,702,00	3,282,60	3,249,10	6,477,80	6,353,10
2,691,88	4,519,85	5,299,53	6,433,15	11,497,23	14,646,33	21,519,58
42,306,99	51,429,00	73,506,39	91,235,61	133,176,60	183,270,77	222,458,57
17,744,51	25,566,30	35,061,26	46,944,78	63,426,90	98,883,05	125,830,59
19,256,79	19,349,81	28,393,96	30,564,80	49,393,54	58,817,55	58,607,62
17.95	22.92	27.92	36.29	46.22	52.85	67.60
20.14%	20.44%	17.47%	19.40%	16.05%	16.12%	16.80%
8.03%	9.60%	8.55%	8.58%	10.30%	10.58%	13.26%
11.66%	12.16%	11.41%	13.08%	13.60%	15.69%	17.44%
3.50	4.50	5.50	7.00	8.50	10.00	12.00**
22.15%	24.00%	22.55%	22.92%	22.17%	22.17%	21.72%
94.52	145.86	169.24	201.42	324.39	344.31	470.12
378.75	573.64	774.25	954.15	1,331.25	973.40	1933.50
21.10	25.03	27.74	26.29	28.80	18.42	28.62

BOARD OF DIRECTORS

Mr. Jagdish Capoor, *Chairman*
Mr. Keki Mistry
Mrs. Renu Karnad
Mr. Arvind Pande
Mr. Ashim Samanta
Mr. Chander Mohan Vasudev
Mr. Gautam Divan
Dr. Pandit Palande
Mr. Aditya Puri, *Managing Director*
Mr. Harish Engineer, *Executive Director*
Mr. Paresh Sukthankar, *Executive Director*

SENIOR MANAGEMENT TEAM

Mr. A Parthasarthy
Mr. A. Rajan
Mr. Abhay Aima
Mr. Anil Jaggia
Mr. Bharat Shah
Mr. Bhavesh Zaveri
Mr. G. Subramanian
Mr. Jimmy Tata
Mr. Kaizad Bharucha
Mrs. Mandeep Maitra
Mr. Navin Puri
Mr. Pralay Mondal
Mr. Rahul Bhagat
Mr. Sashi Jagdishan

EXECUTIVE VICE PRESIDENT (LEGAL) & COMPANY SECRETARY

Mr. Sanjay Dongre

STATUTORY AUDITORS

M/s. Haribhakti & Co.,
Chartered Accountants

REGISTERED OFFICE

HDFC Bank House,
Senapati Bapat Marg,
Lower Parel,
Mumbai 400 013.
Tel: + 91 22 66521000
Fax: + 91 22 24960737
Website: www.hdfcbank.com

REGISTRARS & TRANSFER AGENTS

Datamatics Financial Services Ltd

Plot No. B 5,
Part B Crosslane,
MIDC, Marol, Andheri (East),
Mumbai 400 093.
Tel: + 91 22 66712213-14
Fax: + 91 22 28213404
E-mail: hdinvestors@dfssl.com

16th ANNUAL GENERAL MEETING

Date : June 30, 2010
Day : Wednesday
Time : 2.30 p.m.
Place : Birla Matushri Sabhagar,
19, New Marine Lines,
Mumbai 400 020

Book Closure for AGM : June 12, 2010 to June 30, 2010 (both days inclusive)

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To the Members,

Your Directors have great pleasure in presenting the Sixteenth Annual Report on the business and operations of your Bank together with the audited accounts for the year ended March 31, 2010.

FINANCIAL PERFORMANCE

	(Rs. in crores)	
	For the year ended	
	March 31, 2010	March 31, 2009
Deposits and Other Borrowings	180,320.1	151,975.2*
Advances	125,830.6	98,883.0
Total Income	19,980.5	19,622.9
Profit before Depreciation and Income Tax	4,683.5	3,659.2
Net Profit	2,948.7	2,245.0
Profit brought forward	3,455.6	2,574.6
Total Profit available for Appropriation	6,404.3	4,819.6
Appropriations		
Transfer to Statutory Reserve	737.2	561.2
Transfer to General Reserve	294.9	224.5
Transfer to Capital Reserve	199.5	93.9
Transfer from Investment Fluctuation Reserve	(1.5)	(13.9)
Proposed Dividend	549.3	425.4
Tax Including Surcharge and Education Cess on Dividend	91.2	72.3
Dividend (including tax/cess thereon) pertaining to previous year paid during the year	0.9	0.6
Balance carried over to Balance Sheet	4,532.8	3,455.6

*Change pursuant to reclassification

The Bank posted total income and net profit of Rs. 19,980.5 crores and Rs. 2,948.7 crores respectively for the financial year ended March 31, 2010 as against Rs. 19,622.9 crores and Rs. 2,245.0 crores respectively in the previous year. Appropriations from net profit have been effected as per the table given above.

DIVIDEND

Your Bank has had a consistent dividend policy that balances the dual objectives of appropriately rewarding shareholders through dividends and retaining capital, in order to maintain a healthy capital adequacy ratio to support future growth. It has had a consistent track record of moderate but steady increases in dividend declarations over its history with the dividend payout ratio ranging between 20% and 25%. Consistent with this policy, and in recognition of the Bank's overall performance during this financial year, your directors are pleased to recommend a dividend of Rs. 12 per share for the financial year ended March 31, 2010, as against Rs. 10 per share for the year ended March 31, 2009. This dividend shall be subject to tax on dividend to be paid by the Bank.

AWARDS

As in the past years, awards and recognition were conferred on your Bank by leading domestic and international organizations during the fiscal year ended March 31, 2010. Some of them are:

- Asian Banker Excellence Awards 2009
 - Best retail bank in India (4th year in a row)
 - Excellence in automobile lending
- The Asset Triple A Awards
 - Best cash management bank in India
- Euromoney Private Banking and Wealth Management poll 2010
 - Best local bank in India (2nd year in a row)
 - Best private banking services overall
- Financial Insights Innovation Awards 2010
 - Innovation in branch operations

Directors' Report

- Global Finance Award
 - Best trade finance provider in India (2010)
- Business Today Best Employer Survey
 - Listed in the top 10 best employers in the country
- Business World Best Bank Awards 2009
 - Most tech-savvy bank
- Outlook Money NDTV Profit Awards 2009
 - Best bank
- Forbes Asia
 - Fab 50 companies in Asia-Pacific
- UTI MF-CNBC TV18 Financial Advisor Awards 2009
 - Best performing bank¹
- Wall Street Journal survey of Asia's best 200 companies 2009
 - Rated amongst India's 10 most admired companies
 - Rated 3rd in terms of Financial Reputation
- FE Best Bank Awards 2009
 - Best in strength and soundness award
- Asia Money 2009 awards
 - Best domestic bank in India

RATINGS

Instrument	Rating	Rating Agency	Comments
Fixed Deposit Program	CARE AAA (FD)	CARE ¹	Represents instruments considered to be 'of the best quality, carrying negligible investment risk'.
	tAAA (ind) with a stable outlook	FITCH ²	Indicates the strongest capacity for timely payment of financial commitments relative to other issuers or issues in the country.
Certificate of Deposit	PR 1+	CARE	Representing superior capacity for repayment of short term promissory obligations
Long term unsecured, subordinated (Tier II) bonds	CARE AAA	CARE	Represents instruments considered to be 'of the best quality, carrying negligible investment risk'.
	AAA (ind) with a stable outlook	FITCH	Represents the best credit risk relative to all other issuers or issues in the country.
Tier I perpetual Bonds	CARE AAA	CARE	Represents instruments considered to be 'of the best quality, carrying negligible investment risk'.
	AAA / Stable	CRISIL ³	Judged to offer the highest degree of safety with regard to timely payment of financial obligations. Any adverse changes in circumstances are most unlikely to affect the payments of the instrument.
Upper Tier II Bonds	CARE AAA	CARE	Represents instruments considered to be 'of the best quality, carrying negligible investment risk'.
	AAA / Stable	CRISIL	Judged to offer the highest degree of safety with regard to timely payment of financial obligations. Any adverse changes in circumstances are most unlikely to affect the payments of the instrument.

¹ - CARE – Credit Analysis & Research Limited

² - FITCH – Fitch Ratings India Private Limited (100% subsidiary of Fitch Inc.)

³ - CRISIL – CRISIL Ltd. (A Standard & Poor's company)

ISSUANCE OF EQUITY SHARES AND WARRANTS

Post merger of the erstwhile Centurion Bank of Punjab with your Bank, 26,200,220 warrants convertible into an equivalent number of equity shares were issued to HDFC Limited on a preferential basis at a rate of Rs. 1,530.13 each. This was done in order to enable the promoter group to restore its shareholding percentage in the Bank to the pre-merger level in line with shareholder and regulatory approvals. On November 30, 2009 the said warrants were converted by HDFC Limited and consequently the Bank issued them 26,200,220 equity shares.

During the year under review, 61.59 lac shares were allotted to the employees of your Bank pursuant to the exercise of options under the employee stock option scheme of the Bank. These include the shares allotted under the employee stock option scheme of the erstwhile Centurion Bank of Punjab.

EMPLOYEE STOCK OPTIONS

The information pertaining to Employee Stock Options is given in an annexure to this report.

CAPITAL ADEQUACY RATIO

Your Bank's total Capital Adequacy Ratio (CAR) calculated in line with the Basel II framework stood at 17.4%, well above the regulatory minimum of 9.0%. Of this, Tier I CAR was 13.3%.

SUBSIDIARY COMPANIES

Your Bank has two subsidiaries, HDFC Securities Limited ("HSL") and HDB Financial Services Limited ("HDBFS"). HSL is primarily in the business of providing brokerage services through the internet and other channels. HDBFS is a non-deposit taking non-bank finance company ("NBFC"), for the establishment of which the Bank received Reserve Bank of India ("RBI") approval during the fiscal year ended March 31, 2008.

In terms of the approval granted by the Government of India, the provisions contained under Section 212(1) of the Companies Act, 1956 shall not apply in respect of the Bank's subsidiaries. Accordingly, a copy of the balance sheet, profit and loss account, report of the Board of Directors and the report of the Auditors of HSL and HDBFS have not been attached to the accounts of the Bank for the year ended March 31, 2010.

Shareholders who wish to have a copy of the annual accounts and detailed information on HSL and HDBFS may write to the Bank for the same. Further, the said documents shall also be available for inspection by shareholders at the registered offices of the Bank, HSL and HDBFS.

MANAGEMENT'S DISCUSSIONS AND ANALYSIS

Macro-economic and Industry Developments

After witnessing a significant slowdown in the fiscal year ended March 31, 2009, the Indian economy bounced back impressively during the last financial year. The inherently strong domestic consumption combined with both the monetary and fiscal stimuli measures undertaken by the government and other policy authorities over the past year helped the economy shrug off the overhang of weak exports and global headwinds. GDP growth is estimated to be around 7.2% for the fiscal year ended March 31, 2010 as against 6.7% for the year ended March 31, 2009.

While a large share of growth in the last financial year could be attributed to government spending, private consumption and investment also picked up quite sharply, which put to rest any concerns on the sustainability of the domestic recovery. While government spending was likely to have grown by 8.2% last year, private consumption growth is expected to have been at around 4.6 % from a low of 1.7% exhibited in the quarter ended June 30, 2009. Private investment growth is also expected to have recovered to 5.2% from 4% a year ago.

In terms of the sectoral composition of growth, the industrial sector was the clear driver of this recovery, growing by 10% in the last financial year from 2.8% a year ago. While the revival in industrial growth was led by a pick-up in consumer durables, other industrial sectors such as basic goods, intermediate goods and more importantly capital goods also gathered momentum, collectively pointing to the broad-basing of industrial recovery.

Service sector growth was dominated by community, social and personal services reflecting increased government expenditure. However, private services such as trade, transport and communication gathered pace and are likely to keep the service sector growth strong through the next financial year. Overall, service sector growth was estimated at 8.5% in the last fiscal year as against 9.7% a year ago while private services are estimated to have recovered from a growth rate of 8.4% in the year ended March 31, 2009 to 8.9% in the last fiscal year.

Perhaps the most visible dimension of the robustness of the ongoing recovery was the fact that the economy successfully weathered a drought. While the agricultural output is expected to have contracted by about 0.6% last year, non-agricultural GDP is slated to have grown by 9% against 7.7% a year ago. Much of this decoupling between the agricultural and industrial growth was attributable to a more fundamental diversification of the rural economy away from farming activities and the increasing role of small scale industry in broadening the rural income base. Additionally, fiscal support measures such as the National Rural Employment Guarantee Scheme (NREGS) also played a crucial role in providing a safety net to small farmers and agricultural workers.

Apart from fiscal stimulus efforts amounting to nearly 2% of GDP, an accommodative monetary policy stance also played an important role in supporting economic recovery. Policy rates were eased by an average of 275-400 basis points (one basis point = 0.01%) while average lending rates of banks fell by close to 275 basis points since the onset of the crisis. Easy monetary conditions meant that short-term rates fell sharply. After spiking up to a high of 20% in October 2008, the overnight call money rates eased to 3-4%, indicating very comfortable domestic liquidity conditions. Monetary accommodation was especially important in helping the economy absorb a hefty government borrowing program during the last fiscal year which ensured that pressure on government bond yields remained muted.

Despite a decline in effective lending rates, system credit growth remained subdued over the year with some signs of a pick-up in the growth rates in the last quarter of the year. After reaching a system loan growth rate of 17% in the financial year ended March 31, 2009, credit growth plummeted to 10% in October 2009. Some recovery in this growth was witnessed on the back of

increased demand for term lending and project financing which resulted in a pick up in credit growth to 16% as at March 2010. Infrastructure funding was a leading area of credit demand, contributing close to 60% of the incremental credit growth in the last financial year.

Inflation over the past year was largely driven by supply-side pressures on account of the drought and hence substantially confined to agricultural commodity prices. There were however emerging signs that inflation is getting more broad-based with private demand playing a role in pushing up prices of manufactured products. In February 2010 headline WPI inflation moved 9.9% alongside a pick-up in manufactured goods inflation to 7.4% from a low of -0.2% in July, 2009.

Both merchandise exports and imports recovered sharply at the end of the third quarter of the last fiscal year after the record slide seen over the two quarters prior to that. After falling sharply by 28% in the first half of the fiscal year ended March 31, 2009, export orders increased by 13% at the end of the third quarter of the last financial year and by 34.8% in February 2010 driven by strong demand from both the Chinese and US economies. Domestic imports also rose sharply over the last few months driven by strong growth in the domestic industrial sector. In fact, the sharp rebound in the industrial sector resulted in an increase in non-oil imports, especially capital goods imports. More importantly, the rise in oil prices in the latter half of the financial year ended March 31, 2010 pushed up the total imports bill. The trade deficit in the financial year ended March 31, 2010 is estimated to have widened to USD 129 billion as against USD 118 billion in the previous year.

Recent data released by the RBI shows that the net invisibles component (software exports, private transfers, etc.) came in much weaker than expectations in the first three quarters of the financial year ended March 31, 2010. While private transfers grew by a relatively sedate 12% in this period, a muted growth in software exports and a decline in business services exports impacted net invisibles. Net invisibles were USD 59 billion as compared to USD 70 billion seen in the same period during the previous year. Going forward, although we do not expect the weakness in the net invisibles component to persist, we expect the current account deficit to widen driven primarily by the deterioration in trade balance.

Even though the current account deficit increased, the total balance of payments position remained comfortably placed as capital flows were fairly strong as compared to those in the prior year. Strong portfolio inflows due to the improvement in global risk appetite were the major contributors to the strong balance of payments position. Going forward, we expect the balance of payments position to remain in surplus this year as fund flows continue to remain strong.

The Indian equity markets rallied sharply during the last financial year due to the general improvement in global risk appetite. Global investors went from pricing in a severe recession to expecting a sharp rebound in the global economy and in the process pushed most equity markets higher. India ranked amongst the fastest growing economies in the world and benefited immensely during this phase.

(Sources: Ministry of Finance, RBI, CSO, Ministry of Commerce)

Macroeconomic Risks and concerns

While the economic recovery currently underway seems quite well entrenched, the risks to growth going ahead stem from concerns on the sustainability of this recovery. Rising inflationary pressures and a pick up in manufactured goods inflation in particular, pose a risk to the revival in domestic consumption. Further, with growth gathering momentum and the return of leverage into the economy, monetary policy responses are likely to play a far more crucial role in shaping growth dynamics. The risk is that persistent inflationary pressures may drive the central bank to tighten interest rates to a level that could constrain future growth. There are some offsets though, with job prospects looking up and personal disposable income likely to remain strong, household balance sheets are likely to be robust enough to absorb rising prices and interest rates. In view of the above factors, a reversal of the recovery in domestic consumption demand seems unlikely.

The economic recovery that was buoyed by a pick-up in domestic consumption is likely to be taken forward by a pick-up in investment. Early signs of rising capacity utilization indicate that private capital expenditure could well gather pace over this financial year. However, given the interest sensitive nature of capital formation there is a risk that rising interest rates may impinge on private investment initiatives.

While adequate capital provisioning and stringent prudential regulations largely shielded the domestic banking system from the global crisis, some cyclical deterioration in asset quality remains a concern. There is some evidence, both formal and anecdotal that credit quality in both the retail and wholesale portfolios of banks has deteriorated. There is also some concern that a portion of the loans that banks were allowed to restructure given the sharp cyclical deterioration in the economy may remain impaired and will add to the stock of non-performing loans. Recent stress tests have revealed however that the banking system as a whole remains robust enough to withstand a sharp increase in asset quality slippages.

While the fundamentals of the Indian economy remain strong, the domestic equity markets and for that matter fund flows into the domestic financial system are dependent on the developments in the global economy and general risk appetite to a large extent. Any adverse changes therefore in the global economic or financial environment could have a negative impact on the domestic markets and the availability of foreign funds. In this regard, we see a few risks on the global front that could adversely impact the domestic markets.

Though the global economy has recovered at a much faster pace than expected, the current recovery is still at a nascent stage and concerns still remain that the global economy could possibly witness a 'W' shaped recovery pattern. Much of the increase in demand witnessed in developed economies was driven by temporary factors such as strong fiscal stimuli. The effects of fiscal stimulus measures are likely to eventually fade resulting in lower growth rates, especially if private demand does not recover at a rapid pace. Weaker than anticipated recovery in the global economy could result in another bout of risk aversion in the global markets sometime during the second half of this financial year which in turn could have an impact on domestic equity markets.

The other risk stems from the prospect of tighter global monetary policy during the middle of calendar year 2010. While the U.S. Federal Reserve may not hike its operational fed funds rate any time soon, it seems to be giving indications that it could wind down its quantitative easing program. We expect the U.S. Federal Reserve to slowly start draining USD liquidity from the financial system sometime around September 2010. As this happens, global equity markets (including Indian equity markets) could correct as investors price in the prospect of a reduction in liquidity in the global financial system.

Lastly, the prospect of a sovereign default in a major economy could periodically weigh on market risk appetite over the course of the next six to eight months. Strong fiscal stimuli provided by most of the major developed economies last year has resulted in a sharp build up of total sovereign debt. Thus, markets are likely to get a little anxious over the ability of the major governments to fund this deficit, which will act as a stumbling block for market risk appetite in the medium term.

Outlook

The Indian economy is likely to continue to outperform its global counterparts in the year ahead, growing by around 8% against an average world output growth of 3.9%. Investment and capacity expansion will be a crucial link in driving the recovery forward; buoyant domestic demand should help it absorb headwinds from rising interest rates and inflation. With private capex and infrastructure spending likely to gather ground, not only will the ongoing recovery sustain into the next financial year but will also translate into greater buoyancy in credit growth and stronger growth prospects for the banking sector in general. Focus on investment in the next fiscal year is likely to render India an attractive market that is well positioned to take advantage of both structural and cyclical gains while its strong domestic base is likely to limit the impact of external stress on growth dynamics and returns.

Mission and Business Strategy

Your Bank's mission is to be "a World Class Indian Bank", benchmarking itself against international standards and best practices in terms of product offerings, technology, service levels, risk management and audit & compliance. The objective is to continue building 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. Your Bank is committed to do this while ensuring the highest levels of ethical standards, professional integrity, corporate governance and regulatory compliance.

The Bank's business strategy emphasizes the following:

- Increase its market share in India's expanding banking and financial services industry by following a disciplined growth strategy focusing on balancing quality and volume growth while delivering high quality customer service;
- Leverage its technology platform and open scalable systems to deliver more products to more customers and to control operating costs;
- Maintain high standards for asset quality through disciplined credit risk management;

- Develop innovative products and services that attract its targeted customers and address inefficiencies in the Indian financial sector;
- Continue to develop products and services that reduce its cost of funds; and
- Focus on healthy earnings growth with low volatility.

Financial Performance:

The financial performance during the fiscal year ended March 31, 2010 remained healthy with total net revenues (net interest income plus other income) increasing by 14% to Rs. 12,194.2 crores from Rs. 10,711.8 crores in the previous financial year. Revenue growth was driven both by an increase in net interest income and other income. Net interest income grew by 13% primarily due to an increase in the average balance sheet size and an increase in full year net interest margins by 13 basis points to 4.3%.

Other income registered a growth of 15.7% over that in the previous year to Rs. 3,807.6 crores in the financial year ended March 31, 2010. This growth was driven primarily by an increase in fees and commissions earned and income from foreign exchange and derivatives offset in part by lower bond gains than those in the previous financial year. In the fiscal year ended March 31, 2010, commission income increased by 15.2% to Rs. 2,830.6 crores with the main drivers being fees on debit and credit cards, transactional charges & fees on deposit accounts and processing fees on retail assets. Commissions from the distribution of third party insurance & mutual funds remained one of the major components of fees and commissions. Whilst the regulatory changes restricted the commissions payable to banks by mutual funds, the same was offset by higher distribution volumes. The Bank made a profit on the sale / revaluation of investments of Rs. 345.1 crores during the year, almost 10% lower than that in the previous year as yields started moving up since the third quarter of the financial year ended March 31, 2010. Foreign exchange and derivatives revenues grew from Rs. 440.5 crores in the previous financial year to Rs. 623.2 crores in the fiscal year ended March 31, 2010.

Operating (non-interest) expenses grew at a much lower pace than net revenues and increased from Rs. 5,532.8 crores in the previous financial year to Rs. 5,764.5 crores in the year under consideration. During the year your Bank opened over 300 new branches which resulted in higher infrastructure and staffing expenses. Due to the efforts of your Bank in areas of cost management and on improving overall productivity, coupled with revenue synergies with the network of the erstwhile Centurion Bank of Punjab, the ratio of operating cost to net revenues improved to 47.3%, from 51.7% in the previous year.

Loan loss provisions for non-performing assets and provisions for standard assets increased from Rs. 1,726.3 crores to Rs. 1,938.9 crores due to higher NPA formations during the first half of the financial year ended March 31, 2010. The incremental NPA formations subsequently came down in the second half of the year. The Bank's provisioning policies for specific loan loss provisions remained higher than regulatory requirements. The NPA coverage ratio based on specific provisions was at 74.8% as on March 31, 2010. The Bank also provided Rs. 201 crores towards floating provisions, contingent provisions for tax, legal

and other contingencies. The Reserve Bank of India had reduced the general provisioning requirements for certain asset classes in May 2008, this reduced the requirements for general provisions for the Bank's loan book. Your Bank did not write back any of these provisions and continued to maintain the general provisions that were already created. As a result of the above, the requirement for general assets provisions was lower than what the Bank held on its books as on March 31, 2010 and the Bank did not have to may any additional general provisions for the increase in its loan book.

Net profit increased by 31% from Rs. 2,245.0 crores in the previous financial year to Rs. 2,948.7 crores in the year ended March 31, 2010. Return on average net worth was 16.8%. The Bank's basic earning per share increased from Rs. 52.9 to Rs. 67.6 per equity share.

As at March 31, 2010, the Bank's total balance sheet increased by 21% to Rs. 222,459 crores as against Rs. 183,271 crores as at March 31, 2009. Total Deposits increased 17% from Rs. 142,812 crores as on March 31, 2009 to Rs. 167,404 crores as on March 31, 2010. With Savings account deposits at Rs. 49,877 crores and current account deposits at Rs. 37,227 crores, demand (CASA) deposits were around 52% of total deposits as on March 31, 2010 higher than 44% at the end of the previous year. During the financial year ended March 31, 2010, gross advances grew by 27% to Rs. 127,262 crores. This was driven by a growth of 41% in wholesale advances to Rs. 54,991 crores, and an increase of 18% in retail advances to Rs. 72,271 crores. The growth in advances of the Bank have been significantly higher than the system credit growth which was approximately 17%.

Business Segments' Update:

Consistent with its performance in the past, in the last financial year, your Bank has achieved healthy growth across various operating and financial parameters. This performance reflected the strength and diversity of the Bank's three primary business franchises – retail banking, wholesale banking and treasury, and of its disciplined approach to risk-reward management.

Retail Banking

The Bank caters to various customer segments with a wide range of products and services. Your Bank is a one stop shop financial services provider of various deposit products, of retail loans (auto loans, personal loans, commercial vehicle loans, mortgages, business banking etc.), credit cards, debit cards, depository (custody services), investment advisory, bill payments and several transactional services. Apart from its own products, the Bank sells third party financial products like mutual funds and insurance.

The growth in your Bank's retail banking business was robust during the financial year ended March 31, 2010. The Bank's total retail deposits grew by over 14% to Rs. 113,527 crores in the financial year ended March 31, 2010, driven by retail savings balances which grew much faster at 44% during the same period. The Bank's retail assets grew by 18% to Rs. 72,271 crores during the financial year ended March 31, 2010 driven primarily by a growth in auto loans, mortgages, business banking and commercial vehicle loans.

Branch Banking

This year your Bank expanded its distribution network – from 1,412 branches in 528 cities as on March 31, 2009 to 1,725 branches in 779 cities on March 31, 2010. The Bank's ATMs increased from 3,295 to 4,232 during the same period. Your Bank's branch network is deeply entrenched across the country with significant density in areas conducive to the growth of its businesses. The Bank's focus on semi-urban and under-banked markets continued, with 68% of the Bank's branches now outside the top nine Indian cities. The Bank's customer base grew in line with the growth in its network and increased product penetration initiatives, this currently stands at over 19 million customers. The average savings balance per account which is a good indicator of the strength of the Bank's retail liability franchise grew over 30%. The Bank continues to provide unique products and services with customer centricity a key objective.

In order to provide its customers increased choices, flexibility and convenience the Bank continued to make significant headway in its multi channel servicing strategy. Your Bank offered its customers the use of ATMs, internet, phone and mobile banking in addition to its expanded branch network to serve their banking needs.

The increase in the Bank's debit card base this year coupled with a growth in its ATM network translated to an increase in ATM transactions by 26%. The Bank also made strong inroads in its internet banking channel with around 21% of its registered customers now using net banking facilities for their banking requirements. Your bank now offers phone banking in 778 locations in addition to giving its customers the convenience of accessing their bank accounts over their mobile phones. The success of the Bank's multi-channel strategy is evidenced in the fact that almost 80% of customer initiated transactions are serviced through the non-branch channels.

Retail Assets

Your Bank continued to grow at a healthy pace in almost all the retail loan products that it offers and further consolidated its position amongst the top retail lenders in India. The Bank grew its retail asset portfolio in a well balanced manner focusing on both returns as well as risk. While the Bank's auto finance business remained a key business driver for its retail asset portfolio, other retail loan products exhibited robust growth rates and asset quality.

The Bank continued its focus on internal customers for its credit cards portfolio. Overall credit cards remained a profitable business for your Bank with over 4 million cards in force as at March 2010. As part of its strategy to drive usage of its credit cards the Bank also has a significant presence in the "merchant acquiring" business with the total number of point-of-sale (POS) terminals installed at over 90,000.

In addition to the above products the Bank does home loans in conjunction with HDFC Limited, under this arrangement the Bank sells loans provided by HDFC Limited. HDFC Limited approves and disburses the loans, which are booked in their books, the Bank is paid a sourcing fee for these loans. HDFC Limited offers

your Bank upto 70% of the fully disbursed home loans sourced under this arrangement through either the issue of mortgage backed pass through certificates (PTCs) or by a direct assignment of loans; the balance is retained by HDFC Limited. Both the PTCs or the loans thus assigned are credit enhanced by HDFC Limited upto a AAA level. The Bank purchases these loans at the underlying home loan yields less a fee paid to HDFC Limited for the administration and servicing of the loans. Your Bank originated approximately an average Rs. 500 crores of mortgages every month in the financial year ended March 31, 2010, a significant increase from the Rs. 400 crores per month that the Bank originated in the previous year. During the year the bank also purchased from HDFC Ltd. under the "loan assignment" route approximately Rs 4,870 crores of AAA credit enhanced home loans which qualified as priority sector advances.

Your Bank also distributes life & general insurance and mutual fund products through its tie-ups with insurance companies and mutual fund houses. The income from these businesses continued to demonstrate robust growth largely due to an expanded branch network and the increased penetration of the Bank's managed portfolio despite the fact that during the year there were regulatory changes which in some cases impacted the commission paid by the manufacturers of these products to the Bank. The success in the distribution of the above products has been demonstrated with the growth in the Bank's fee income.

The Bank's data warehouse, Customer Relationship Management (CRM) and analytics solutions have helped it target existing and potential customers more effectively and cost effectively and offer them products appropriate to their profile and needs. Reduced costs of acquisition apart, this has also led to deepening of customer relationships and greater efficiency in fraud control and collections resulting in lower credit losses.

Wholesale Banking

The Bank provides its corporate and institutional clients a wide range of commercial and transactional banking products, backed by high quality service and relationship management. The Bank's commercial banking business covers not only the top end of the corporate sector but also the emerging corporate segment and some small and medium enterprises (SMEs). The Bank has a number of business groups catering to various segments of its wholesale banking customers with a wide range of banking services covering their working capital, term finance, trade services, cash management, foreign exchange and electronic banking requirements.

This business registered a healthy growth in the financial year ended March 31, 2010. The Bank's wholesale deposits grew by around 24%, while wholesale advances showed a strong growth of over 40% both of which were significantly faster than the growth in the system during the same period. Your Bank provides its customers both working capital and term financing. The Bank witnessed an increase in the proportion of its term lending even though working capital loans retained a large share of its wholesale advances. While the duration of the Bank's term loans largely remained small to medium term, the Bank did witness an increase in its longer duration term loans, and project lending, including loans to the infrastructure segment.

During the financial year ended March 31, 2010, 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. Your Bank's cash management and vendor & distributor (supply chain) finance products continued to be an important contributor to growth in the corporate banking business. Your Bank further consolidated its position as a leading player in the cash management business (covering all outstation collection, disbursement and electronic fund transfer products across the Bank's various customer segments) with volumes growing to over Rs. 25 trillion. The Bank also strengthened its market leadership in cash settlement services for major stock exchanges and commodity exchanges in the country. The Bank met the overall priority sector lending requirement of 40% of net bank credit.

The Bank's financial institutions and government business group (FIG) offers commercial and transaction banking products to financial institutions, mutual funds, public sector undertakings, central and state government departments. The main focus for this segment remained offering various deposit and transaction banking products to this segment besides deepening these relationships by offering funded, non-funded treasury and foreign exchange products.

International Operations

The Bank has a wholesale banking branch in Bahrain and two representative offices in UAE and Kenya. The branch offers the Bank's suite of banking services including treasury and trade finance products to its corporate clients. This branch has built up an asset book over USD 400 million since its opening in October 2008. The Bank offers wealth management products, remittance facilities and markets deposits to the Non-resident Indian community from its representative offices.

Treasury

The treasury group is responsible for compliance with reserve requirements and management of liquidity and interest rate risk on the Bank's balance sheet. On the foreign exchange and derivatives front, revenues are driven primarily by spreads on customer transactions based on trade flows and customers' hedging needs. During the financial year ended March 31, 2010, revenues from foreign exchange and derivative transactions grew by 41.5% to Rs. 623 crores. These revenues were distributed across large corporate, emerging corporate, business banking and retail customer segments for plain vanilla foreign exchange products and across primarily large corporate and emerging corporate segments for derivatives. The Bank offers Indian rupee and foreign exchange derivative products to its customers, who use them to hedge their market risks. The Bank enters into foreign exchange and derivative deals with counterparties after it has set up appropriate counterparty credit limits based on its evaluation of the ability of the counterparty to meet its obligations in the event of crystallization of the exposure. Appropriate credit covenants may be stipulated where required as trigger events to call for collaterals or terminate a transaction and contain the risk. Where the Bank enters into foreign currency derivative contracts with its customers it lays them off in the inter-bank market on a matched basis. For

such foreign currency derivatives, the Bank does not have any open positions or assume any market risks but carries only the counterparty credit risk (where the customer has crystallized payables or mark-to-market losses). The Bank also deals in Indian rupee derivatives on its own account including for the purpose of its own balance sheet risk management. The Bank recognizes changes in the market value of all rupee derivative instruments (other than those designated as hedges) in the profit and loss account in the period of change. Rupee derivative contracts classified as hedge are recorded on an accrual basis.

Given the regulatory requirement of holding government securities to meet the statutory liquidity ratio (SLR) requirement, your Bank maintains a portfolio of government securities. While a significant portion of these SLR securities are held in the 'Held-to-Maturity' (HTM) category, some of these are held in the 'Available for Sale' (AFS) category. In the first two quarters of the last year the Bank realized gains on its bond portfolio partly offset by the losses made in the second and third quarters of the financial year ended March 31, 2010.

Information Technology

Since its inception, your Bank has made substantial investments in its technology platform and systems, built multiple distribution channels, including an electronically linked branch network, automated telephone banking, internet banking and banking through mobile phones, to offer its customers convenient access to various products.

The Bank has templated credit underwriting through automated customer data de-duplication and real-time scoring in its loan origination process. Having enhanced its cross selling and up-selling capabilities through data mining and analytical customer relationship management solutions, the Bank's technology enables it to have a 360° view of its customers. Your Bank employs event detection technology based customer messaging and has deployed an enterprise wide data warehousing solution as a back bone to its business intelligence system.

During the year the Bank has introduced faster ATMs which enabled the customer a faster servicing experience by reducing the customer clicks by 40%, through the use of advanced technology on its ATMs, a first in the Indian market. Implementation of a risk management engine for internet transactions has reduced the phishing and man in the middle attacks significantly since October 2008. The bank has also implemented a digital certificates based security engine for corporate internet banking customers. Credit and debit cards usage of the Bank's customers is secured by powerful proactive risk manager technology solutions which does rules based SMS alerts as well as prompts customer service representatives to call the customer on detecting abnormal usage behavior. This prevents frauds and minimizes losses to customers, if the card has been stolen and yet to be hot listed.

Sophisticated automated switch-over and switch-back solutions power the Bank's disaster recovery management strategy for key core banking solutions in its data center, improving availability of your Bank's services to its customers.

With the various initiatives that your Bank has taken using technology, it has been successful in driving the development of

innovative product features, reducing operating costs, enhancing customer service delivery and minimizing inherent risks.

Service Quality Initiatives

Your Bank continued to improve customer service in various spheres of its business through service quality initiatives and quality projects using lean Sigma Tool-kit, 5S and other business excellence initiatives. Over 2,000 projects were executed during the year that resulted in demonstrable process efficiency improvements, enhanced productivity, improved turn around times, cost reduction all of which ultimately led to an improvement in customer service.

The Bank has integrated its customer complaints management processes with the existing service quality initiatives to achieve greater synergies towards driving service excellence. Service quality initiatives include the audit of services as well as mystery shopping at various touch points to capture feedback on customer experiences. Your Bank has also implemented the same for key support departments. Improvements are worked on identified areas to further enhance customer experiences. The Bank has also integrated service quality objectives with the business objectives of the Bank, to bring about the clubbed results of 'Customer Delight' and improved profitability. New elements were added and improvement schemes were installed using technology to ensure customer convenience, security of transactions and reduced transaction costs.

The Bank plans to use this platform to drive systemic changes and process re-engineering using technology to further enhance customer experience and business value.

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 critical to a bank's success. Business and revenue growth have therefore to be weighed in the context of the risks implicit in the Bank's business strategy. Of the various types of risks your 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 accordingly 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. During the financial year ended March 31, 2009 the Bank obtained an ISO 9001:2008 certification of its retail asset underwriting. Last year, the first surveillance audit was conducted at key locations and the unit was recommended for continuation of the certification. 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 procedures, vets treasury risk limits before they are considered by the Board, and reviews portfolio composition and impaired credits.

As of March 31, 2010, the Bank's ratio of gross non-performing assets (NPAs) to gross advances was 1.43%. Net non-performing assets (gross non-performing assets less specific loan loss provisions, floating provision, interest in suspense, Export Credit Guarantee Corporation (ECGC) claims received and provision in lieu of diminution in the fair value of restricted assets) were 0.31% of customer assets as of March 31, 2010. The specific loan loss provisions that the Bank has made for its non-performing assets continue to be more conservative than the regulatory requirement.

In accordance with the guidelines issued by the Reserve Bank of India on Basel II, your Bank migrated to the standardized approach for Credit Risk and the Basic Indicator approach for operational risk in the financial year ended March 31, 2009. Through the year, your Bank has been continuing work on various initiatives which would enable it to comply with the standards laid out for the more advanced capital approaches under Basel II. While the core systems which support such initiatives are more or less in place, the Bank has been working towards testing the results and fine-tuning such systems and plugging the gaps to meet the operational requirements for the advanced approaches. This is a long process, which requires not only having the quantitative inputs in place, but also a strong culture of risk management and awareness in the Bank, which rely on these inputs for decision making. The Bank has made reasonable progress in this regard. The implementation of the Basel II framework is in harmony with the Bank's objective of adopting best practices in risk management.

INTERNAL AUDIT & COMPLIANCE

The Bank has Internal Audit & Compliance functions which are 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 audit function also pro-actively recommends improvements in operational processes and service quality. To ensure independence, the Audit department has a reporting line 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 functions and reviews the effectiveness of controls and compliance with regulatory guidelines.

CORPORATE SOCIAL RESPONSIBILITY

Your Bank is a socially responsible corporate citizen committed to deliver a positive impact across social, economic and environmental parameters. The Bank acknowledges its responsibility on the manner that its activities influence its consumers, employees, and stake holders, as well as the environment. Your Bank strives to proactively encourage community growth and development thereby contributing in building a sustainable future.

Your Bank's CSR initiatives range across the spectrum of purely operational and financial parameters at one end to social and altruistic at the other. Together, these elements go towards fulfilling its CSR objectives.

The Bank seeks to achieve its corporate and social objectives by focusing on the following strategic areas

- Environmental Responsibility
- Employee Engagement
- Community Initiatives

Environmental Responsibility

Your Bank is aware of its role of an influencer towards the environment, which is embodied in its approach to Carbon Emission Reduction. The Bank demonstrates this commitment to contribute positively to the environment and sustainable development by calculating its carbon footprint and preparing a carbon management plan to reduce it. In addition, in order to create awareness amongst employees on climate change and the need to reduce and recycle, various drives to conserve the environment including tree plantation are organized on a regular basis.

Employee Engagement

The Bank's employees are encouraged to volunteer time and skills through the 'Corporate Volunteering Program'. This year your Bank's employees have engaged in activities such as academic support classes, held English speaking courses and helped in organizing special events in order to celebrate festivals with the underprivileged. Additionally the Bank has facilitated employee donations to charities of their choice through 'Give India', a donation platform that enables individuals to support social causes by donating to over 200 charities that have been screened for transparency and credibility. The bank makes a donation matching the amounts donated by its employees on a monthly basis.

Community Initiatives

As a responsible Corporate Citizen your Bank strives for community empowerment through socio-economic development of underprivileged and marginalized sections of society. The Bank partners with NGOs across India to support educational initiatives and livelihood training programs.

In the year ended March 31, 2010 the Bank supported a variety of educational programs ranging from educational sponsorships for girls, adoption of state-run schools, running of academic support classes and reading classes. The Bank also supports projects that provide skills training to school dropouts, youth, women and other disadvantaged groups. The Bank's social development programs have so far touched the lives of over 73,000 children and 700 women and youth.

FINANCIAL INCLUSION

Over the last few years, your Bank has been working on a number of initiatives to promote Financial Inclusion across identified sections of rural, under-banked and un-banked consumers. These initiatives target segments of the population that have limited or no access to the formal banking system for their basic banking and credit requirements, by building a robust and sustainable model that provides relevant services and viable and timely credit

that ultimately result in the economic upliftment of its customers. The Bank's financial inclusion initiatives have been integrated across its various businesses, across product groups. Over the next five years your Bank will endeavor to bring 10 million households currently excluded from basic banking services under the fold of this program.

Rural Initiative

The Bank has approximately 33% of its branches in rural and underbanked locations. In these branches the Bank offers products and services such as savings, current, fixed & recurring deposits, loans, ATM facilities, investment products such as mutual funds and insurance, electronic funds transfers, drafts & remittances, etc. The Bank also leverages these branches as hubs for other inclusion initiatives such as direct linkages to self help groups and joint liability groups, bank on wheels, point of sale (POS) terminals and information technology enabled kiosks, and other information & communication technology (ICT) backed initiatives in these locations.

A number of retail credit products such as two-wheeler loans, car loans, mortgages etc. are typically consumption products in urban centers. These however are means of income generation for rural consumers. We believe that apart from agricultural loans, there are many other credit products that the Bank can use to aid financial betterment in rural locations. The Bank has extended provision of its retail loans to large segments of the rural population where the end use of the products acquired (by availing our loans) are used for income generating activities. For example, loans for tractors, commercial vehicles, etc. supplement the farmer's income by improving productivity and reducing expenses.

No Frills Savings Accounts

A savings account is the opening requirement for the provision of other banking services; the account promotes the habit of saving, provides a security, and inculcates confidence among the target segment in the banking sector.

The Bank provides 'No Frills' savings accounts through all its branches as a stepping stone towards financial inclusion. These accounts are offered only to customers who do not have any other bank account (are un-banked) and who are either beneficiaries of a government welfare scheme or have annual incomes less than a defined threshold (constitute the bottom of the economic pyramid). Apart from the basic no frills savings account your Bank also offers these segments other accounts such as no frills salary accounts and limited KYC accounts.

Lending to self help groups and Microfinance Institutions

Your Bank has been working with various self help groups in order to cover a wider consumer base than through its own branch network. The groups that the Bank partners work with the objective of providing credit for income generation activities, (often by providing training, vocational guidance, and marketing support to their members). Leveraging their distribution, credit expertise and on-ground knowledge, the Bank funds these groups who in turn lend to the end consumer. Till date the Bank has lent to over 45,000 self help groups covering approximately

7 lakh households supporting their income generation activities. The Bank works with these groups either by appointing business correspondents or through its own branch network. To this effect the Bank has opened 27 branches catering exclusively to this target segment.

The Bank also extends loans to Microfinance Institutions for on-lending to financially excluded households or in many cases to them through self help groups. This program is currently spread across the country covering 18 states with tie-ups with 110 accredited microfinance institutions. The above institutions typically face challenges in the areas of funding, credit underwriting and scaling up of operations. The Bank brings in the necessary expertise related to these areas and enters into a symbiotic arrangement that benefits all parties involved. As on March 31, 2010 with a micro lending book of over Rs. 1,400 crores the Bank's micro lending initiative has reached approximately 2 million households.

Agriculture and Allied Activities

A large portion of India's un-banked population relies on agriculture as their main source of livelihood. We believe provision of credit to marginal farmers through various methods that your Bank has employed replaces the traditional money lending channel, while at the same time providing income generating activities. The Bank provides various loans to farmers through its suite of specifically designed products such as the Kisan Gold Card, tractor, cattle loans etc. In addition the Bank offers post-harvest cash credit, warehouse receipt financing and bill discounting facilities to mandi (markets for grain and other agricultural produce) participants and farmers. These facilities enable the mandi participants to make timely payments to farmers. The Bank carries out this business through approximately 200 branches that are located in close proximity to mandis.

The Bank targets specific sectors to capture supply chain of certain crops from the production stage to the sales stage. On the basis of these cashflows, your Bank is able to finance specific needs of the farmers. This is further supported by using business correspondents closer to their respective locations and helping them to create a savings and banking habit. This model has currently been implemented with dairy and sugarcane farmers.

The initiative currently underway includes the appointment of milk societies as BCs, through whom the Bank opens accounts of individual farmers attached to these societies. The societies route all payments to the farmers through this account.

Small and Micro Enterprises

One of the means to financial inclusion is by supporting small and micro enterprises which in turn provide employment opportunities to the financially excluded. Though indirect, we believe this model may in many instances be more effective than providing subsidies that are often unsustainable, or never reach the intended beneficiary.

The Bank offers complete banking solutions to micro, small and medium scale enterprises across industry segments including manufacturers, retailers, wholesalers / traders and services. The entire suite of financial products including cash credit, overdrafts, term loans, bills discounting, export packing credit, letter of credit, bank guarantees, cash management services and other structured products are made available to these customers.

Promoting Financial Awareness

In addition to providing various products and services to the financially excluded, that Bank believes that imparting education and training to these target segments is equally essential to ensure transparency and create awareness. To this effect the Bank has put in place various training programs, these are conducted by Bank staff in local languages and cover not only the customers but also various intermediaries such as the Bank's business correspondents. Through these programs the Bank provides credit counseling and information on parameters like savings habit, better utilization of savings, features of savings products, credit utilization, asset creation, insurance, income generation program etc.

HUMAN RESOURCES

The total number of employees of your bank were 51,888 as of March 31, 2010. The Bank continued to focus on training its employees, both on-the-job as well as 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.

HDFC Bank lists 'people' as one of its stated core values. The Bank believes in empowering its employees and constantly takes various measures to achieve this.

STATUTORY DISCLOSURES

The information required under Section 217(2A) of the Companies Act, 1956 and the rules made there under, are given in the annexure appended hereto and forms part of this report. In terms of section 219(1)(iv) of the Act, the Report and Accounts are being sent to the shareholders excluding the aforesaid annexure. Any shareholder interested in obtaining a copy of the said annexure may write to the Company Secretary at the Registered Office of the Bank. The Bank had 51,888 employees as on March 31, 2010. 630 employees employed throughout the year were in receipt of remuneration of Rs. 24 lacs per annum and 35 employees employed for part of the year were in receipt of remuneration of more than Rs. 2 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.

The Ministry of Corporate Affairs has issued "Corporate Governance Voluntary Guidelines" in December 2009. While these guidelines are recommendatory in nature, the Bank has adopted most of these guidelines as detailed in the Corporate Governance Report. The Bank will examine the possibilities of adopting the remaining guidelines in an appropriate manner.

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, 2010 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. C.M.Vasudev and Dr. Pandit Palande will retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

The Board at its meeting held on 15th January 2010 re-appointed Mr. Aditya Puri as Managing Director of the Bank for a period of 3 years from 1st April 2010 to 31st March 2013 subject to the approval of the shareholders at the ensuing Annual General Meeting and the Reserve Bank of India. The Reserve Bank of India has since approved the re-appointment of Mr. Puri as Managing Director and the terms of re-appointment are being placed before the shareholders for approval at the ensuing Annual General Meeting.

The Board at its meeting held on 24th April 2010 also approved the re-appointment of Mr. Harish Engineer and Mr. Paresh Sukthankar as Executive Directors for further periods from the expiry of their current terms subject to the approval of the shareholders at the ensuing Annual General Meeting and the Reserve Bank of India.

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

AUDITORS

M/s. Haribhakti & Co., Chartered Accountants have been the Statutory Auditors of your Bank since 2006. As per the regulations of the Reserve Bank of India, the same auditors cannot be re-appointed for a period beyond four years. It is proposed to appoint M/s. BSR & Co., Chartered Accountants as the new Statutory Auditors of the Bank, subject to the approval of the members and the Reserve Bank of India. Your Directors place on record their sincere appreciation of the professional services rendered by M/s.Haribhakti & Co., as Statutory Auditors of the Bank.

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 for the hard work and dedicated efforts put in by the Bank's employees and look forward to their continued contribution in building a World Class Indian Bank.

On behalf of the Board of Directors

Jagdish Capoor
Chairman

Mumbai, April 24, 2010

Annexure to Directors' Report for the year ended March 31, 2010

EMPLOYEES' STOCK OPTIONS

Details of the stock options granted, vested, exercised, forfeited and lapsed during the year under review are as under :

Scheme(s)	Exercise Price (Rs.)	Options Granted	Options Vested	Options Exercised & Shares Allotted*	Options Forfeited	Options Lapsed	Total Options in Force as on March 31, 2010
ESOP IV	358.60	-	-	97,300	-	5,000	100,000
ESOP V	366.30	-	-	66,100	-	-	33,600
ESOP VI	362.90	-	-	39,200	-	-	46,000
ESOP VII	630.60	-	-	1,104,400	-	-	1,291,200
ESOP VIII	994.85	-	1,143,400	640,300	37,100	-	1,858,500
ESOP IX	994.85	-	942,800	793,900	7,600	-	1,497,500
ESOP X	1,098.70	-	286,500	114,800	-	-	470,200
ESOP XI	1,098.70	-	621,500	308,100	-	-	968,900
ESOP XII	1,098.70	-	2,889,500	1,553,600	6,100	-	4,341,400
ESOP XIII	1,126.45	-	626,500	59,000	-	-	1,194,000
ESOP XIV	1,446.10	5,414,750	-	-	69,000	-	5,345,750
ESOP XV	1,704.80	1,853,500	-	-	38,250	-	1,815,250
eCBoP Key ESOP	116.00	-	-	57,254	-	-	64,816
eCBoP 2004 - Scheme 1	565.50	-	-	2,571	-	-	1,428
eCBoP 2004 - Scheme 2	442.25	-	-	29,690	-	-	14,541
eCBoP 2004 - Scheme 3	442.25	-	-	12,850	-	-	2,519
eCBoP 2004 - Scheme 4	442.25	-	-	20,793	-	-	4,810
eCBoP 2004 - Scheme 5	536.50	-	-	289,591	-	-	102,210
eCBoP 2004 - Scheme 6	536.50	-	36,031	41,280	-	-	15,120
eCBoP 2004 - Scheme 7	593.05	-	191,535	250,562	3,592	-	139,887
eCBoP 2004 - Scheme 8	859.85	-	104,326	106,444	6,247	-	112,128
eCBoP 2007 - Scheme 1	1,162.90	-	611,217	497,341	11,431	-	776,630
eCBoP 2007 - Scheme 2	1,258.60	-	181,139	73,867	12,934	-	309,691
Total		7,268,250	7,634,448	6,158,943	192,254	5,000	20,506,080

* One (1) share would arise on exercise of (1) stock option.

Other details are as under :

Money realized by exercise of options

The Bank received Rs. 6,16 lacs towards share capital and Rs. 549,81 lacs towards share premium on account of 6,158,943 stock options exercised and allotted during the year under review.

Pricing Formula for ESOS XIV and XV

Closing market price on the stock exchange where there is highest trading volume on the immediately preceding working day of the date of grant.

Directors' Report

Other details are as under (Contd) :

Details of options granted to:	Name	Options Granted
i. Directors & Senior managerial personnel	Anil Jaggia	34,000
ii. Other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	None	
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	None	
Variation of terms of Options	None	
Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (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. 66.87	
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 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.	Had the Bank followed fair value method for accounting the stock option compensation expense would have been higher by Rs. 249.4 crores. Consequently profit after tax would have been lower by Rs. 164.6 crores and the basic EPS of the Bank would have been Rs. 63.79 per share (lower by Rs. 3.77 per share) and the Diluted EPS would have been Rs. 63.14 per share (lower by Rs. 3.73 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 options.	The weighted average price of the stock options exercised is Rs. 902.70 and the weighted average fair value is Rs. 360.92	
A description of the method and significant assumptions used during the year to estimate the fair values of options, at the time of grant including the following weighted-average information:	The Securities Exchange Board of India (SEBI) has prescribed two methods to account for stock grants; (i) the intrinsic value method; (ii) the fair value method. The Bank adopts the intrinsic value method to account for the stock options it grants to the employees. The Bank also calculates the fair value of options at the time of grant, using internally developed and tested model with the following assumptions:	
i. Risk-free interest rate,	4.8% to 7.7%	
ii. Expected life,	1-5 years	
iii. Expected volatility,	44.68% to 49.86%	
iv. Expected dividends, and	0.6% to 0.7%	
v. The price of the underlying share in market at the time of option grant	The per share market price was Rs. 1446.10 at the time of grant of options under ESOS XIV and Rs. 1704.80 at the time of grant of options under ESOS XV.	

Auditors' Report

To The Shareholders of HDFC Bank Limited

We have audited the attached Balance Sheet of **HDFC Bank Limited** ("the Bank") as at 31 March 2010 and also the Profit and Loss Account of the Bank and the Cash Flow statement annexed thereto 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 auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement(s). 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 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.

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.

We report that :

- (a) We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of the audit and found them to be satisfactory.
- (b) In our opinion the transactions of the Bank, which have come to our notice have been within the powers of the Bank.
- (c) The returns received from Bahrain branch have been found adequate for the purposes of our audit.

In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, in so far as they apply to the Bank and are not inconsistent with the accounting policies prescribed by the Reserve Bank of India.

We further report that :

- (a) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account of the Bank.

- (b) 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.
- (c) As per the information and explanations given to us the Central government has, till date, not prescribed any cess payable under Section 441A of the Companies Act, 1956.
- (d) On the basis of the written representation received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as at 31 March, 2010 from being appointed as a director in terms of clause (g) of sub-section 1 of Section 274 of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 1956 in the manner so required for the banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India :

- (a) In the case of Balance Sheet, of the state of affairs of the Bank as at 31 March 2010;
- (b) In the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Haribhakti & Co.**
Chartered Accountants
FRN No. 103523W

Shailesh V. Haribhakti
Partner
Membership No. 30823

Mumbai
24 April 2010

Balance Sheet

As at March 31, 2010

		Rs. in '000
	Schedule	As at 31-Mar-10 As at 31-Mar-09
CAPITAL AND LIABILITIES		
Capital	1	4,577,433
Equity Share Warrants		-
Reserves and Surplus	2	210,618,369
Employees' Stock Options (Grants) Outstanding		29,135
Deposits	3	1,674,044,394
Borrowings	4	129,156,925
Other Liabilities and Provisions	5	206,159,441
Total		2,224,585,697
ASSETS		
Cash and Balances with Reserve Bank of India	6	154,832,841
Balances with Banks and Money at Call and Short notice	7	144,591,147
Investments	8	586,076,161
Advances	9	1,258,305,939
Fixed Assets	10	21,228,114
Other Assets	11	59,551,495
Total		2,224,585,697
Contingent Liabilities	12	4,790,515,044
Bills for Collection		81,248,646
Principal Accounting Policies and Notes forming integral part of the financial statements	17 & 18	

In terms of our report of even date attached.

For Haribhakti & Co.
Chartered Accountants

Shailesh V. Haribhakti
Partner

Mumbai, 24 April, 2010

For and on behalf of the Board

Jagdish Capoor
Chairman

Aditya Puri
Managing Director

Sanjay Dongre
Executive Vice President (Legal) &
Company Secretary

Harish Engineer
Executive Director

Paresh Sukthankar
Executive Director

Keki M. Mistry
Ashim Samanta
Renu Karnad
Arvind Pande
C M Vasudev
Gautam Divan
Dr. Pandit Palande
Directors

Profit and Loss Account

For the year ended March 31, 2010

			Rs. in '000
	Schedule	Year Ended 31-Mar-10	Year Ended 31-Mar-09
I. INCOME			
Interest earned	13	161,729,000	163,322,611
Other income	14	38,076,106	32,906,035
Total		199,805,106	196,228,646
II. EXPENDITURE			
Interest expended	15	77,862,988	89,111,044
Operating expenses	16	57,644,827	55,328,058
Provisions and contingencies [includes provision for income tax of Rs. 1,340,44 lacs (Previous year : Rs. 1,054,31 lacs)]		34,810,282	29,340,152
Total		170,318,097	173,779,254
III. PROFIT			
Net Profit for the year		29,487,009	22,449,392
Profit brought forward		34,555,658	25,746,345
Total		64,042,667	48,195,737
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		7,371,752	5,612,349
Proposed dividend		5,492,919	4,253,841
Tax (including cess) on dividend		912,305	722,940
Dividend (including tax / cess thereon) pertaining to previous year paid during the year		9,343	5,900
Transfer to General Reserve		2,948,701	2,244,939
Transfer to Capital Reserve		1,994,599	938,660
Transfer to / (from) Investment Reserve Account		(14,900)	(138,550)
Balance carried over to Balance Sheet		45,327,948	34,555,658
Total		64,042,667	48,195,737
V. EARNINGS PER EQUITY SHARE (Face value Rs. 10 per share)		Rs.	Rs.
Basic		67.56	52.85
Diluted		66.87	52.59
Principal Accounting Policies and Notes forming integral part of the financial statements	17 & 18		

In terms of our report of even date attached.

For Haribhakti & Co.
Chartered Accountants

Shailesh V. Haribhakti
Partner

Mumbai, 24 April, 2010

For and on behalf of the Board

Jagdish Capoor
Chairman

Aditya Puri
Managing Director

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Executive Vice President (Legal) &
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Harish Engineer
Executive Director

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Executive Director

Keki M. Mistry
Ashim Samanta
Renu Karnad
Arvind Pande
C M Vasudev
Gautam Divan
Dr. Pandit Palande
Directors

Cash Flow Statement

For the year ended March 31, 2010

Particulars	Rs. in '000	
	2009-2010	2008-2009
Cash flows from operating activities		
Net profit before income tax	42,891,365	32,992,534
Adjustments for :		
Depreciation	3,943,917	3,599,088
(Profit) / Loss on Revaluation of Investments	30,082	279,856
Amortisation of premia on investments	4,408,528	4,442,222
Loan Loss provisions	19,389,292	16,057,967
Floating Provisions	500,000	50,000
Provision against standard assets	-	1,204,814
Provision for wealth tax	5,500	6,100
Contingency provisions	1,511,134	1,528,129
(Profit) / Loss on sale of fixed assets	(40,242)	(41,890)
	72,639,576	60,118,820
Adjustments for :		
(Increase) / Decrease in Investments	(2,339,283)	(29,544,309)
(Increase) / Decrease in Advances	(289,364,758)	(212,421,813)
Increase / (Decrease) in Borrowings	38,185,551	(24,944,226)
Increase / (Decrease) in Deposits	245,928,594	202,337,174
(Increase) / Decrease in Other assets	2,019,737	992,702
Increase / (Decrease) in Other liabilities and provisions	40,854,639	324,110
	107,924,056	(3,137,542)
Direct taxes paid (net of refunds)	(14,025,156)	(14,223,562)
Net cash flow from / (used in) operating activities	93,898,900	(17,361,104)
Cash flows from investing activities		
Purchase of fixed assets	(5,637,118)	(6,752,720)
Proceeds from sale of fixed assets	121,996	114,946
Net cash used in investing activities	(5,515,122)	(6,637,774)

Cash Flow Statement

For the year ended March 31, 2010

Particulars	Rs. in '000	
	2009-2010	2008-2009
Cash flows from financing activities		
Money received on exercise of stock options by employees	5,559,685	878,060
Proceeds from issue of Convertible Warrants	-	4,009,158
Proceeds from issue of equity shares	36,080,586	-
Proceeds from issue of Upper & Lower Tier II capital Instruments	-	28,750,000
Redemption of subordinated debt	(665,000)	(460,000)
Dividend paid during the year	(4,263,184)	(3,018,580)
Tax on Dividend	(722,940)	(512,005)
Net cash generated from financing activities	35,989,147	29,646,633
Effect of Exchange Fluctuation on Translation reserve	(15,104)	(317)
Cash and cash equivalents on amalgamation	-	21,635,341
Net increase in cash and cash equivalents	124,357,821	27,282,779
Cash and cash equivalents as at April 1st	175,066,167	147,783,388
Cash and cash equivalents as at March 31st	299,423,988	175,066,167

In terms of our report of even date attached.

For Haribhakti & Co.
Chartered Accountants

Shailesh V. Haribhakti
Partner

Mumbai, 24 April, 2010

For and on behalf of the Board

Jagdish Capoor
Chairman

Aditya Puri
Managing Director

Sanjay Dongre
Executive Vice President (Legal) &
Company Secretary

Harish Engineer
Executive Director

Paresh Sukthankar
Executive Director

Keki M. Mistry
Ashim Samanta
Renu Karnad
Arvind Pande
C M Vasudev
Gautam Divan
Dr. Pandit Palande
Directors

Schedules to the Accounts

As at March 31, 2010

		Rs. in '000
	As at 31-Mar-10	As at 31-Mar-09
SCHEDULE 1 - CAPITAL		
Authorised Capital		
55,00,00,000 (31 March, 2009 : 55,00,00,000) Equity Shares of Rs. 10/- each	5,500,000	5,500,000
Issued, Subscribed and Paid-up Capital		
45,77,43,272 (31 March, 2009 : 42,53,84,109) Equity Shares of Rs. 10/- each	4,577,433	4,253,841
Total	4,577,433	4,253,841
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening Balance	22,987,291	15,193,539
Additions on amalgamation	-	2,181,403
Additions during the year	7,371,752	5,612,349
Total	30,359,043	22,987,291
II. General Reserve		
Opening Balance	7,360,523	5,115,584
Additions during the year	2,948,701	2,244,939
Total	10,309,224	7,360,523
III. Balance in Profit and Loss Account		
	45,327,948	34,555,658
IV. Share Premium Account		
Opening Balance	65,437,981	64,794,740
Additions during the year	45,351,571	643,241
Total	110,789,552	65,437,981
V. Amalgamation Reserve		
Opening Balance	10,635,564	145,218
Additions during the year	-	10,490,346
Total	10,635,564	10,635,564
VI. Capital Reserve		
Opening Balance	956,510	17,850
Additions during the year	1,994,599	938,660
Total	2,951,109	956,510
VII. Investment Reserve Account		
Opening Balance	276,250	414,800
Additions during the year	33,300	17,092
Deductions during the year	(48,200)	(155,642)
Total	261,350	276,250

Schedules to the Accounts

As at March 31, 2010

		Rs. in '000
	As at 31-Mar-10	As at 31-Mar-09
VIII. Foreign Currency Translation Account		
Opening Balance	(317)	-
Additions during the year	(15,104)	(317)
Total	(15,421)	(317)
Total	210,618,369	142,209,460
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
(i) From Banks	10,554,618	7,592,207
(ii) From Others	361,716,358	276,857,000
Total	372,270,976	284,449,207
II. Savings Bank Deposits	498,767,849	349,147,360
III. Term Deposits		
(i) From Banks	13,824,354	16,305,286
(ii) From Others	789,181,215	778,213,947
Total	803,005,569	794,519,233
Total	1,674,044,394	1,428,115,800
B. I. Deposits of Branches in India	1,673,402,678	1,427,670,642
II. Deposits of Branches Outside India	641,716	445,158
Total	1,674,044,394	1,428,115,800
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
(i) Reserve Bank of India	-	-
(ii) Other Banks*	19,080,336	10,439,193
(iii) Other Institutions and agencies*	75,262,986	56,450,784
Total	94,343,322	66,889,977
II. Borrowings outside India*	34,813,603	24,746,397
Total	129,156,925	91,636,374
* Includes Upper and Lower Tier II debt and innovative perpetual debt as under :		
Other Banks - Rs. 482,70 lacs (previous year : Rs. 388,30 lacs)		
Other Institutions and agencies - Rs. 5,421,40 lacs (previous year : Rs. 5,582,30 lacs)		
Outside India - Rs. 449,00 lacs (previous year : Rs. 507,20 lacs)		
Secured borrowings included in I & II above : Rs. Nil (previous year : Rs. Nil)		

Schedules to the Accounts

As at March 31, 2010

	Rs. in '000	
	As at 31-Mar-10	As at 31-Mar-09
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	59,257,373	29,224,076
II. Interest Accrued	19,968,349	33,238,704
III. Others (including provisions)	112,925,608	87,385,781
IV. Contingent Provisions against standard assets	7,602,887	7,602,887
V. Proposed Dividend (including tax on dividend)	6,405,224	4,976,781
Total	206,159,441	162,428,229
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	24,352,560	15,861,868
II. Balances with Reserve Bank of India		
(a) In current accounts	129,480,281	118,410,244
(b) In other accounts	1,000,000	1,000,000
Total	130,480,281	119,410,244
Total	154,832,841	135,272,112
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
(i) Balances with Banks :		
(a) In current accounts	3,132,856	2,439,891
(b) In other deposit accounts	3,959,118	6,610,615
Total	7,091,974	9,050,506
(ii) Money at call and short notice :		
(a) With banks	5,150,000	-
(b) With other institutions	98,354,000	12,422,500
Total	103,504,000	12,422,500
Total	110,595,974	21,473,006
II. Outside India		
(i) In current accounts	3,062,216	5,298,405
(ii) In deposit accounts	-	1,014,400
(iii) Money at call and short notice	30,932,957	12,008,244
Total	33,995,173	18,321,049
Total	144,591,147	39,794,055
SCHEDULE 8 - INVESTMENTS		
A. Investments in India in		
(i) Government securities	510,499,288	521,565,829
(ii) Other approved securities	4,972	12,500
(iii) Shares	1,035,278	397,334
(iv) Debentures and Bonds	11,392,914	19,428,414
(v) Subsidiaries / Joint Ventures	1,550,991	1,550,991
(vi) Units, Certificate of Deposits and Others	61,120,668	45,218,242
Total	585,604,111	588,173,310

Schedules to the Accounts

As at March 31, 2010

		Rs. in '000	
		As at 31-Mar-10	As at 31-Mar-09
B. Investments outside India - Others*		472,050	2,178
<i>* Comprises of Shares and Bonds</i>			
(i) Gross Value of Investments			
(a) In India		586,188,289	588,727,406
(b) Outside India		472,050	2,178
Total		586,660,339	588,729,584
(ii) Provision for Depreciation			
(a) In India		584,178	554,096
(b) Outside India		-	-
Total		584,178	554,096
(iii) Net Value of Investments			
(a) In India		585,604,111	588,173,310
(b) Outside India		472,050	2,178
Total		586,076,161	588,175,488
SCHEDULE 9 - ADVANCES			
A			
(i) Bills purchased and discounted		63,614,705	48,553,378
(ii) Cash Credits, Overdrafts and Loans repayable on demand		239,852,615	215,972,035
(iii) Term loans		954,838,619	724,305,060
Total		1,258,305,939	988,830,473
B			
(i) Secured by tangible assets*		892,327,958	734,678,312
(ii) Covered by Bank / Government Guarantees		29,462,230	24,956,098
(iii) Unsecured		336,515,751	229,196,063
<i>* Including advances against Book Debts</i>			
Total		1,258,305,939	988,830,473
C. I. Advances in India			
(i) Priority Sector		441,575,680	297,815,970
(ii) Public Sector		52,634,745	30,831,056
(iii) Banks		6,229,141	3,666,663
(iv) Others		738,082,100	648,182,980
Total Advances in India		1,238,521,666	980,496,669
II. Advances Outside India			
(i) Due from Banks		-	-
(ii) Due from Others			
a) Bills Purchased and discounted		454,412	469,480
b) Syndicated Loans		-	-
c) Others		19,329,861	7,864,324
Total Advances Outside India		19,784,273	8,333,804
<i>(Advances are net of provisions)</i>			
Total Advances		1,258,305,939	988,830,473

Schedules to the Accounts

As at March 31, 2010

		Rs. in '000	
		As at 31-Mar-10	As at 31-Mar-09
SCHEDULE 10 - FIXED ASSETS			
A.	Premises (including Land)		
	Gross Block		
	At cost on 31st March of the preceding year	7,160,665	5,243,809
	Additions on amalgamation	-	1,298,061
	Additions during the year	2,735,762	669,230
	Deductions during the year	(99,347)	(50,435)
	Total	9,797,080	7,160,665
	Depreciation		
	As at 31st March of the preceding year	1,482,660	815,063
	Additions on amalgamation	-	356,312
	Charge for the year	338,370	318,536
	On deductions during the year	(43,207)	(7,251)
	Total	1,777,823	1,482,660
	Net Block	8,019,257	5,678,005
B.	Other Fixed Assets (including furniture and fixtures)		
	Gross Block		
	At cost on 31st March of the preceding year	27,792,009	18,187,640
	Additions on amalgamation	-	4,906,684
	Additions during the year	5,607,003	5,460,218
	Deductions during the year	(663,269)	(762,533)
	Total	32,735,743	27,792,009
	Depreciation		
	As at 31st March of the preceding year	16,480,946	10,865,469
	Additions on amalgamation	-	2,972,979
	Charge for the year	3,605,576	3,271,247
	On deductions during the year	(481,414)	(628,749)
	Total	19,605,108	16,480,946
	Net Block	13,130,635	11,311,063
C.	Assets on Lease (Plant and Machinery)		
	Gross Block		
	At cost on 31st March of the preceding year	4,613,605	438,277
	Additions on amalgamation	-	4,175,328
	Additions during the year	-	-
	Deductions during the year	(66,682)	-
	Total	4,546,923	4,613,605

Schedules to the Accounts

As at March 31, 2010

	Rs. in '000	
	As at 31-Mar-10	As at 31-Mar-09
Depreciation		
As at 31st March of the preceding year	4,092,927	117,412
Additions on amalgamation	-	3,966,210
Charge for the year	-	9,305
On deductions during the year	(66,682)	-
Total	4,026,245	4,092,927
Lease Adjustment Account		
As at 31st March of the preceding year	442,456	320,865
Additions on amalgamation	-	121,591
Charge for the year	-	-
On deductions during the year	-	-
Total	442,456	442,456
Unamortised cost of assets on lease	78,222	78,222
Total	21,228,114	17,067,290
SCHEDULE 11 - OTHER ASSETS		
I. Interest accrued	14,317,388	14,182,607
II. Advance tax (net of provision)	9,918,159	9,064,297
III. Stationery and stamps	254,552	310,936
IV. Non banking assets acquired in satisfaction of claims	5,934	5,934
V. Bond and share application money pending allotment	1,800,000	-
VI. Security deposit for commercial and residential property	4,110,247	3,878,934
VII. Others*	29,145,215	36,125,606
Total	59,551,495	63,568,314
<i>*Includes deferred tax asset (net) of Rs. 843,51 lacs (previous year : Rs. 862,82 lacs)</i>		
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the bank not acknowledged as debts - Taxation	5,903,698	5,694,200
II. Claims against the bank not acknowledged as debts - Others	88,810	456,475
III. Liability on account of outstanding forward exchange contracts	2,281,083,550	2,338,927,663
IV. Liability on account of outstanding derivative contracts	2,230,978,616	1,533,722,300
V. Guarantees given on behalf of constituents - in India	94,818,797	76,353,601
VI. Acceptances, endorsements and other obligations	128,152,628	93,873,829
VII. Other items for which the Bank is contingently liable	49,488,945	10,788,817
Total	4,790,515,044	4,059,816,885

Schedules to the Accounts

For the year ended March 31, 2010

		Rs. in '000
	Year Ended 31-Mar-10	Year Ended 31-Mar-09
SCHEDULE 13 - INTEREST EARNED		
I. Interest / discount on advances / bills	120,982,785	121,367,462
II. Income from investments	39,812,866	40,079,598
III. Interest on balance with RBI and other inter-bank funds	809,588	1,842,584
IV. Others	123,761	32,967
Total	161,729,000	163,322,611
SCHEDULE 14 - OTHER INCOME		
I. Commission, exchange and brokerage	28,305,856	24,572,966
II. Profit on sale of investments	3,480,775	4,105,383
III. Profit / (Loss) on revaluation of investments	(30,082)	(279,856)
IV. Profit on sale of building and other assets (net)	40,242	41,890
V. Profit on exchange transactions (net)	6,102,097	5,986,077
VI. Miscellaneous income	177,218	(1,520,425)
Total	38,076,106	32,906,035
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on Deposits	69,977,123	80,154,548
II. Interest on RBI / Inter-bank borrowings *	7,455,177	8,847,614
III. Other interest	430,688	108,882
Total	77,862,988	89,111,044
* Includes interest on subordinated debt.		
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for employees	22,891,755	22,381,984
II. Rent, taxes and lighting	5,610,460	5,073,955
III. Printing and stationery	1,645,410	1,670,614
IV. Advertisement and publicity	831,177	1,086,768
V. Depreciation on bank's property	3,943,917	3,599,088
VI. Directors' fees, allowances and expenses	4,453	4,214
VII. Auditors' fees and expenses	10,314	13,302
VIII. Law charges	323,084	193,062
IX. Postage, telegram, telephone etc.	3,258,797	3,343,654
X. Repairs and maintenance	4,537,974	3,029,322
XI. Insurance	1,610,602	1,387,532
XII. Other Expenditure*	12,976,884	13,544,563
Total	57,644,827	55,328,058
* Includes marketing expenses, professional fees, travel and hotel charges, entertainment, registrar and transfer agency fees and system management fees.		

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For the year ended March 31, 2010

SCHEDULE 17 - PRINCIPAL ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2010.

A BACKGROUND

HDFC Bank Limited, incorporated in Mumbai, India is a publicly held banking company engaged in providing a wide range of banking and financial services including commercial banking and treasury operations. HDFC Bank is a banking company governed by the Banking Regulation Act, 1949. The Bank also has one overseas branch in Bahrain.

B BASIS OF PREPARATION

The financial statements have been prepared and presented under the historical cost convention and accrual basis of accounting, unless otherwise stated and are in accordance with Generally Accepted Accounting Principles, statutory requirements prescribed under the Banking Regulation Act 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, Accounting Standards ('AS') issued by the Institute of Chartered Accountants of India ('ICAI') and notified by the Companies Accounting Standard Rules, 2006 to the extent applicable and current practices prevailing within the banking industry in India.

Use of Estimates :

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. Any revision in the accounting estimates is recognized prospectively in the current and future period.

C PRINCIPAL ACCOUNTING POLICIES

1 Investments

Classification

In accordance with the Reserve Bank of India guidelines, Investments are classified on the date of purchase into "Held for Trading" (HFT), "Available for Sale" (AFS) and "Held to Maturity" (HTM) categories (hereinafter called "categories"). Subsequent shifting amongst the categories is done in accordance with the RBI guidelines. 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.

Basis of Classification :

Investments that are held principally for resale within 90 days from the date of purchase are classified under "Held for Trading" category.

Investments which the Bank intends to hold till maturity, are classified as HTM securities. Investments in the equity of subsidiaries are categorized as "Held to Maturity" in accordance with RBI guidelines.

Investments which are not classified in the above categories, are classified under "Available for Sale" category.

Acquisition Cost :

In determining acquisition cost of an investment :

- 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.

Disposal of Investments :

Profit / Loss on sale of investments under the aforesaid three categories are taken to the Profit and Loss account. The profit from sale of investment under Held to Maturity category, net of taxes and transfers to statutory reserve is appropriated to "Capital Reserve".

Valuation :

Investments classified under Available for Sale category and Held for Trading category are marked to market as per the RBI guidelines. Net depreciation, if any, in any of the six groups, is charged to the Profit and Loss account. The net

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appreciation, if any, in any of the six groups is not recognised except to the extent of depreciation already provided. The book value of individual securities is not changed after the valuation of investments.

Investments classified under Held to Maturity category 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 constant yield to maturity basis. Such amortization of premium is adjusted against interest income under the head "Income from investments" as per RBI guidelines. Any diminution, other than temporary, in the value of investments in subsidiaries / joint ventures is provided for.

Non-performing investments are identified and depreciation/provision is made thereon based on the RBI guidelines. The depreciation / provision is not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is not recognised in the Profit or Loss Account until received.

Repo and Reverse Repo Transactions :

In a repo transaction, the bank borrows monies against pledge of securities. The book value of the securities pledged is credited to the investment account. Borrowing costs on repo transactions are accounted for as interest expense. In respect of repo transactions outstanding at the balance sheet date, the difference between the sale price and book value, if the former is lower than the latter, is provided as a loss in the income statement.

In a reverse repo transaction, the bank lends monies against incoming pledge of securities. The securities purchased are debited to the investment account at the market price on the date of the transaction. Revenues thereon are accounted as interest income.

In respect of repo transactions under Liquidity Adjustment Facility with RBI (LAF), monies borrowed from RBI are credited to investment account and reversed on maturity of the transaction. Costs thereon are accounted for as interest expense. In respect of reverse repo transactions under LAF, monies paid to RBI are debited to investment account and reversed on maturity of the transaction. Revenues thereon are accounted as interest income.

2 Advances

Advances are classified as performing and non-performing based on the Reserve Bank of India guidelines and are stated net of bills rediscounted, specific provisions, floating provisions, interest in suspense for non-performing advances and claims received from Export Credit Guarantee Corporation. Provisions in lieu of diminution in the fair value of restructured assets which was hitherto included under Other Liabilities is netted from Advances as on March 31, 2010 in accordance with revised RBI guidelines. Interest on non-performing advances is transferred to an interest suspense account and not recognised in the Profit and Loss Account until received.

Specific loan loss provisions in respect of non-performing advances (NPAs) are made based on management's assessment of the degree of impairment of wholesale and retail advances, subject to the minimum provisioning level prescribed in the RBI guidelines. The specific provision levels for retail non-performing assets are also based on the nature of product and delinquency levels.

The Bank maintains general provision for standard assets including credit exposures computed as per the current marked to market value of interest rate and foreign exchange derivative contracts and gold at levels stipulated by RBI from time to time. Provision for standard assets is included under Other Liabilities. Provisions made in excess of these regulatory levels or provisions which are not made with respect to specific non-performing assets are categorised as floating provisions. Creation of further floating provisions are considered by the Bank up to a level approved by the Board of Directors of the Bank. Floating provisions are not reversed by credit to Profit and Loss account and can be used only for contingencies under extraordinary circumstances for making specific provisions in impaired accounts after obtaining Board approval and with prior permission of RBI.

The Bank considers a restructured account as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advance / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of installments / rate of interest (due to reasons other than competitive reasons). Restructured accounts are reported as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made. Restructuring is done at a borrower level.

In addition to the provisions required according to the asset classification status, provisioning is done for individual country exposures (other than for home country exposure). Countries are categorised into risk categories as per Export Credit Guarantee Corporation of India Ltd. (ECGC) guidelines and provisioning is done in respect of that country where the net funded exposure is one percent or more of the Bank's total assets.

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3 Securitisation and Transfer of Assets

The Bank securitises out its receivables to Special Purpose Vehicles (SPVs) in securitisation transactions. Such securitised-out receivables are de-recognised in the balance sheet when they are sold (true sale criteria being fully met with) and consideration is received by the Bank. Sales/transfers that do not meet these criteria for surrender of control are accounted for as secured borrowings.

In respect of receivable pools securitised-out, the Bank provides liquidity and credit enhancements, as specified by the rating agencies, in the form of cash collaterals / guarantees and / or by subordination of cash flows etc., to senior Pass Through Certificates (PTCs).

The Bank also enters into securitised-out transactions through the direct assignment route, which are similar to asset-backed securitisation transactions through the SPV route, except that such portfolios of receivables are assigned directly to the purchaser and are not represented by pass-through certificates.

The RBI issued guidelines on securitization of standard assets vide its circular dated February 1, 2006 under reference no. DBOD No.BP.BC.60/21.04.048/2005-06. Pursuant to these guidelines, the Bank amortizes any profit / premium arising on account of sale of receivables over the life of the securities sold out while any loss arising on account of sale of receivables is recognized in the Profit and Loss Account for the period in which the sale occurs. Any credit enhancement on assets sold are reduced from tier I & tier II capital as prescribed in the guidelines. Prior to the issuance of the said guidelines (i.e. in respect of sell-off transactions undertaken until January 31, 2006), any gain or loss from the sale of receivables was recognised in the period in which the sale occurred.

In accordance with RBI guidelines on sale of non performing advances if the sale is at a price below the net book value (i.e., book value less provisions held), the shortfall is debited to the Profit and Loss Account. If the sale is for a value higher than the net book value, the excess provision is not reversed but is utilised to meet the shortfall / loss on account of sale of other non performing advances.

The Bank also invests in Pass Through Certificates (PTCs) and buys loans through the direct assignment route. These are accounted for at the deal value.

4 Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation as adjusted for impairment, if any. Cost includes cost of purchase and all expenditure like site preparation, installation costs and professional fees incurred on the asset before it is ready 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, which are not lower than the rates prescribed in Schedule XIV of the Companies Act, 1956 are given below :

- Owned Premises at 1.63% per annum.
- Improvements to lease hold premises are charged off over the remaining primary period of lease.
- VSATs at 10% per annum
- ATMs at 10% 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 20% per annum
- Point of sale terminals at 20% per annum
- Assets at residences of executives of the Bank at 25% per annum
- Items (excluding staff assets) 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.

For assets purchased and sold during the year, depreciation is provided on pro rata basis by the Bank.

The Bank undertakes assessment of the useful life of an asset at periodic intervals taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use etc. Whenever there is a revision of the estimated useful life of an asset, the unamortised depreciable amount will be charged over the revised remaining useful life of the said asset.

5 Impairment of Assets

The Bank assesses at each balance sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the Profit and Loss Account to the extent the carrying amount of assets exceeds their estimated recoverable amount.

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For the year ended March 31, 2010

6 Transactions involving Foreign Exchange

Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction, and income and expenditure items of integral foreign operations (representative offices) and non-integral foreign operations (foreign branch) are translated at the monthly average closing rates.

Foreign currency monetary items of domestic and integral foreign operations are translated at the closing exchange rates notified by Foreign Exchange Dealers' Association of India (FEDAI) at the balance sheet date and the resulting net valuation profit or loss arising due to a net open position in any foreign currency is included in the Profit and Loss Account.

Both monetary and non-monetary foreign currency assets and liabilities of non integral foreign operations are translated at closing exchange rates notified by FEDAI at the balance sheet date and the resulting profit / loss from exchange differences are accumulated in the foreign currency translation account until the disposal of the net investment in the non-integral foreign operations.

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 notified by FEDAI and at interpolated rates for contracts of interim maturities. The resulting forward valuation profit or loss is included in the Profit and Loss Account.

Foreign exchange forward contracts, which are not intended for trading and are outstanding at the balance sheet date, are effectively 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.

Contingent Liabilities on account of foreign exchange contracts, guarantees, letters of credit, acceptances and endorsements are reported at closing rates of exchange notified by FEDAI at the Balance Sheet date.

7 Lease Accounting

Lease payments including cost escalation for assets taken on operating lease are recognized in the Profit and Loss Account over the lease term in accordance with the AS-19, Leases, issued by the Institute of Chartered Accountants of India.

8 Employee Benefits

Employee Stock Option Scheme (ESOS)

The Employee Stock Option Scheme (the Scheme) provides for the grant of equity shares of the Bank to its employees. The Scheme provides that employees are granted an option to acquire equity shares of the Bank that vests in a graded manner. The options may be exercised within a specified period. The Bank follows the intrinsic value method to account for its stock-based employees compensation plans. Compensation cost is measured by the excess, if any, of the fair market price of the underlying stock over the exercise price on the grant date as determined under the option plan.

Gratuity

The Bank provides for gratuity to all employees. The benefit is in the form of lumpsum payments to vested employees on resignation, retirement, death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The Bank makes contributions to funds administered by trustees and managed by insurance companies for amounts notified by the said insurance companies and in respect of erstwhile Lord Krishna Bank (eLKB) employees, the Bank makes contribution to a fund set up by eLKB and administered by the board of trustees. The defined gratuity benefit plans are valued by an independent actuary as at the balance sheet date using the projected unit credit method to determine the present value of the defined benefit obligation and the related service costs. Under this method, the determination is based on actuarial calculations, which include assumptions about demographics, early retirement, salary increases and interest rates. Actuarial gain or loss is recognized in the profit / loss account.

Superannuation

Employees of the Bank, above a prescribed grade, are entitled to receive retirement benefits under the Bank's Superannuation Fund. The Bank contributes a sum equivalent to 13% of the employee's eligible annual basic salary (15% for the Managing Director, Executive Directors and for certain eligible eCBoP staff) to insurance companies, which administer the fund. The Bank has no liability for future superannuation fund benefits other than its contribution, and recognizes such contributions as an expense in the year incurred, as such contribution is in the nature of defined contribution.

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Provident fund

In accordance with law, all employees of the Bank are entitled to receive benefits under the provident fund. The Bank contributes an amount, on a monthly basis, at a determined rate (currently 12% of employee's basic salary). Of this, the Bank contributes an amount of 8.33 % of employee's basic salary upto a maximum salary level of Rs. 6500/- per month to the Pension Scheme administered by the Regional Provident Fund Commissioner (RPFC) and the Bank has no liability for future provident fund benefits other than its contribution. The balance amount is contributed to a fund set up by the Bank and administered by a board of trustees. In respect of eCBoP employees, employer's and employee's share of contribution to Provident Fund till March 2009, was administered by RPFC and from April 2009 onwards, the same is transferred to fund set up by the Bank and administered by a board of trustees. In respect of eLKB employees, the Bank contributes to a fund set up by eLKB and administered by the board of trustees. The Bank recognizes such contributions as an expense in the year incurred. Interest payable to the members of the trust shall not be lower than the statutory rate of interest declared by the Central government under the Employees Provident Funds and Miscellaneous Provisions Act 1952 and shortfall, if any, shall be made good by the Bank. The guidance note on implementing AS-15 (revised 2005), Employee Benefits, states that benefits involving employer established provident funds, which requires interest shortfalls to be provided, are to be considered as defined benefit plans. Pending the issuance of the guidance note from the Actuary Society of India, the Bank's actuary has expressed an inability to reliably measure provident fund liabilities. Accordingly the Bank is unable to ascertain the related information.

The Bahrain Branch makes contributions to the relevant government scheme calculated as a percentage of the employees' salaries. The Bahrain Branch's obligations are limited to these contributions, which are expensed when due, as such contribution is in nature of defined contribution.

Leave Encashment / Compensated Absences

The Bank does not have a policy of encashing unavailed leave for its employees, except for certain eLKB employees under IBA structure. The Bank provides for leave encashment / compensated absences based on an independent actuarial valuation at the balance sheet date, which includes assumptions about demographics, early retirement, salary increases, interest rates and leave utilisation.

Pension

In respect of pension payable to certain eLKB employees under IBA structure, which is a defined benefit scheme, the Bank contributes 10% of basic salary to a pension fund set up by the Bank and administered by the board of trustees and balance amount is provided based on actuarial valuation at the balance sheet date conducted by an independent actuary. In respect of employees who have moved to a cost to company (CTC) driven compensation structure and have completed services up to 15 years as on the date of movement to CTC structure, contribution made till the date of movement to CTC structure and with additional one-time contribution of 10% of Bank contribution accumulation as on date of movement to CTC, made for employees (who have completed more than 10 years but less than 15 years) will be maintained as a fund and will be converted into annuity on separation after a lock-in-period of two years. Hence for this category of employees, liability stands frozen and no additional provision would be required except for interest at par as applicable to PF, which has been provided for. In respect of the employees who accepted the offer and have completed services for more than 15 years, pension would be paid on separation based on salary applicable as on date of movement to CTC and provision is made based on actuarial valuation at the balance sheet date conducted by an independent actuary.

9 Revenue and Expense Recognition

Interest income is recognised in the Profit and Loss Account on an accrual basis, except in the case of non-performing assets where it is recognized upon realization as per RBI norms.

Income on non-coupon bearing discounted instruments and instruments which carry a premia on redemption 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, agents and manufacturers)-(hereafter called "net commission") for originating fixed tenor retail loans.

Interest income on investments in Pass Through Certificates (PTCs) and loans bought out through the direct assignment route is recognised at their effective interest rate.

Net commission paid to sales agents for originating retail loans is expensed in the year in which it is incurred.

Fees and commission income is recognised when due, except for guarantee commission and annual fees for credit cards which are recognised on a straight line basis over the period of contract.

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10 Credit Cards Reward Points

The Bank estimates the probable redemption of credit card reward points and cost per point 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 expense comprises 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 and liabilities are measured using the enacted or substantially enacted tax rates at the balance sheet date.

Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future. In case of unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and appropriately adjusted to reflect the amount that is reasonably / virtually certain to be realized.

Until the previous year, income tax expense included provision for fringe benefit tax (FBT) which was made on the basis of applicable FBT on the taxable value of chargeable expenditure of the Bank as was prescribed under the Income Tax Act, 1961 and rules framed there under. With effect from the current year, FBT has been abolished.

12 Derivative Contracts

The Bank recognizes all derivative contracts at their fair values, on the dates on which the derivative contracts are entered into and are re-measured at fair value as at the balance sheet or reporting dates. Derivatives are classified as assets when the net fair value is positive (Positive marked to market value) or as liabilities when the net fair value is negative (Negative marked to market value). Changes in the fair value of derivatives other than those designated as hedges are included in the Profit and Loss Account.

Derivative contracts designated as hedges are not marked to market unless their underlying is marked to market. In respect of derivative contracts that are marked to market, changes in the market value are recognized in the Profit and Loss Account in the relevant period. Gains or losses arising from hedge ineffectiveness, if any, are recognised in the Profit and Loss Account.

Contingent Liabilities on account of derivative contracts denominated in foreign currencies are reported at closing rates of exchange notified by FEDAI at the Balance Sheet date.

13 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 profit for the year by the weighted average number of equity shares outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. 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 except where the results are anti-dilutive.

14 Segment Information – Basis of preparation

The classification of exposures to the respective segments conforms to the guidelines issued by RBI vide DBOD.No.BPBC.81/21.01.018/2006-07 dated April 18, 2007. Business 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 organization structure, the internal business reporting system and the guidelines prescribed by RBI. The Bank operates in the following segments :

(a) Treasury

The treasury segment primarily consists of net interest earnings on investments portfolio of the bank, gains or losses on investment operations and gains or losses on account of trading in foreign exchange and derivative contracts.

(b) Retail Banking

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 other services with the help of specialist product groups to such customers. Exposures are classified under retail banking taking into account the status of the borrower (orientation criterion), the nature of product, granularity of the exposure and the quantum thereof.

Revenues of the retail banking segment are derived from interest earned on retail loans, net of commission (net of

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subvention received) paid to sales agents and interest earned from other segments for surplus funds placed with those segments, fees from services rendered, foreign exchange earnings on retail products etc. 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 of specialist product groups, processing units and support groups.

(c) Wholesale Banking

The wholesale banking segment provides loans, non-fund facilities and transaction services to large corporate, emerging corporate, public sector units, government bodies, financial institutions and medium scale enterprises. Revenues of the wholesale banking segment consist of interest earned on loans made to customers, interest earned on the cash float arising from transaction services, fees from such transaction services, earnings from trade services and other non-fund facilities and also earnings from foreign exchange and derivatives transactions on behalf of customers. 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 of delivery channels, specialist product groups, processing units and support groups .

(d) Other Banking Business

This segment includes income from para banking activities such as credit cards, debit cards, third party product distribution, primary dealership business and the associated costs.

(e) Unallocated

All items which are reckoned at an enterprise level are classified under this segment. This includes capital and reserves, debt classifying as Tier I or Tier II capital and other unallocable assets and liabilities.

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 approved yield curve or at a certain agreed transfer price rate. Transaction charges are levied 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.

Geographic Segments

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

15 Accounting for Provisions, Contingent Liabilities and Contingent Assets

In accordance with AS 29, Provisions, Contingent Liabilities and Contingent Assets, issued by the Institute of Chartered Accountants of India, the Bank recognises provisions 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.

Provisions are determined based on management estimate required to settle the obligation at the balance sheet date, supplemented by experience of similar transactions. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates. In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure is made in the financial statements.

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

16 Bullion

The Bank imports bullion including precious metal bars on a consignment basis for selling to its wholesale and retail customers. The imports are typically on a back-to-back basis and are priced to the customer based on an estimated price quoted by the supplier. The Bank earns a fee on such wholesale bullion transactions. The fee is classified under commission income.

The Bank also sells bullion to its retail customers. The difference between the sale price to customers and actual price quoted by supplier is also reflected under commission income.

The Bank also borrows and lends gold, which is treated as borrowing / lending as the case may be with the interest paid / received classified as interest expense / income.

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SCHEDULE 18 – NOTES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2010.

1. Merger of the Centurion Bank of Punjab Limited

During the year ended March 31, 2009 the Centurion Bank of Punjab got merged with HDFC Bank Ltd. The Scheme of Amalgamation ('the Scheme') of Centurion Bank of Punjab Limited ('CBoP' or 'eCBoP') with HDFC Bank Ltd. ('HDFC Bank' or 'the Bank') under section 44 A (4) of the Banking Regulation Act, 1949 which was approved by the shareholders of both the banks on March 27, 2008 was sanctioned by the RBI vide their order DBOD No. PSBD.16197/16.01.131/2007-08 dated May 20, 2008, and was effective from May 23, 2008. The appointed date of the merger was April 1, 2008. Both the entities were banking companies incorporated under the Companies Act, 1956 and licensed by the RBI under the Banking Regulation Act, 1949.

As per the Scheme, upon its coming into effect from the appointed date i.e. April 1, 2008, the entire undertaking of CBoP including all its assets and liabilities stood transferred / deemed to be transferred to and vest in HDFC Bank. As per the Scheme, in consideration of the transfer of and vesting of the undertaking of CBoP, one equity share of HDFC Bank of the face value of Rs.10/- each fully paid-up was issued to members of the eCBoP for every twenty nine equity shares of the face value of Re.1/- each of CBoP held by them on the record date i.e. June 16, 2008. Accordingly 6,98,83,956 equity shares of Rs.10/- each of HDFC Bank were allotted at par to the shareholders of CBoP vide board resolution dated June 24, 2008. The excess of the value of net assets transferred over the paid up value of shares issued in consideration have been adjusted in Amalgamation Reserve as per the Scheme of Amalgamation.

The amalgamation has been accounted using the pooling of interest method. Accordingly, the assets and liabilities of CBoP that vested in HDFC Bank as on April 1, 2008 were accounted at the values at which they were appearing in the books of CBoP as on March 31, 2008 and provisions arising out of harmonization of accounting policies and estimates, as approved by the Board of Directors of HDFC Bank and as prescribed in the Scheme, were made for the difference between the net value appearing in the books of CBoP and the value as determined by HDFC Bank. Also the Bank provided for merger related expenses on a best estimate basis. Such adjustments, as per the Scheme, were made by the Bank against the reserves arising on amalgamation.

After accounting the assets, liabilities and reserves of CBoP and after effecting the above adjustments, a surplus of Rs. 1,049,03 lacs arose, which was credited to Amalgamation Reserve in accordance with the Scheme.

(Rs. lacs)		
Particulars	Amount	Amount
Net Assets of eCBoP as on the reporting date of merger*		2,089,85
Less : 6,98,83,956 equity shares of face value of Rs. 10 each	(69,88)	
Less : Statutory Reserves taken over on amalgamation	(218,15)	(288,03)
Excess of net assets over the paid-up value of shares issued and Statutory Reserve		1,801,82
Less : Harmonization of accounting policies and estimates		(690,62)
Less : Expenses related to merger		(62,17)
Amalgamation Reserve		1,049,03

*Net assets taken over on April 1, 2008 adjusted for options allotted by eCBoP between April 1, 2008 till May 22, 2008.

As per AS-14, Accounting for Amalgamation, if the amalgamation is an "amalgamation in the nature of merger", the identity of reserves of the amalgamating entity is required to be preserved in the books of HDFC Bank. However the balances in Profit and Loss Account (Rs. 246,49 lacs), Securities Premium Account (Rs. 1,354,60 lacs), Capital Reserve (Rs. 65 lacs) and Investment Reserve Account (Rs. 7,02 lacs) have been credited to Amalgamation Reserve in accordance with the scheme. As a result the balances in these accounts are lower by the aforesaid amounts.

2. Capital Infusion

During the year, the Bank allotted 2,62,00,220 equity shares of Rs. 10 each at a premium of Rs. 1,520.13 per share to Housing Development Finance Corporation Limited (HDFC Ltd.), on their exercising the warrants issued to them in June 2008. As a result, equity share capital increased by Rs. 26,20 lacs and share premium by Rs. 3,982,77 lacs.

3. Capital Adequacy

The Bank's capital to risk weighted assets ratio (Capital Adequacy Ratio) is calculated in accordance with the Reserve Bank of India (RBI) 'Prudential Guidelines on Capital Adequacy and Market Discipline - Implementation of the New Capital Adequacy Framework' (Basel II). The Bank has migrated to this framework effective March 31, 2009. Under the Basel II Framework, the Bank is required to maintain a minimum Capital Adequacy Ratio of 9% on an ongoing basis for credit risk, market risk and operational

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For the year ended March 31, 2010

risk, with a minimum Tier I capital ratio of 6%. Further, the minimum capital maintained by the Bank as on March 31, 2010 is subject to a prudential floor, which is the higher of the following amounts :

- (a) Minimum capital required as per the Basel II framework.
- (b) 90% of the minimum capital required to be maintained under the Basel I framework.

The Bank's capital adequacy ratio, calculated in accordance with the RBI guidelines under both Basel I and Basel II frameworks, is as follows :

Particulars	As per Basel I Framework		As per Basel II Framework	
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
Tier I capital	20,548,85	13,690,28	20,548,85	13,690,28
Tier II capital	6,491,94	6,604,92	6,491,94	6,604,92
Total capital	27,040,79	20,295,20	27,040,79	20,295,20
Risk weighted assets	16,433,277	134,530,75	154,983,01	129,382,68
Minimum capital required	14,789,95	12,107,77	13,948,47	11,644,44
Capital Adequacy Ratios				
Tier 1	12.50%	10.18%	13.26%	10.58%
Tier 2	3.95%	4.91%	4.18%	5.11%
Total	16.45%	15.09%	17.44%	15.69%

Particulars	(Rs. lacs)	
	March 31, 2010	March 31, 2009
Amount raised by issue of Innovative Perpetual Debt Instruments (IPDI) during the year	-	-
Amount raised by issue of Upper Tier II Instruments during the year	-	1,575,00
Amount raised by issue of Lower Tier II Instruments during the year	-	1,300,00

The Bank's capital funds as on March 31, 2010 are higher than the minimum required under the Basel I and Basel II framework.

The difference between Risk Weighted Assets under the Basel I and Basel II framework is a net impact of the following key changes :

- Under the Basel II framework, risk weights are applicable to claims on corporates corresponding to their external rating or the absence of it ranging from 20% to 150%, compared to a uniform 100% under Basel I.
- Exposures qualifying for inclusion in the regulatory retail portfolio under Basel II attract a risk weight of 75%, against 100% under Basel I.
- The Basel II framework recognizes risk mitigation techniques in the form of eligible financial collaterals such as cash margins, deposits, bonds, gold, debt mutual funds, etc., whilst under Basel I only cash margins and deposits were considered as eligible financial collateral.
- Restructured assets attract a risk weight of 125% under the new framework compared to 100% under Basel I.
- Operational Risk is subject to a capital charge under the Basel II framework.

4. Earnings Per Equity Share

Basic and Diluted earnings per equity share have been calculated based on the net profit after taxation of Rs. 2,948,70 lacs (previous year : Rs. 2,244,94 lacs) and the weighted average number of equity shares outstanding during the year amounting to 43,64,39,573 (previous year : 42,47,54,825).

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For the year ended March 31, 2010

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

Particulars	(Rupees)	
	For the year ended	
	March 31, 2010	March 31, 2009
Nominal value per share	10.00	10.00
Basic earnings per share	67.56	52.85
Effect of potential equity shares (per share)	(0.69)	(0.26)
Diluted earnings per share	66.87	52.59

Basic earnings per equity share have been computed by dividing net profit after taxation by the weighted average number of equity shares outstanding for the year. Diluted earnings per equity share have been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

There is no impact of dilution on profits in the current year and previous year.

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

Particulars	For the year ended	
	March 31, 2010	March 31, 2009
Weighted average number of equity shares used in computing basic earnings per equity share	43,64,39,573	42,47,54,825
Effect of potential equity shares outstanding	45,07,362	21,06,683
Weighted average number of equity shares used in computing diluted earnings per equity share	44,09,46,935	42,68,61,508

5. Reserves and Surplus

General reserve

The Bank has made an appropriation of Rs. 294,87 lacs (previous year : Rs. 224,49 lacs) out of profits for the year ended March 31, 2010 to General Reserve pursuant to Companies (Transfer of Profits to Reserves) Rules, 1975.

Investment Reserve Account

During the year, the Bank has transferred Rs. 1,49 lacs (previous year : Rs. 13,86 lacs) (net) from Investment Reserve Account to the Profit and Loss Account.

6. Accounting for Employee Share based Payments

The shareholders of the Bank approved grant of equity share options under Plan "A" in January 2000, Plan "B" in June 2003, Plan "C" in June 2005 and Plan "D" in June 2007. Under the terms of each of these Plans, the Bank may issue stock options to employees and directors of the Bank, each of which is convertible into one equity share. All the plans were framed in accordance with the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 as amended from time to time.

Plan A provides for the issuance of options at the recommendation of the Compensation Committee of the Board (the "Compensation Committee") at an average of the daily closing prices on the Bombay Stock Exchange Ltd. during the 60 days preceding the date of grant of options.

Plans B, C and D provide for the issuance of options at the recommendation of the Compensation Committee at the closing price on the working day immediately preceding the date when options are granted. For Plan B the price is that quoted on an Indian stock exchange with the highest trading volume during the preceding two weeks, while for Plan C and Plan D the price is that quoted on an Indian stock exchange with the highest trading volume as of working day preceding the date of grant.

Such options vest at the discretion of the Compensation Committee. These options are exercisable for a period following vesting at the discretion of the Compensation Committee, subject to a maximum of five years, as set forth at the time

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of grant. Modifications, if any, made to the terms and conditions of ESOPs as approved by the Compensation Committee are disclosed separately.

The eCBoP had granted stock options to its employees prior to its amalgamation with the Bank. The options were granted under the following Schemes framed in accordance with the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 as amended from time to time :

- 1) Key ESOP-2004
- 2) General ESOP-2004
- 3) General ESOP-2007

The outstanding options granted under each of the above Schemes and the grant prices were converted into equivalent HDFC Bank options and prices in the swap ratio of 1:29 i.e. 1 stock option of HDFC Bank for every 29 stock options granted and outstanding of CBoP as on May 23, 2008, the effective date of the amalgamation, in accordance with Clause 9.9 of the Scheme of Amalgamation of eCBoP with the Bank. The vesting dates for the said stock options granted in various tranches were revised as per Clause 9.9 of the Scheme. All the aforesaid stock options are exercisable within a period of 5 years from the date of vesting. Key Options were granted at an exercise price, which was less than the then fair market price of the shares. General Options were granted at the fair market price. The fair market price was the latest available closing price, prior to the date of the Board of Directors meeting in which options were granted or shares were issued, on the stock exchange on which the shares of the Bank were listed. If the shares were listed on more than one stock exchange, then the stock exchange where there was highest trading volume on the said date was considered.

Method used for accounting for shared based payment plan

The Bank has elected to use intrinsic value method to account for the compensation cost of stock options to employees of the Bank. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price of the option.

Activity in the options outstanding under the Employee Stock Options Plan as at March 31, 2010

Particulars	Options	Weighted average exercise price (Rs.)
Options outstanding, beginning of year	1,95,94,027	975.64
Granted during the year	72,68,250	1,512.07
Exercised during the year	61,58,943	902.70
Forfeited / lapsed during the year	1,97,254	1,292.89
Options outstanding, end of year	2,05,06,080	1,184.63
Options Exercisable	1,27,18,580	1,003.36

Activity in the options outstanding under the Employee Stock Options Plan as at March 31, 2009

Particulars	Options	Weighted average exercise price (Rs.)
Options outstanding, beginning of year	1,69,37,800	956.94
Additions on amalgamation	35,51,978	894.20
Granted during the year	12,53,000	1,126.45
Exercised during the year	10,67,233	595.29
Forfeited / lapsed during the year	10,81,518	965.32
Options outstanding, end of year	1,95,94,027	975.64
Options Exercisable	1,12,75,016	907.66

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For the year ended March 31, 2010

Following summarises the information about stock options outstanding as at March 31, 2010

Plan	Range of exercise price	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average exercise price (Rs.)
Plan A	Rs. 366.30	33,600	1.59	366.30
Plan B	Rs. 358.60 to Rs. 1,098.70	24,74,700	2.79	977.12
Plan C	Rs. 630.60 to Rs. 1,098.70	37,57,600	2.58	896.46
Plan D	Rs. 1,098.70 to Rs. 1,704.80	1,26,96,400	3.89	1,334.24
Key-ESOP – 2004	Rs. 116.00	64,816	3.04	116.00
General ESOP - 2004	Rs. 442.25 to Rs. 859.85	3,92,643	3.59	643.84
General ESOP - 2007	Rs. 1,162.90 to Rs. 1,258.60	10,86,321	3.97	1,190.18

Following summarises the information about stock options outstanding as at March 31, 2009

Plan	Range of exercise price	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average exercise price (Rs.)
Plan A	Rs. 366.30	99,700	2.61	366.30
Plan B	Rs. 358.60 to Rs. 1,098.70	34,08,400	3.67	959.11
Plan C	Rs. 630.60 to Rs. 1,098.70	59,71,600	3.42	870.93
Plan D	Rs. 1,098.70 to Rs.1,126.45	71,54,100	3.92	1,103.56
Key-ESOP – 2004	Rs. 116.00	1,22,070	3.98	116.00
General ESOP - 2004	Rs. 442.25 to Rs. 859.85	11,56,263	4.50	611.80
General ESOP - 2007	Rs. 1,162.90 to Rs. 1,258.60	16,81,894	4.91	1,185.46

Fair Value methodology

The fair value of options used to compute proforma net income and earnings per equity share have been estimated on the dates of each grant using the binomial option-pricing model. The Bank estimated the volatility based on the historical share prices. The various assumptions considered in the pricing model for the ESOPs granted during the year ended March 31, 2010 are :

Particulars	March 31, 2010	March 31, 2009
Dividend yield	0.6% to 0.7%	0.8%
Expected volatility	44.68% to 49.86%	39.71%
Risk- free interest rate	4.8% to 7.7%	9.2% to 9.3%
Expected life of the option	1 to 5 years	1 to 4 years

Details of Modifications in terms and conditions of ESOPs

No modifications were made in the terms and conditions of ESOPs during the year ended March 31, 2010.

The Compensation Committee, at its meeting held on January 14, 2009, accorded its approval for extending the life of some of the ESOPs under Plans B, C and D from two years from date of vesting to four years from date of vesting. ESOPs thus modified have been fair valued as of January 14, 2009, being the modification date. The various assumptions considered in the pricing model for the ESOPs modified during the year ended March 31, 2009 are :

Particulars	March 31, 2009
Dividend yield	0.9%
Expected volatility	47.13%
Risk-free interest rate	4.5% to 5.2%
Expected life of the option	1 to 6 years

The incremental share based compensation determined under fair value based method amounts to Rs. 43,24 lacs.

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For the year ended March 31, 2010

Impact of fair value method on net profit and earnings per share

Had compensation cost for the Bank's stock option plans outstanding been determined based on the fair value approach, the Bank's net profit and earnings per share would have been as per the proforma amounts indicated below:

	(Rs. lacs)	
Particulars	March 31, 2010	March 31, 2009
Net Profit (as reported)	2,948,70	2,244,94
Add : Stock-based employee compensation expense included in net income	-	-
Less : Stock based compensation expense determined under fair value based method (proforma)	164,62	103,40
Net Profit (proforma)	2,787,08	2,141,54
	(Rs.)	(Rs.)
Basic earnings per share (as reported)	67.56	52.85
Basic earnings per share (proforma)	63.79	50.42
Diluted earnings per share (as reported)	66.87	52.59
Diluted earnings per share (proforma)	63.14	50.17

7. Upper & lower Tier II capital and innovative perpetual debt instruments

Subordinated debt (Lower Tier II capital), Upper Tier II capital and innovative perpetual debt instruments outstanding as at March 31, 2010 are Rs. 3,393,20 lacs (previous year : Rs. 3,459,70 lacs), Rs. 2,759,90 lacs (previous year : Rs. 2,818,10 lacs) and Rs. 200,00 lacs (previous year : Rs. 200,00 lacs) respectively.

During the year ended March 31, 2010, the Bank raised subordinated debt qualifying for Tier II capital amounting to Rs. Nil lacs (previous year: Rs. 2,875,00 lacs).

The details of the bonds raised during the year ended March 31, 2009 are given below :

Particulars	Date of Allotment	Coupon Rate (%)	Tenure	Amount (Rs. Lacs)
Lower Tier II Bonds	December 26, 2008	10.70%	10 Years	1,150,00
Upper Tier II Bonds	December 26, 2008	10.85% ¹	15 Years ²	578,00
Lower Tier II Bonds	February 19, 2009	9.75%	10 Years	150,00
Upper Tier II Bonds	February 19, 2009	9.95% ³	15 Years ⁴	200,00
Upper Tier II Bonds	March 17, 2009	9.85% ⁵	15 Years ⁶	797,00
			Total	2,875,00

Note :

- (1) Coupon rate of 10.85% per annum payable for first 10 years and stepped-up coupon rate of 11.35% per annum for next 5 years if call option is not exercised at the end of 10 years from the date of allotment.
- (2) Call Option exercisable on December 26, 2018 at par with the prior approval of RBI.
- (3) Coupon rate of 9.95% per annum payable for first 10 years and stepped-up coupon rate of 10.45% per annum for next 5 years if call option is not exercised at the end of 10 years from the date of allotment.
- (4) Call Option exercisable on February 19, 2019 at par with the prior approval of RBI.
- (5) Coupon rate of 9.85% per annum payable for 10 years and stepped-up coupon rate of 10.35% per annum for last 5 years if call option is not exercised at the end of 10 years from the date of allotment.
- (6) Call Option exercisable on March 17, 2019 at par with the prior approval of RBI.

Based on the balance term to maturity as at March 31, 2010, 98% of the book value of subordinated debt (Lower Tier II capital) and Upper Tier II capital is considered as Tier II capital for the purpose of capital adequacy computation.

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8. Other Liabilities

Other liabilities includes contingent provisions towards standard assets of Rs. 760,29 lacs (previous year : Rs. 760,29 lacs). In line with the Reserve Bank of India circular DBOD.No.BP.BC.58/21.04.048/2009-10 dated November 5, 2009 provision for standard assets has been made at 0.40% except for Direct advances to Agriculture and SME sectors where provision is made at 0.25% and for advance to Commercial Real Estate sector where provision is made at 1%. The provisions held by the Bank over and above that required under the revised norms have not been reversed in accordance with these norms.

9. Investments

• Value of investments

(Rs. lacs)

Particulars	March 31, 2010	March 31, 2009
Gross value of investments		
- In India	58,618,83	58,872,74
- Outside India	47,21	22
Provisions for Depreciation on Investments		
- In India	58,42	55,41
- Outside India	-	-
Net Value of Investments		
- In India	58,560,41	58,817,33
- Outside India	47,21	22

• Movement of provisions held towards depreciation on investments.

(Rs. lacs)

Particulars	March 31, 2010	March 31, 2009
Opening balance	55,41	7,45
Add : Provision made during the year / on Amalgamation *	9,73	51,41
Less : Write-off, write back of excess provision during the Year	6,72	3,45
Closing balance	58,42	55,41

* The movement in provision for depreciation on investments is reckoned on a yearly basis.

• Repo Transactions

✓ Details of repo / reverse repo deals done during the year ended March 31, 2010

(Rs. lacs)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	As at March 31, 2010
Securities sold under repo				
i. Corporate debt securities	-	-	-	-
ii. Government securities	-	3,681,86	79,88	-
Securities purchased under reverse repo				
i. Corporate debt securities	-	-	-	-
ii. Government securities	-	13,230,00	580,80	2,100,00

The above includes deals done under Liquidity Adjustment Facility with the Reserve Bank of India.

✓ Details of repo / reverse repo deals done during the year ended March 31, 2009

(Rs. lacs)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	As at March 31, 2009
i. Securities sold under repos	-	4,851,18	829,75	-
ii. Securities purchased under reverse repos	-	10,658,01	1,173,63	2,518,89

The above includes deals done under Liquidity Adjustment Facility with the Reserve Bank of India.

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For the year ended March 31, 2010

- Non-SLR Investment Portfolio

✓ Issuer-wise composition of Non-SLR Investments as at March 31, 2010

(Rs. lacs)

Sr. 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	111,08	94,00	-	-	-
2	Financial institutions	5,604,28	5,554,31	-	5,494,30	5,574,30
3	Banks	667,09	28,20	-	-	15,70
4	Private corporate	275,50	234,80	-	31,87	117,12
5	Subsidiaries / Joint ventures	155,10	155,10	-	17,65	155,10
6	Others	748,50	747,80	-	3,99	736,70
7	Provision held towards depreciation	(4,36)				
	Total	7,557,19	6,814,21	-	5,547,81	6,598,92

* Excludes investments in equity shares and units

✓ Issuer-wise composition of Non-SLR Investments as at March 31, 2009

(Rs. lacs)

Sr. 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	318,69	203,33	-	-	10,00
2	Financial institutions	3,089,34	3,053,54	-	3,032,60	3,042,60
3	Banks	1,502,36	1,500,36	-	2,50	2,00
4	Private corporate	324,91	216,77	-	3,51	3,51
5	Subsidiaries / Joint ventures	155,10	155,10	-	17,65	155,10
6	Others	1,274,48	1,100,74	-	13,30	1,260,19
7	Provision held towards depreciation	(5,16)				
	Total	6,659,72	6,229,85	-	3,069,56	4,473,40

* Excludes investments in equity shares and units

✓ Non performing Non-SLR investments

(Rs. lacs)

Particulars	March 31, 2010	March 31, 2009
Opening balance	2,23	66
Additions during the year / on Amalgamation	-	1,57
Reductions during the year	-	-
Closing balance	2,23	2,23
Total Provisions held	2,23	2,23

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For the year ended March 31, 2010

- Details of investments category-wise**

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

(Rs. lacs)

Particulars	As at March 31, 2010				As at March 31, 2009			
	Held for Trading	Available for Sale	Held to Maturity	Total	Held for Trading	Available for Sale	Held to Maturity	Total
Government securities	4,002,04	5,558,51	41,489,38	51,049,93	5,944,53	6,629,87	39,582,18	52,156,58
Other approved securities	-	50	-	50	-	1,25	-	1,25
Shares	6,86	97,27	-	104,13	4,47	32,48	3,00	39,95
Debentures and Bonds	129,67	946,38	109,84	1,185,89	60,62	1,702,83	179,39	1,942,84
Subsidiary / Joint ventures	-	-	155,10	155,10	-	-	155,10	155,10
Others	589,15	5,522,92	-	6,112,07	-	4,521,82	-	4,521,82
Total	4,727,72	12,125,58	41,754,32	58,607,62	6,009,62	12,888,25	39,919,67	58,817,54

- Investments include securities of Face Value (FV) aggregating Rs. 1,000,25 lacs (previous year : FV Rs. 1,111,70 lacs) which are kept as margin for clearing of securities and of FV Rs. 7,135,00 lacs (previous year : FV Rs. 5,548,54 lacs) which are kept as margin for Collateral Borrowing and Lending Obligation (CBLO) with the Clearing Corporation of India Ltd.
- Investments include securities of FV aggregating Rs. 6,00 lacs (previous year : FV Rs. 5,70 lacs) which are kept as margin with National Securities Clearing Corporation of India Ltd. (NSCCIL) and of FV Rs. 5,00 lacs (previous year : FV Rs. 4,75 lacs) which are kept as margin with MCX-SX Clearing Corporation Ltd.
- Investments having FV amounting to Rs. 29,810,78 lacs (previous year : FV Rs. 16,035,13 lacs) are kept as margin with the Reserve Bank of India towards Real Time Gross Settlement (RTGS).
- Other investments include certificate of deposits : Rs. 589,15 lacs (previous year : Rs. 1,383,25 lacs), commercial paper : Rs. 18,84 lacs (previous year : Rs. 94,60 lacs), investments in equity mutual fund units : Rs. 100 lacs (previous year : Rs. 68 lacs), security receipts issued by Reconstruction Companies : Rs. 8,78 lacs (previous year : Rs. 10,69 lacs), deposits with NABARD under the RIDF Deposit Scheme : Rs. 4,197,11 lacs (previous year : Rs. 2,527,11 lacs), deposits with SIDBI and NHB under the Priority / Weaker Sector Lending Schemes : Rs. 1,297,19 lacs (previous year : Rs. 505,49 lacs).
- 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, 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.

10. Derivatives

- Forward Rate Agreements / Interest Rate Swaps (Rupee)**

(Rs. lacs)

Sr. No.	Particulars	March 31, 2010	March 31, 2009
i)	The total notional principal of swap agreements	195,322,94	128,231,98
ii)	Total losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	1,390,92	2,299,23
iii)	Concentration of credit risk arising from swaps (with banks)	92.83%	94.94%
iv)	Collateral required by the Bank upon entering into Swaps	-	-
v)	The fair value of the swap book	(24,38)	(68,89)

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- Exchange Traded Interest Rate Derivatives

(Rs. lacs)

Sr. No.	Particulars	March 31, 2010	March 31, 2009
i)	The total notional principal amount of exchange traded interest rate derivatives undertaken during the year, instrument-wise : 10Y GS 7	10,00	Nil
ii)	The total notional principal amount of exchange traded interest rate derivatives outstanding as of March 31, instrument-wise	Nil	Nil
iii)	The notional principal amount of exchange traded interest rate derivatives outstanding and not 'highly effective', as of March 31, instrument-wise	Nil	Nil
iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not 'highly effective', as of March 31, instrument-wise	Nil	Nil

- Qualitative Disclosures on Risk Exposure in Derivatives

Overview of business and processes

Financial derivatives are financial instruments whose characteristics are derived from an underlying assets, or from interest and exchange rates or indices. These include forwards, swaps, futures and options. The notional amounts of financial instruments such as foreign exchange contracts and derivatives provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The following sections outline the nature and terms of the most common types of derivatives used by the bank.

Interest rate contracts

Forward rate agreements give the buyer the ability to determine the underlying rate of interest for a specified period commencing on a specified future date (the settlement date). There is no exchange of principal and settlement is effected on the settlement date. The settlement amount is the difference between the contracted rate and the market rate prevailing on the settlement date.

Interest rate swaps involve the exchange of interest obligations with a counterparty for a specified period without exchanging the underlying (or notional) principal.

Interest rate caps and floors give the buyer the ability to fix the maximum or minimum rate of interest. The writer pays the amount by which the market rate exceeds or is less than the cap rate or the floor rate respectively. A combination of interest rate caps and floors is known as an interest rate collar.

Interest Rate Futures are standardised interest rate derivative contract traded on a recognized stock exchange to buy or sell a notional security or any other interest bearing instrument or an index of such instruments or interest rates at a specified future date, at a price determined at the time of the contract.

Exchange rate contracts

Forward foreign exchange contracts are agreements to buy or sell fixed amounts of currency at agreed rates of exchange on future date. All such instruments are carried at fair value, determined based on either FEDAI rates or on market quotations.

Cross currency swaps are agreements to exchange principal amounts denominated in different currencies. Cross currency swaps may also involve the exchange of interest payments on one specified currency for interest payments in another specified currency for a specified period.

Currency options give the buyer, on payment of a premium, the right but not an obligation, to buy or sell specified amounts of currency at agreed rates of exchange on or before a specified future date. Option premia paid or

Schedules to the Accounts

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received is recorded in Profit and Loss Account for rupee options at the expiry of the option and for foreign currency options on premium settlement date.

Currency Futures contract is a contract that allows market participants to trade the underlying exchange rate for a period of time in the future. Currency futures are agreements between two counterparties where one counterparty longs the underlying exchange rate and the other shorts the underlying exchange rate on a specified future date. The underlying instrument of a currency future contract is the rate of exchange between one unit of foreign currency and the INR.

Most of the bank's derivative business relate to sales and trading activities. Sale activities include the structuring and marketing of derivatives to customers to enable them to hedge their market risks (both interest rate and exchange risks), within the framework of regulations as may apply from time to time. The Bank deals in derivatives on its own account (trading activity) principally for the purpose of generating a profit from short term fluctuations in price or yields. The Bank also deals in derivatives to hedge the risk embedded in some of its balance sheet assets and liabilities.

Constituents involved in derivative business

The Treasury front office enters into derivatives transactions with customers and inter-bank counterparties. The Bank has an independent back-office and mid-office as per regulatory guidelines. The Bank has a credit and market risk department that makes various counterparty and market risks limit assessments, within the risk architecture and processes of the Bank.

Derivative policy

The Bank has in place a policy which covers various aspects that apply to the functioning of the derivatives business. The derivatives business is administered by various market risk limits such as position limits, tenure limits, sensitivity limits and value-at-risk limits that are approved by the Board and the Risk Management Committee (RMC). All methodologies used to assess credit and market risks for derivative transactions are specified by the market risk unit. Limits are monitored on a daily basis by the mid-office.

The Bank has implemented a Board approved policy on Customer Suitability & Appropriateness to ensure that derivative transactions entered into are appropriate and suitable to the customer's nature of business / operations. Before entering into a derivative deal with a customer, the Bank scores the customer on various risk parameters and based on the overall score level it determines the kind of product that best suits its risk appetite and the customer's requirements.

Classification of derivatives book

The derivative book is classified into trading and banking book. When the Bank deals in derivatives on its own account (trading activity) principally for the purpose of generating a profit from short term fluctuations in price or yields, the same is classified as trading book. The trading book is managed within the trading limits approved by the Risk Monitoring Committee of the Board. All other derivative transactions are classified as a part of the banking book. The banking book is further subdivided into banking – non hedge book and banking hedge book.

Hedging policy

For derivative contracts in the banking book designated as hedge, the Bank documents at the inception of the relationship between the hedging instrument and the hedged item, the risk management objective for undertaking the hedge and the methods used to assess the effectiveness of the hedge. The assessment is done on an on-going basis to test if the derivative is still effective. Hedge effectiveness is the degree to which changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or cash flows of the hedging instrument.

The banking – non hedge book includes transactions concluded for the purpose of providing the customer with structures and which are covered with inter-bank counter parties in the cash or derivative markets. All transactions outstanding in the banking – non hedge book are fair valued and the changes in value are taken through the profit and loss account. The banking hedge book consists of transactions to hedge balance sheet assets or liabilities. The hedge may be against a single asset or liability or against a portfolio of asset or liability in specific tenor buckets. The tenor of derivative hedges may be less than or equal to tenor of underlying asset or liability. If the underlying asset or liability is not marked to market, then the hedge is also not marked to market.

Schedules to the Accounts

For the year ended March 31, 2010

- 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 upon evaluating 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, at the minimum, conforms to the RBI guidelines with regard to provisioning requirements. Overdue receivables representing crystallised positive mark-to-market value of a derivative contract are transferred to the account of the borrower and treated as non-performing asset, if these remain unpaid for 90 days or more and full provision is made once the receivable is classified as a NPA.

- Quantitative disclosure on risk exposure in derivatives**

(Rs. lacs)

Sr. No.	Particular	Currency derivatives	Interest rate derivatives
1	Derivatives (Notional Principal Amount)		
	a) Banking Hedge	542,73	887,25
	b) Banking Non Hedge	8,937,47	13,424,57
	c) Trading	30,079,65	188,329,34
2	Marked to Market Positions (net)		
	a) Asset (+)	135,52	-
	b) Liability (-)	-	(164,41)
3	Credit Exposure	1,786,62	3,108,48
4	Likely Change of one percentage change in interest rate (100*PV01)		
	a) Banking (includes Hedge and Non Hedge)	1,107	(358)
	b) Trading	-	8,843
5	Maximum of 100*PV01 observed during the year		
	a) Banking (includes Hedge and Non Hedge)	1,107	(358)
	b) Trading	-	11,168
6	Minimum of 100*PV01 observed during the year		
	a) Banking (includes Hedge and Non Hedge)	378	(2,426)
	b) Trading	-	644

- ✓ The notional principal amounts of derivatives reflect the volume of transactions outstanding at balance sheet date, and, do not represent the amounts at risk.
- ✓ For the purpose of this disclosure, currency derivatives include options purchased and sold (including rupee options), cross currency interest rate swaps and currency futures.
- ✓ Interest rate derivatives include interest rate swaps and forward rate agreements.
- ✓ The Bank has computed maximum and minimum of PV01 for the year based on balances at the end of every month.
- ✓ In respect of derivative contracts, the Bank evaluates the credit exposure arising therefrom, in line with the RBI Circular DBOD.NO.BP.BC.57/21.04.157/2008-09 dated October 13, 2008. Credit exposure has been computed using the current exposure method which is the sum of (a) the current replacement cost (marked to market value including accruals) of the contract or zero whichever is higher, and (b) the potential future exposure (PFE). PFE is a product of the notional principal amount of the contract and a factor. The factor used is based on the RBI-Basel II grid of credit conversion factors, and is applied on the basis of the residual maturity and the type of contract.

Schedules to the Accounts

For the year ended March 31, 2010

11. Asset Quality

- Movements in NPAs (funded)

Particulars	(Rs. lacs)	
	March 31, 2010	March 31, 2009
(i) Net NPAs to Net Advances (%)	0.31%	0.63%
(ii) Movement of NPAs (Gross)*		
(a) Opening balance	1,951,52	906,97
(b) Additions (fresh NPAs) during the year / on Amalgamation	2,610,88	3,413,30
(c) Reductions during the year :	2,745,64	2,332,20
□ Upgradations	66,21	-
□ Recoveries (excluding recoveries made from upgraded accounts)	430,76	144,83
□ Write-offs	2,248,67	2,187,37
(d) Closing balance	1,816,76	1,988,07
(iii) Movement of Net NPAs		
(a) Opening balance	627,62	298,52
(b) Additions during the year / on Amalgamation	-	400,42
(c) Reductions during the year	235,57	71,32
(d) Closing balance	392,05	627,62
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	1,323,90	608,45
(b) Additions during the year / on Amalgamation	2,651,26	3,012,87
(c) Write-off / write-back of excess provisions	2,550,45	2,260,87
(d) Closing balance	1,424,71	1,360,45

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

* In accordance with RBI guidelines under reference DBOD.No.BP.BC.46/21.04.048/2009-10 dated September 24, 2009, gross NPAs and provision for NPA as of April 1, 2009 and as of March 31, 2010 exclude interest held in suspense in respect of NPA accounts. Previous year's figures are not recomputed.

- Sector-wise NPAs

Particulars	Percentage of NPAs to Total Advances in that sector (%)
Agriculture and allied activities	0.91
Industry (Micro & Small, Medium and Large)	1.46
Services	3.86
Personal Loans	1.11

- Floating provisions of Rs. 65,03 (previous year : Rs. 15,03 lacs) has been netted from gross NPAs to arrive at net NPAs. Movement in floating provision is given here below :

Particulars	March 31, 2010	March 31, 2009
Opening Balance	15,03	10,03
Provisions made during the year / on Amalgamation*	50,00	32,84
Draw down made during the year / on Amalgamation*	-	27,84
Closing Balance	65,03	15,03

* During the year ended March 31, 2009, Floating provisions of Rs. 27,84 lacs of eCBoP has been utilised on amalgamation in the harmonization of accounting policies and estimates in line with the Scheme of Amalgamation.

Schedules to the Accounts

For the year ended March 31, 2010

- Details of accounts subjected to restructuring as on March 31, 2010

(Rs. lacs except numbers)

Particulars of Accounts Restructured		Outstanding as at March 31, 2010		
		CDR Mechanism	SME Debt Restructuring	Others
Standard advances restructured	No. of Borrowers	4	1	8
	Amount Outstanding	184,53	7,36	39,52
	Sacrifice (diminution in the fair value)	12,00	-	1,10
Substandard advances restructured	No. of Borrowers	2	-	2
	Amount Outstanding	25,55	-	23,66
	Sacrifice (diminution in the fair value)	1,00	-	2,00
Doubtful advances restructured	No. of Borrowers	2	-	-
	Amount Outstanding	31,03	-	-
	Sacrifice (diminution in the fair value)	-	-	-
Total	No. of Borrowers	8	1	10
	Amount Outstanding	241,11	7,36	63,18
	Sacrifice (diminution in the fair value)	13,00	-	3,10

- Details of accounts subjected to restructuring as on March 31, 2009

(Rs. lacs except numbers)

Particulars of Accounts Restructured		Outstanding as at March 31, 2009		
		CDR Mechanism	SME Debt Restructuring	Others
Standard advances restructured	No. of Borrowers	2	9	3
	Amount Outstanding	16,50	20,27	15,07
	Sacrifice (diminution in the fair value)	72	-	35
Substandard advances restructured	No. of Borrowers	2	-	1
	Amount Outstanding	67,73	-	84
	Sacrifice (diminution in the fair value)	8,42	-	11
Doubtful advances restructured	No. of Borrowers	-	-	-
	Amount Outstanding	-	-	-
	Sacrifice (diminution in the fair value)	-	-	-
Total	No. of Borrowers	4	9	4
	Amount Outstanding	84,23	20,27	15,91
	Sacrifice (diminution in the fair value)	9,14	-	46

- Details of financial assets sold to securitization/reconstruction companies (SC/RC) for asset reconstruction are as under :

(Rs. lacs except numbers)

Particulars	March 31, 2010	March 31, 2009
No of Accounts	5	Nil
Aggregate value (net of provisions) of accounts sold to SC/RC	4,69	Nil
Aggregate consideration	4,69	Nil
Additional consideration realised in respect of accounts transferred in earlier years	Nil	Nil
Aggregate gain / loss over net book value	Nil	Nil

- Details of non-performing financial assets sold, excluding those sold to SC/RC are as under :

(Rs. lacs except numbers)

Particulars	March 31, 2010	March 31, 2009
No of Accounts sold	Nil	5,119
Aggregate outstanding	Nil	84,07
Aggregate consideration	Nil	50,22

- During the years ended March 31, 2010 and March 31, 2009, there were no non-performing financial assets that were purchased by the Bank.

12. Details of exposures in sensitive sectors, risk category-wise country exposures, single / group borrower exposures and unsecured advances and cocentration of deposits, advances, exposures and NPA's :

• **Details of exposure to real estate sector**

(Rs. lacs)

Category	March 31, 2010	March 31, 2009
a) Direct exposure : **	20,541,39	16,550,51
(i) Residential mortgages *	12,978,82	8,576,99
(of which housing loans eligible for inclusion in priority sector advances)	(7,029,42)	(4,729,34)
(ii) Commercial real estate	6,945,38	7,099,65
(iii) Investments in mortgage backed securities (MBS) and other securitised exposures :		
a. Residential	617,20	873,87
b. Commercial real estate	-	-
b) Indirect exposure :	4,751,69	1,923,29
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	4,751,69	1,923,29
Total real estate exposure	25,293,08	18,473,80

* includes loans purchased under the direct loan assignment route.

** Direct Exposure to Commercial Real Estate for the year ended March 31, 2010 have been computed in line with RBI guidelines under reference DBOD.BP.BC.No.42/08.12.015/2009-10 dated September 9, 2009.

Of the above, exposure to real estate developers is 0.4% (previous year : 0.8%) of total advances.

• **Details of capital market exposure**

(Rs. lacs)

Sr. No.	Particulars	March 31, 2010	March 31, 2009
(i)	Investments made in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt	77,72	49,33
(ii)	Advances against shares, bonds, debentures or other securities or on clean basis to individuals for investment in equity shares (including IPO's/ESOPS), convertible bonds or convertible debentures, units of equity oriented mutual funds	93,23	84,79
(iii)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	1,098,77	658,92
(iv)	Advances for any other purposes to the extent secured by collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances	29,26	39,18
(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	4,301,85	3,448,90
(vi)	Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources	60,00	-
(vii)	Bridge loans to companies against expected equity flows / issues	-	-
(viii)	Underwriting commitments taken up in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	-	-
(ix)	Financing to stockbrokers for margin trading	-	-
(x)	All exposures to venture capital funds (both registered and unregistered) deemed to be on par with equity and hence reckoned for capital market exposure.	24,93	39,09
	Total Exposure to Capital Market	5,685,75	4,320,21

Exposure is higher of limits sanctioned or the amount outstanding.

Schedules to the Accounts

For the year ended March 31, 2010

- Details of Risk Category wise Country Exposure as at March 31, 2010 (Rs. lacs)

Risk Category	March 31, 2010		March 31, 2009	
	Exposure (Net)	Provision held	Exposure (Net)	Provision held
Insignificant	4,178,40	-	2,779,26	-
Low	2,585,65	-	1,480,29	-
Moderately low	58,41	-	160,28	-
Moderate	22	-	2,78	-
Moderately high	31	-	-	-
High	-	-	-	-
Very High	-	-	-	-
Total	6,822,99	-	4,422,61	-

- Details of Single Borrower Limit (SGL), Group Borrower Limit (GBL) exceeded by the bank

During the year, the Bank's credit exposure to single borrowers and group borrowers were within the limits prescribed by Reserve Bank of India.

- Unsecured Advances

There are no unsecured Advances for which intangible securities such as charge over the rights, licenses, authority, etc. has been taken by the Bank.

- Concentration of Deposits, Advances, Exposures and NPAs

- a) Concentration of Deposits (Rs. lacs)

Particulars	March 31, 2010
Total Deposits of twenty largest depositors	14,086,27
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	8.4%

- b) Concentration of Advances (Rs. lacs)

Particulars	March 31, 2010
Total Advances to twenty largest borrowers (excluding Banks)	29,249,02
Percentage of Advances of twenty largest borrowers to Total Advances of the Bank	14.4%

Advances comprise credit exposure (funded and non-funded credit limits) including derivative computed as per current exposure method in accordance with RBI guidelines under reference DBOD.No.Dir.BC.15/13.03.00/2009-10 dated July 1, 2009.

- c) Concentration of Exposures (Rs. lacs)

Particulars	March 31, 2010
Total Exposure to twenty largest borrowers / customers (excluding Banks)	32,964,47
Percentage of Exposure of twenty largest borrowers / customers to Total Exposure of the Bank on borrowers / customers	15.7%

Advances comprise credit exposure (funded and non-funded credit limits) including derivative and investment exposure in accordance with RBI guidelines under reference DBOD.No.Dir.BC.15/13.03.00/2009-10 dated July 1, 2009.

- d) Concentration of NPAs (Rs. lacs)

Particulars	March 31, 2010
Total Exposure to top four NPA accounts (Funded)	256,80

13. Other Fixed Assets (including furniture and fixtures)

It includes amount capitalized on software having useful life of five years. Details regarding the same are tabulated below :

(Rs. lacs)

Particulars	March 31, 2010	March 31, 2009
Cost as of March 31 at the previous year	537,18	354,97
Additions during the year / on Amalgamation (net)	73,39	182,21
Accumulated depreciation as at March 31	(360,29)	(293,25)
Net value as at March 31 of the current year	250,28	243,93

Schedules to the Accounts

For the year ended March 31, 2010

14. Other Assets

- Other Assets include deferred tax asset (net) of Rs. 843,51 lacs (previous year : Rs. 862,82 lacs). The break up of the same is as follows :

Particulars	March 31, 2010	March 31, 2009
Deferred tax asset arising out of :		
Loan loss provisions	552,25	614,05
Employee Benefits	43,45	53,44
Others	346,13	283,22
Total	941,83	950,71
Deferred tax liability arising out of :		
Depreciation	(98,32)	(87,89)
Total	(98,32)	(87,89)
Deferred tax asset (net)	843,51	862,82

- Key items under "Others" in Other Assets are as under :

Particulars	March 31, 2010	March 31, 2009
Unrealised gain on Foreign Exchange and Derivative Contracts	544,76	1173,19
Deferred Tax Assets	843,51	862,82
Deposits & amounts paid in advance	713,23	829,54
Account receivables	521,39	487,55
Bullion outstanding	196,95	168,05
Residuary Items	94,68	91,40
Total	2,914,52	3,612,55

15. Maturity Pattern of Key Assets and Liabilities

Assets and liabilities are classified in the maturity buckets as per the guidelines issued by the Reserve Bank of India.

(Rs. lacs)

As at March 31, 2010	1 day	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 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	1,689,25	2,829,02	1,711,33	2,383,90	13,187,05	13,727,87	14,644,99	55,275,11	9,372,91	11,009,16	125,830,59
Investments	5,331,22	3,172,46	1,297,26	1,096,01	3,087,27	2,274,05	2,883,05	23,534,40	5,907,31	10,024,59	58,607,62
Deposits	3,558,06	8,268,69	3,278,62	1,939,59	9,173,04	8,730,87	13,954,32	83,075,49	18,127,39	17,298,37	167,404,44
Borrowings	520,74	1,234,02	220,68	187,28	765,39	850,20	2,389,80	456,68	414,00	5,876,90	12,915,69
Foreign Currency Assets	742,43	3,644,43	224,35	495,61	1,500,75	1,674,29	437,61	1,178,13	278,71	5,38	10,181,69
Foreign Currency Liabilities	735,81	152,59	59,56	244,50	752,65	890,83	890,19	2,063,58	153,84	558,02	6,501,57

(Rs. lacs)

As at March 31, 2009	1 day	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 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	3,785,26	1,476,54	1,081,10	2,445,84	11,200,87	10,575,67	13,976,89	40,557,36	6,091,37	7,692,15	98,883,05
Investments	13,503,73	2,034,86	1,524,85	1,125,44	2,540,01	2,355,52	4,147,37	21,618,57	4,519,68	5,447,51	58,817,54
Deposits	3,324,49	3,481,20	3,503,39	2,288,54	6,970,16	7,471,67	11,282,43	81,553,94	14,869,06	8,066,70	142,811,58
Borrowings	442,95	137,55	237,41	94,85	852,04	910,05	-	76,93	395,00	6,016,86	9,163,64
Foreign Currency Assets	927,62	1,105,76	192,69	240,34	886,23	709,55	390,25	575,84	118,68	8,49	5,155,45
Foreign Currency Liabilities	297,33	110,37	139,55	131,65	846,14	863,29	507,67	1,444,58	57,99	507,20	4,905,77

Schedules to the Accounts

For the year ended March 31, 2010

16. Provision, Contingent Liabilities and Contingent Assets

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)

Particulars	March 31, 2010	March 31, 2009
Opening provision for reward points	33,57	34,98
Provision for reward points made during the year	17,78	17,31
Utilisation / Write back of provision for reward points	(8,83)	(8,49)
Effect of change in rate for accrual of reward points	(1,33)	1,44
Effect of change in cost of reward points	(7,19)	(11,67)
Closing provision for reward points	34,00	33,57

b) Description of contingent liabilities

Sr. No.	Contingent liability*	Brief description
1.	Claims against the Bank not acknowledged as debts - taxation	The Bank is a party to various taxation matters in respect of which appeals are pending. The Bank expects the outcome of the appeals to be favorable based on decisions on similar issues in the previous years by the appellate authorities.
2.	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.
3.	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 of financial instruments such as foreign exchange contracts and derivatives provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market rates or prices relative to their terms.
4.	Guarantees given on behalf of constituents, acceptances, endorsements and other obligations	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 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.
5.	Other items for which the Bank is contingently liable	These include : a) Credit enhancements in respect of securitized - out loans. b) Bills rediscounted by the Bank. c) Capital commitments. d) Repo borrowings.

*Also refer Schedule 12 – Contingent liabilities

17. Business Ratios / Information

Particulars	For the year ended	
	March 31, 2010	March 31, 2009
Interest income as a percentage of working funds ¹	8.39%	9.28%
Net interest income as a percentage of working funds	4.35%	4.22%
Non-interest income as a percentage of working funds	1.97%	1.87%
Operating profit ² as a percentage of working funds	3.33%	2.94%
Return on assets (average)	1.53%	1.28%
Business ³ per employee (Rs. lacs)	5,90	4,46
Profit per employee ⁴ (Rs. lacs)	5.98	4.18
Percentage of net non performing assets ⁵ to customer assets ⁶	0.31%	0.62%
Percentage of net non performing assets to net advances ⁷	0.31%	0.63%
Gross non performing assets to gross advances	1.43%	1.98%
Provision Coverage Ratio ⁸	78.42%	68.43%

Schedules to the Accounts

For the year ended March 31, 2010

Definitions :

1. Working funds is the daily average of total assets during the year.
2. Operating profit is net profit for the year before provisions and contingencies.
3. "Business" is the total of net advances and deposits (net of inter-bank deposits).
4. Productivity ratios are based on average employee numbers.
5. Net NPAs are non-performing assets net of interest in suspense, specific provisions, floating provisions, ECGC claims received and provisions in lieu of diminution in the fair value of restructured assets (as on March 31, 2010).
6. Customer assets include gross advances (but net of interest in suspense (as on March 31, 2010), specific and floating provisions), credit substitutes like debentures, commercial paper and loans and investments in securitised assets bought in.
7. Net advances are equivalent to gross advances net of bills rediscounted, specific loan loss provisions, floating provisions, interest in suspense, ECGC claims received and provisions in lieu of diminution in the fair value of restructured assets (as on March 31, 2010).
8. Provision coverage ratio is based on specific loan loss provisions and floating provisions does not include assets written off.

18. Interest Income

Interest income under the sub-head Income from Investments includes dividend received during the year ended March 31, 2010 on units, equity and preference shares amounting to Rs. 435,04 lacs (previous year : Rs 230,21 lacs).

19. Earnings from Standard Assets Securitised-out Assets / sold

(Rs. lacs except numbers)

Particulars	March 31, 2010	March 31, 2009
Book value of loans securitised-out	Nil	2,215,40
Total no. of contracts securitised (nos.)	Nil	47,400
Sales consideration received	Nil	2,209,28
Profit / (Loss) on sell off*	Nil	(6,12)

* Pursuant to RBI guidelines dated February 1, 2006 under reference no. DBOD.No.BPBC.60/ 21.04.048/2005-06, the Bank amortises any profit / premium arising on account of sale of receivables over the life of the securities sold out while any loss arising on account of sale of receivables is recognised in the Profit and Loss Account for the period in which the sale occurs.

Form and quantum of services and liquidity provided by way of credit enhancement

The Bank has provided credit and liquidity enhancements in the form of cash collaterals / guarantees / subordination of cash flows etc., to the senior pass through certificates (PTCs). The total value of credit enhancement outstanding in the books as at March 31, 2010 was Rs. 457,69 lacs (previous year : Rs. 667,25 lacs), liquidity enhancement was Rs. 16,58 lacs (previous year : Rs. 15,44 lacs) and third party liquidity facility undrawn was Rs. 13,24 lacs (previous year : Rs. 24,87 lacs). Outstanding servicing liabilities was Rs. 1,07 lacs (previous year : Rs. 1,91 lacs)

20. Other Income

• 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.
- Commission income includes fees / remuneration (net of service tax) of Rs. 566,01 lacs (previous year : Rs. 553,90 lacs) in respect of the bancassurance business undertaken by the Bank during the year.

• Miscellaneous Income

Miscellaneous income includes profit / (loss) of Rs. 13,02 lacs (previous year : Rs. (158,16) lacs) pertaining to derivative transactions.

21. Other Expenditure

Other expenditure includes expenses on collections and recoveries amounting to Rs. 391,08 lacs (previous year : Rs. 292,42 lacs) and outsourcing fees amounting to Rs. 366,91 lacs (previous year : Rs. 382,51 lacs) exceeding 1% of the total income of the Bank.

22. The break-up of 'Provisions and contingencies' included in the Profit and Loss Account is given below :

(Rs. lacs)

Particulars	March 31, 2010	March 31, 2009
Provision for Income Tax	1,340,44	1,054,31
Provision for Wealth tax	55	61
Provision for NPAs	1,938,93	1,605,80
Provision for Standard Assets	-	120,48
Other Provisions and Contingencies*	201,11	152,82
Total	3,481,03	2,934,02

* Includes Contingent provisions for tax, legal and other contingencies Rs. 136,09 lacs (previous year : Rs. 154,68 lacs), Floating Provisions Rs. 50,00 lacs (previous year : Rs. 5,00 lacs), (write-back) / provisions for securitised-out assets Rs. (0,12) lacs (previous year : Rs. (7,93) lacs) and provision for restructured assets Rs. 15,03 lacs (previous year : Rs. 1,07 lacs).

Schedules to the Accounts

For the year ended March 31, 2010

23. Employee Benefits

Gratuity

(Rs. lacs)

Particulars	March 31, 2010	March 31, 2009
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	72,57	38,09
Addition due to amalgamation	-	21,47
Interest cost	5,89	4,42
Current service cost	20,99	16,43
Benefits paid	(4,92)	(4,07)
Actuarial (gain) / loss on obligation :		
Experience adjustment	(5,02)	4,76
Assumption change	9,69	(8,53)
Present value of obligation as at March 31	99,20	72,57
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	45,38	22,37
Addition due to amalgamation	-	11,39
Expected return on plan assets	3,88	3,16
Contributions	-	16,09
Benefits paid	(4,92)	(4,07)
Actuarial gain / (loss) on plan assets :		
Experience adjustment	7,40	(3,68)
Assumption change	-	12
Fair value of plan assets as at March 31	51,74	45,38
Amount recognised in Balance sheet		
Fair value of plan assets as at March 31	51,74	45,38
Present value of obligation as at March 31	(99,20)	(72,57)
Asset / (Liability) as at March 31	(47,46)	(27,19)
Expenses recognised in Profit and Loss Account		
Interest Cost	5,89	4,42
Current Service cost	20,99	16,43
Expected return on plan assets	(3,88)	(3,16)
Net Actuarial (gain) / loss recognised in the year	(2,73)	(22)
Net Cost	20,27	17,47
Actual return on plan assets	11,29	(39)
Estimated contribution for the next year	12,60	15,54
Assumptions		
Discount rate	8.4% per annum	8.0% per annum
Expected return on plan assets	8.0% per annum	8.0% per annum
Salary escalation rate	8.5% per annum	7.5% per annum

Schedules to the Accounts

For the year ended March 31, 2010

Pension

(Rs. lacs)

Particulars	March 31, 2010	March 31, 2009
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	34,60	-
Addition due to amalgamation	-	39,29
Interest cost	2,73	2,96
Current service cost	1,21	1,44
Benefits paid	(4,28)	(4,63)
Actuarial (gain) / loss on obligation :		
Experience adjustment	2,12	(8,06)
Assumption change	4,32	3,60
Present value of obligation as at March 31	40,70	34,60
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	36,90	-
Addition due to amalgamation	-	13,96
Expected return on plan assets	3,03	2,03
Contributions	46	28,86
Benefits paid	(4,27)	(4,63)
Actuarial gain / (loss) on plan assets :		
Experience adjustment	2,78	(2,69)
Assumption change	(12)	(63)
Fair value of plan assets as at March 31	38,78	36,90
Amount recognised in Balance sheet		
Fair value of plan assets as at March 31	38,78	36,90
Present value of obligation as at March 31	(40,70)	(34,60)
Asset / (Liability) as at March 31	(1,92)	2,30
Expenses recognised in Profit and Loss Account		
Interest Cost	2,73	2,96
Current Service cost	1,21	1,44
Expected return on plan assets	(3,03)	(2,03)
Net Actuarial (gain) / loss recognised in the year	3,78	(1,14)
Net Cost	4,69	1,23
Actual return on plan assets	5,69	(1,29)
Estimated contribution for the next year	2,00	49
Assumptions		
Discount rate	8.4% per annum	8.0% per annum
Expected return on plan assets	8.0% per annum	8.0% per annum
Salary escalation rate	8.5% per annum	7.5% per annum

Expected rate of return on investments is determined based on the assessment made by the company at the beginning of the year with regard to its existing portfolio. The Bank's investments have been made in insurance funds and securities.

The Bank does not have any unfunded defined benefit plan.

The Bank contributed Rs. 81,57 lacs (previous year : Rs. 83,93 lacs) to the provident fund and Rs. 22,97 lacs (previous year : Rs. 18,16 lacs) to the superannuation plan respectively.

Schedules to the Accounts

For the year ended March 31, 2010

Compensated Absences

The actuarial liability of compensated absences of accumulated privileged and sick leaves of the employees of the Bank as of March 31, 2010 is given below :

(Rs. lacs)		
Particulars	March 31, 2010	March 31, 2009
Privileged leave	92,90	102,34
Sick leave	22,82	24,81
Total actuarial liability	115,72	127,15
Assumptions		
Discount rate	8.4% per annum	8.0% per annum
Salary escalation rate	8.5% per annum	7.5% per annum

24. Segment Reporting

Summary of the operating segments of the Bank is given below :

(Rs. lacs)		
Particulars	March 31, 2010	March 31, 2009
1. Segment Revenue		
a) Treasury	4,622,82	4,917,01
b) Retail Banking	15,561,73	14,880,83
c) Wholesale Banking	8,162,03	10,605,82
d) Other Banking Operations	2,319,93	2,146,04
e) Unallocated	0	3,51
Total	30,666,51	32,553,21
Less : Inter Segment Revenue	10,686,00	12,930,35
Income from Operations	19,980,51	19,622,86
2. Segment Results		
a) Treasury	673,48	488,18
b) Retail Banking	1,596,80	1,268,93
c) Wholesale Banking	1,978,63	1,242,25
d) Other Banking Operations	601,91	635,51
e) Unallocated	(561,68)	(335,62)
Total Profit Before Tax	4,289,14	3,299,25
Income Tax expense	(1,340,44)	(1,054,31)
Net Profit	2,948,70	2,244,94
3. Capital Employed		
Segment assets		
a) Treasury	75,532,34	66,380,51
b) Retail Banking	68,765,97	58,073,00
c) Wholesale Banking	65,691,22	46,049,91
d) Other Banking Operations	3,845,81	3,924,07
e) Unallocated	8,623,23	8,843,28
Total Assets	222,458,57	183,270,77
Segment liabilities		
a) Treasury	12,915,69	2,685,84
b) Retail Banking	112,042,29	92,400,30
c) Wholesale Banking	65,017,23	58,321,76
d) Other Banking Operations	-	-
e) Unallocated	32,483,36	29,862,87
Total Liabilities	222,458,57	183,270,77
Net Segment assets / (liabilities)		
a) Treasury	62,616,65	63,694,67
b) Retail Banking	(43,276,32)	(34,327,30)
c) Wholesale Banking	673,99	(12,271,85)
d) Other Banking Operations	3,845,81	3,924,07
e) Unallocated	(23,860,13)	(21,019,59)
4. Capital Expenditure		
a) Treasury	90,51	41,59
b) Retail Banking	562,61	405,68
c) Wholesale Banking	131,22	132,80
d) Other Banking Operations	49,94	32,87
e) Unallocated	-	-
Total	834,28	612,94

Schedules to the Accounts

For the year ended March 31, 2010

24. Segment Reporting (Contd...)

(Rs. lacs)

Particulars	March 31, 2010	March 31, 2009
5. Depreciation		
a) Treasury	38,09	46,03
b) Retail Banking	266,22	227,16
c) Wholesale Banking	65,93	69,01
d) Other Banking Operations	24,15	17,71
e) Unallocated	-	-
Total	394,39	359,91

25 Related Party Disclosures

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.

Enterprises under common control of the promoter

HDFC Asset Management Company Ltd.

HDFC Standard Life Insurance Company Ltd.

HDFC Developers Ltd.

HDFC Holdings Ltd.

HDFC Investments Ltd.

HDFC Trustee Company Ltd.

GRUH Finance Ltd.

HDFC Realty Ltd.

HDFC Ergo General Insurance Company Ltd. (formerly HDFC Chubb General Insurance Company Ltd.)

HDFC Venture Capital Ltd.

HDFC Ventures Trustee Company Ltd.

HDFC Sales Pvt. Ltd. (formerly Home Loan Services India Pvt. Ltd.)

HDFC Property Ventures Ltd.

HDFC Asset Management Company (Singapore) Pte. Ltd.

Griha Investments

Subsidiaries

HDFC Securities Ltd.

HDB Financial Services Ltd.

Associates

SolutionNET India Private Ltd. (ceased to be an associate from May 5, 2009)

Softcell Technologies Ltd.

Atlas Documentary Facilitators Company Private Ltd.

HBL Global Private Ltd.

Centillion Solutions and Services Private Ltd.

Kairoleaf Analytics Private Ltd. (ceased to be an associate from March 30, 2009)

International Asset Reconstruction Company Private Ltd.

Key Management Personnel

Aditya Puri, Managing Director

Paresh Sukthankar, Director

Harish Engineer, Director

Related Party to Key Management Personnel

Salisbury Investments Pvt. Ltd.

Sudha Engineer

Schedules to the Accounts

For the year ended March 31, 2010

The Bank's related party balances and transactions for the year ended March 31, 2010 are summarized as follows :

(Rs. lacs)

Items / Related Party	Promoter	Enterprises under Common Control of the Promoter	Subsidiaries	Associates	Key Management Personnel	Relatives of Key Management Personnel	Total
Deposits	2,428,79	229,12	109,18	41,05	6,17	1,94	2,816,25
Placement of Deposits	15	43	6,01	34,46	2,22	4,28	47,55
Advances	-	-	200,00	4,38	73	-	205,11
Purchase of fixed assets	-	-	-	2,00	-	-	2,00
Interest received	-	-	5,53	14	3	-	5,70
Rendering of Services	77,10	590,46	10,20	19,23	-	-	696,99
Receiving of Services	1,05	50,60	33,06	463,14	48	66	548,99
Amount received on Equity							
Share Warrants Issued	3,608,06	-	-	-	-	-	3,608,06
Equity Investment	-	-	123,76	44,19	-	-	167,95
Dividend paid	52,44	30,00	-	-	-	-	82,44
Dividend received on equity investment	-	-	18	9	-	-	27
Accounts Receivable	12,93	97,00	-	-	-	-	109,93
Accounts Payable	15	-	2,89	27,93	-	-	30,97
Guarantees given	-	-	18,00	-	-	-	18,00
Management Contracts	-	-	-	-	11,18	-	11,18
Loans Purchased	4,870,29	-	-	-	-	-	4,870,29
Financial Assets sold to securitization / reconstruction company	-	-	-	4,20	-	-	4,20

The Bank being an authorised dealer, deals in foreign exchange and derivative transactions with certain parties which includes the promoter and related group companies. The foreign exchange and derivative transactions are undertaken in line with the RBI guidelines. The notional principal amount of foreign exchange and derivative contracts transacted with the promoter that were outstanding as on March 31, 2010 is Rs. 970,12 lacs (previous year : Rs. 4,632,97 lacs). The contingent credit exposure pertaining to these contracts computed in line with the extant RBI guidelines on exposure norms is Rs. 15,36 lacs (previous year : Rs. 361,31 lacs).

The Bank's related party balances and transactions for the year ended March 31, 2009 are summarized as follows :

(Rs. lacs)

Items / Related Party	Promoter	Enterprises under Common Control of the Promoter	Subsidiaries	Associates	Key Management Personnel	Relatives of Key Management Personnel	Total
Deposits	710,73	11,76	188,51	43,07	6,27	1,36	1,067,90
Placement of Deposits	2	18	1	29,00	-	3,50	32,71
Advances	-	-	62,65	-	-	-	62,65
Purchase of fixed assets	-	-	11	15,89	-	-	16,00
Interest received	-	-	4	-	-	-	4
Rendering of Services	56,10	540,63	6,47	18,10	-	-	621,30
Receiving of Services	1,03	23,44	9,46	497,14	-	54	531,61
Amount received on Equity							
Share Warrants Issued	400,92	-	-	-	-	-	400,92
Equity Investment	-	-	123,76	34,71	-	-	158,47
Dividend paid	44,58	-	-	-	-	-	44,58
Dividend received on equity investment	-	-	-	10	-	-	10
Accounts Receivable	3,72	70,25	-	-	-	-	73,97
Accounts Payable	-	-	6,38	38,02	-	-	44,40
Management Contracts	-	-	-	-	7,30	-	7,30
Loans Purchased	4,245,21	-	-	-	-	-	4,245,21
Assignment of Loans	1,961,55	-	-	-	-	-	1,961,55

Schedules to the Accounts

For the year ended March 31, 2010

26 Leases

The details of maturity profile of future operating lease payments are given below :

(Rs. lacs)

Period	March 31, 2010	March 31, 2009
Not later than one year	374,32	318,50
Later than one year and not later than five years	1,299,31	1,086,06
Later than five years	645,60	544,10
Total	2,319,23	1,948,66
The total of minimum lease payments recognized in the Profit and Loss Account for the year	406,66	378,59

Operating leases primarily comprise office premises and staff residences, which are renewable at the option of the Bank.

27 Penalties Levied by the Reserve Bank of India

No penalties were levied by the Reserve Bank of India during the financial years ended March 31, 2010 and March 31, 2009.

28 Dividend in respect of shares to be allotted on exercise of stock options

Any allotment of shares after the balance sheet date but before the book closure date pursuant to the exercise of options during the said period will be eligible for full dividend, if approved at the ensuing Annual General Meeting.

29 Disclosure for customer complaints / unimplemented awards of Banking Ombudsman

Customer complaints

Particulars	March 31, 2010	March 31, 2009
(a) No. of complaints pending at the beginning of the year	2,480	1,630 *
(b) No. of complaints received during the year	2,83,253	2,96,469
(c) No. of complaints redressed during the year	2,83,833	2,95,619
(d) No. of complaints pending at the end of the year	1,900	2,480

* includes 83 complaints related to eCBOP added on Amalgamation.

Unimplemented awards of Banking Ombudsmen

Particulars	March 31, 2010	March 31, 2009
(a) No. of unimplemented awards at the beginning of the year	4	6 *
(b) No. of Awards passed by the Banking Ombudsmen during the year	9	6
(c) No. of Awards implemented during the year	13	8
(d) No. of unimplemented Awards at the end of the year	0	4

* includes 2 awards related to eCBOP added on Amalgamation.

30 Disclosure of Letter of Comforts (LoCs) issued by the Bank

The Bank has not issued any Letter of Comfort during the year ended March 31, 2010 and March 31, 2009.

31 Changes in Accounting Estimates

Useful Life of Assets

During the year ended March 31, 2009, the Bank changed the useful life of software, automated teller machines (ATM's) and certain other fixed assets prospectively from April 1, 2008. Where there is a revision of the estimated useful life of an asset, the unamortised depreciable amount will be charged over the revised remaining useful life. This change in estimate has resulted in the profit after tax for the year ended March 31, 2009 being higher by Rs. 31,71 lacs.

32 Small and Micro Industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments.

Schedules to the Accounts

For the year ended March 31, 2010

33	Overseas Assets, NPAs and Revenue	(Rs. lacs)
	Particulars	March 31, 2010
	Total Assets	2,089,95
	Total NPAs	Nil
	Total Revenue	50,95
34	There are no Off-Balance Sheet SPVs sponsored by the Bank, which need to be consolidated as per accounting norms.	
35	Comparative figures	
	Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the current year's presentation.	

For and on behalf of the Board

Jagdish Capoor

Chairman

Aditya Puri

Managing Director

Sanjay Dongre

Executive Vice President (Legal) &

Company Secretary

Mumbai, 24 April, 2010

Harish Engineer

Executive Director

Paresh Sukthankar

Executive Director

Keki M. Mistry

Ashim Samanta

Renu Karnad

Arvind Pande

C M Vasudev

Gautam Divan

Dr. Pandit Palande

Directors

Statement pursuant to Section 212 of the Companies Act, 1956, relating to subsidiary Companies

(In terms of the approval u/s 212(8) of the Companies Act, 1956 granted by the Ministry of Corporate Affairs vide its letter under reference number 47/29/2010-CL-III dated February 11, 2010)

(As on/for the year ended March 31, 2010)

Rs. lacs

Name of the subsidiary	HDFC Securities Ltd.	HDB Financial Services Ltd.
Capital	1,500	10,501
Reserves and Surplus	15,755	(296)
Total Assets	33,715	57,160
Total Liabilities (excluding capital and reserves)	16,460	46,955
Investments	-	350
Turnover (total income)	23,531	9,763
Profit Before Taxation	12,143	1,232
Provision for Taxation	4,325	240
Profit After Taxation	7,818	992
Proposed Dividend including tax thereon	87	-

Basel II - Pillar 3 Disclosures

1. Scope of Application :

- a) The name of the top bank in the group to which the framework applies :

The New Capital Adequacy Framework (Basel II) is applicable to HDFC Bank Limited (hereinafter referred to as the Bank) and its two subsidiaries (HDFC Securities Ltd. and HDB Financial Services Ltd.) which together constitute the group in line with Reserve Bank of India guidelines on preparation of consolidated prudential reports issued vide circular DBOD.No.BPBC.72/21.04.018/2001-02 dated February 25, 2003.

- b) An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group :

For financial reporting, the Bank consolidates its subsidiaries in accordance with AS-21, Consolidated Financial Statements on a line-by-line basis by adding together the like items of assets, liabilities, income and expenditure. Investments in associates are accounted for by the equity method in accordance with AS-23, Accounting for investments in associates in Consolidated Financial Statements.

For the purpose of consolidated prudential regulatory reports, the consolidated Bank includes all group entities under its control, except group companies which are engaged in insurance business and businesses not pertaining to financial services.

Details of subsidiaries and associates of the Bank along with the consolidation status for accounting and regulatory purposes are given below :

Name of entity	Brief description and consolidation status
HDFC Securities Limited (HSL)	HSL is a subsidiary engaged in stock broking and is consolidated in accordance with AS-21, Consolidated Financial Statements.
HDB Financial Services Limited (HDBFS)	HDBFS is a subsidiary engaged in retail asset financing and is consolidated in accordance with AS-21, Consolidated Financial Statements.
Atlas Documentary Facilitators Company Private Limited (ADFC)	ADFC is an associate engaged in back-office processing and is accounted for by equity method in the Consolidated Financial Statements of the Group. It is not consolidated for capital adequacy purpose.
SolutionNET India Private Limited (SolutionNET)*	SolutionNET is an associate engaged in providing information technology consulting and services and is accounted for by equity method in the Consolidated Financial Statements of the Group. It is not consolidated for capital adequacy purpose.
HBL Global Private Limited (HBL)	HBL is an associate engaged in providing the Bank with direct sales support for certain products of the Bank. It is not consolidated for capital adequacy purpose.
Softcell Technologies Limited (Softcell)	Softcell is an associate engaged in providing business-to-business software services and is accounted for by equity method in the Consolidated Financial Statements of the Group. It is not consolidated for capital adequacy purpose.
Centillion Solutions & Services (P) Ltd (Centillion)	Centillion is an associate engaged in back-office processing services and is accounted for by equity method in the Consolidated Financial Statements of the Group. It is not consolidated for capital adequacy purpose.
International Asset Reconstruction Company Private Limited (IARCL)	IARCL is an associate engaged in securitisation and asset reconstruction and is accounted for by equity method in the Consolidated Financial Statements of the Group. It is not consolidated for capital adequacy purpose.

*SolutionNET ceased to be an associate of the Bank from May 5, 2009.

For the purpose of standalone regulatory capital computation, the Bank's investment in its subsidiaries is deducted from Tier I capital and Tier II capital in equal proportion, whilst the investment in associate entities is risk-weighted.

- c) There is no capital deficiency in the subsidiaries of the Bank as of March 31, 2010.
- d) As of March 31, 2010, the Bank does not have investment in any insurance entity.

Basel II - Pillar 3 Disclosures

2. Capital Structure

- a) Summary information on the main features of all capital instruments eligible for inclusion under Tier I and Tier II capital :

Capital funds are classified into Tier I and Tier II capital under the capital adequacy framework. Tier I capital includes paid-up equity capital, statutory reserves, other disclosed free reserves, capital reserves and innovative perpetual debt instruments (Tier I bonds) eligible for inclusion in Tier I capital that comply with the requirements specified by Reserve Bank of India (RBI).

Elements of Tier II capital include revaluation reserve, if any, general provision for standard assets, upper Tier II instruments and subordinated debt instruments (lower Tier II bonds) eligible for inclusion in Tier II capital.

The Bank has issued debt instruments that form part of Tier I and Tier II capital. The terms and conditions that are applicable for these instruments comply with the stipulated regulatory requirements. The Bank has not issued any Tier I and Tier II bonds in the financial year 2009–2010.

Tier I bonds are perpetual in nature with a call option after 10 years from the date of allotment. Interest on Tier I bonds is payable semi-annually and is not cumulative. There is a step up clause on interest payment of 100 basis points in conjunction with call option.

The upper Tier II bonds have an original maturity of minimum 15 years with call option after 10 years from the date of allotment. These Tier II bonds have a step-up clause on interest payment ranging from 50 bps to 100 bps in conjunction with call option. The interest on upper Tier II bonds is payable either annually or semi-annually.

The lower Tier II bonds have an original maturity upto 14 years. The interest on lower Tier II capital instruments is payable either annually or semi-annually.

- b) The details of Tier I capital of the Bank are given below : (Rs. lacs)

Particulars	March 31, 2010	March 31, 2009
Paid-up share capital	457,74	425,38
Reserves	21,111,10	14,213,76
Innovative Perpetual Debt	200,00	200,00
Gross Tier I	21,768,84	14,839,14
Deductions :		
Deferred Tax Asset	(844,16)	(861,92)
Securitisation exposures*	(240,75)	(203,70)
Total Deductions	(1,084,91)	(1,065,62)
Total Tier I capital (net of deductions)	20,683,93	13,773,52

* Principally comprises credit enhancements

- c) The details of Tier II capital of the Bank are given below : (Rs. lacs)

Particulars	March 31, 2010	March 31, 2009
Upper Tier II capital	2,759,90	2,818,10
Lower Tier II capital	3,248,24	3,264,48
Provision for Standard assets	760,29	760,29
Investment Reserve Account	26,14	27,63
Securitisation exposures*	(240,75)	(203,70)
Total Tier II capital (net of deductions)	6,553,82	6,666,80

* Principally comprises credit enhancements

Basel II - Pillar 3 Disclosures

d) Debt capital instruments eligible for inclusion in Upper Tier II capital are given below : (Rs. lacs)

Particulars	March 31, 2010	March 31, 2009
Total amount outstanding	2,759,90	2,818,10
Of which amounts raised during the year	-	1,575,00
Amount eligible to be reckoned as capital funds	2,759,90	2,818,10

e) Subordinated debt eligible for inclusion in Lower Tier II capital is given below : (Rs. lacs)

Particulars	March 31, 2010	March 31, 2009
Total amount outstanding	3,393,20	3,459,70
Of which amounts raised during the year	-	1,300,00
Amount eligible to be reckoned as capital funds	3,248,24	3,264,48

f) Other deductions from capital : Nil as on March 31, 2010 (Nil as on March 31, 2009).

g) The total eligible capital of the Bank outstanding as of March 31, 2010 amounts to Rs. 27,237,75 lacs (previous year : Rs. 20,440,32 lacs).

3. Capital Adequacy

a) Summary discussion of the Bank's approach to assess the adequacy of capital to support current and future trends :

The Bank has a process for assessing its overall capital adequacy in relation to the Bank's risk profile and a strategy for maintaining its capital levels. The process provides an assurance that the Bank has adequate capital to support all risk in its business and an appropriate capital buffer based on its business profile. The Bank identifies, assesses and manages comprehensively all risks that it is exposed to through sound governance and control practices, robust risk management framework and an elaborate process for capital calculation and planning.

The Bank has formalised a comprehensive Internal Capital Adequacy Assessment Process (ICAAP) document. The Bank's ICAAP document covers the capital management policy of the Bank, sets the process for assessment of the adequacy of capital to support current and future trends / risks and a report on the capital projections for a period of 2 to 3 years.

The Bank has a structured management framework in the internal capital adequacy assessment process for the identification and evaluation of the significance of all risks that the Bank faces, which may have an adverse material impact on its financial position. The Bank considers the following risks as material risks it is exposed to in the normal course of its business and therefore, factors these while assessing / planning capital :

- Credit Risk, including residual risks
- Market Risk
- Operational Risk
- Interest Rate Risk in the Banking Book
- Liquidity Risk
- Credit Concentration Risk
- Business Risk
- Strategic Risk
- Compliance Risk
- Reputation Risk

b) Capital requirements for credit risk : (Rs. lacs)

Particulars	March 31, 2010	March 31, 2009
Portfolios subject to Standardised approach	11,546,56	10,169,11
Securitisation Exposures	734,01	570,60
Total	12,280,57	10,739,71

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c) Capital requirements for market risk :

Standardised duration approach :

(Rs. lacs)

Particulars	March 31, 2010	March 31, 2009
Interest rate risk	486,63	521,23
Foreign Exchange risk (including gold)	27,00	27,00
Equity risk	27,12	14,50
Market Risk Charge on account of valuation adjustment for illiquid positions of derivative and non derivative portfolio	48,52	N.A.
Total	589,27	562,73

d) Capital requirements for operational risk :

(Rs. lacs)

Particulars	March 31, 2010	March 31, 2009
Basic indicator approach	1,175,01	806,11

e) Total and Tier I capital ratio :

Particulars	Standalone		Consolidated	
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
Tier I capital ratio	13.26%	10.58%	13.28%	10.62%
Total capital ratio	17.44%	15.69%	17.48%	15.75%

4. Credit Risk

a) Credit Risk Management

Credit risk is defined as the possibility of losses associated with diminution in the credit quality of borrowers or counterparties. In a bank's portfolio, losses stem from outright default due to inability or unwillingness of a customer or counterparty to meet commitments in relation to lending, trading, settlement and other financial transactions.

Architecture

The Bank has a comprehensive credit risk management architecture. The Board of Directors of the Bank endorses the credit risk strategy and approves the credit risk policies of the Bank. This is done taking into consideration the Bank's risk appetite, derived from perceived risks in the business, balanced by the targeted profitability level for the risks taken up. The Board oversees the credit risk management functions of the Bank. The Risk Monitoring Committee (RMC), which is a committee of the Board, guides the development of policies, procedures and systems for managing credit risk, towards implementing the credit risk strategy of the Bank. The RMC ensures that these are adequate and appropriate to changing business conditions, the structure and needs of the Bank and the risk appetite of the Bank.

The Bank's Credit & Market Risk group drives credit risk management centrally in the Bank. It is primarily responsible for implementing the risk strategy approved by the Board, developing procedures and systems for managing risk, carrying out an independent assessment of credit and market risk, approving individual credit exposures and ensuring portfolio composition and quality. Within the Credit & Market Risk group and independent of the credit approval process, there is a framework for review and approval of credit ratings. With regard to the Wholesale Banking business the Bank's risk management functions are centralised. In respect of the Bank's Retail Assets business, while the various functions relating to policy, portfolio management and analytics are centralised, the underwriting function is distributed across various geographies within the country. The risk management function in the Bank is clearly demarcated and independent from the operations and business units of the Bank. The risk management function is not assigned any business targets.

Credit Process

The Bank expects to achieve its earnings objectives and to satisfy its customer's needs while maintaining a sound portfolio. Credit exposures are managed through target market identification, appropriate credit approval processes, post-disbursement monitoring and remedial management procedures.

There are two different credit management models within which the credit process operates - the Retail Credit Model and the Wholesale Credit Model. The Retail Credit Model is geared towards high volume, small transaction size businesses and is based largely on actuarial / statistical techniques and the management of aggregate product portfolios. The Wholesale Credit Model on the other hand, is relevant to lower volume, larger transaction size, customised products and relies on a judgemental process for the origination, approval and maintenance of credit exposures.

The credit models have two alternatives to managing the credit process – Product Programs and Credit Transactions. In Product Programs, the Bank approves maximum levels of credit exposure to a set of customers with similar characteristics, profiles and / or product needs, under clearly defined standard terms and conditions. This is a cost-effective approach to managing credit where credit risks and expected returns lend themselves to a standardized approach or predictable portfolio behavior in terms of yield, delinquency and write-off. Given the high volume environment, automated tracking and reporting mechanisms are important here to identify trends in portfolio behavior early and to initiate timely adjustments. In the case of credit transactions, the risk process focuses on individual customers or borrower relationships. The approval process in such cases is based on detailed analysis and the individual judgement of credit officials, often involving complex products or risks, multiple facilities / structures and types of securities.

The Bank's Credit Policies & Procedure Manual and Credit Programs, where applicable, form the core to controlling credit risk in various activities and products. These articulate the credit risk strategy of the Bank and thereby the approach for credit origination, approval and maintenance. These policies define the Bank's overall credit granting criteria, including the general terms and conditions. The Policies / Programs generally address such areas as target markets / customer segmentation, qualitative-quantitative assessment parameters, portfolio mix, prudential exposure ceilings, concentration limits, price and non-price terms, structure of limits, approval authorities, exception reporting system, prudential accounting and provisioning norms, etc. They take cognisance of prudent and prevalent banking practices, relevant regulatory requirements, nature and complexity of the Bank's activities, market dynamics etc.

Credit concentration risk arises mainly on account of concentration of exposures under various categories including industry, products, geography, underlying collateral nature and single / group borrower exposures. To ensure adequate diversification of risk, concentration ceilings have been set up by the Bank on different risk dimensions, in terms of :

- Borrower / business group
- Industry
- Risk grading

The Risk Monitoring Committee sets concentration ceilings and line management monitors and reports outstandings for each dimension and ensures that the portfolio profile meets the approved concentration limits. These concentration ceilings and outstandings are periodically reported to the Board. The regulatory prudential norms with respect to ceilings on credit exposure to individual borrowers or group of borrowers will also ensure that the Bank avoids concentration of exposure.

As an integral part of the credit process, the Bank has a fairly sophisticated credit rating model appropriate to each market segment in Wholesale Credit. The models follow principles similar to those of international rating agencies. In Retail Credit, score cards have been introduced in the smaller ticket, higher volume products like credit cards, two wheeler loans and auto loans. For the other retail products which are typically less granular or have higher ticket sizes, loans are underwritten based on the credit policies, which are in turn governed by the respective Board approved product programs. All retail portfolios are monitored regularly at a highly segmented level.

Top management monitors overall portfolio quality and high-risk exposures periodically, including the weighted risk grade of the portfolio and industry diversification. Additional to, and independent of, the internal grading system and the RBI norms on asset classification, the Bank has a labeling system, where individual credits are labeled based on the degree of risk perceived in them by the Bank. Remedial strategies are developed once a loan is identified as an adversely labeled credit.

Definition of Non-Performing Assets

The Bank follows the current guidelines of Reserve Bank of India (RBI) on income recognition, asset classification and provisioning. A Non-Performing Asset (NPA) is a loan or an advance where :

- i. Interest and / or installment of principal remain overdue for a period of more than 90 days in respect of a term loan. Any amount due to the Bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the Bank.
- ii. The account remains 'out of order', in respect of an Overdraft / Cash Credit (OD / CC). An account should be treated as 'out of order' if the outstanding balance remains continuously in excess of the sanctioned limit / drawing power or where there are no credits continuously for 90 days as on the date of balance sheet or credits are not enough to cover the interest debited during the same period.
- iii. The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted.
- iv. A loan granted for short duration crops will be treated as NPA, if the instalment of principal or interest thereon remains overdue for two crop seasons. A loan granted for long duration crops will be treated as NPA, if the instalment of principal or interest thereon remains overdue for one crop season.
- v. Any amount to be received remains overdue for a period of more than 90 days in respect of other accounts.
- vi. The amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of RBI's guidelines on securitisation dated February 1, 2006.
- vii. In respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

The Bank will classify an account as NPA only if the interest due and charged during any quarter is not serviced fully within 90 days from the end of the quarter.

Non-performing assets are classified into the following three categories :

- i. *Substandard Assets* - A substandard asset is one, which has remained NPA for a period less than or equal to 12 months. In such cases, the current net worth of the borrower / guarantor or the current market value of the security charged is not enough to ensure recovery of the dues to the banks in full. In other words, such an asset will have well defined credit weaknesses that jeopardise the liquidation of the debt and are characterised by the distinct possibility that the banks will sustain some loss, if deficiencies are not corrected.
- ii. *Doubtful Assets* - A doubtful asset is one, which remained NPA for a period exceeding 12 months. A loan classified as doubtful has all the weaknesses inherent in assets that were classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions and values - highly questionable and improbable.
- iii. *Loss Assets* - A loss asset is one where loss has been identified by the bank or internal or external auditors or the RBI inspection but the amount has not been written off wholly. In other words, such an asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value.

Interest on non-performing assets is not recognised in the profit / loss account until received. Specific provision for non performing assets is made based on management's assessment of their degree of impairment subject to the minimum provisioning level prescribed by RBI.

Definition of 'Overdue'

Any amount due to the Bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the Bank.

b) Total gross credit risk exposures :

(Rs. lacs)

Category	March 31, 2010	March 31, 2009
Fund based*	134,357,30	105,489,42
Non-fund based**	22,297,14	17,063,74
Total	156,654,44	122,553,16

* Fund based exposures comprise loans & advances and investments.

** Non-fund based exposures comprise guarantees, acceptances, endorsements and letters of credit.

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c) Geographic distribution of exposures :

(Rs. lacs)

Category	March 31, 2010		March 31, 2009	
	Fund based	Non-fund based	Fund based	Non-fund based
Domestic	132,332,27	22,263,23	104,656,04	17,063,74
Overseas	2,025,03	33,91	833,38	-
Total	134,357,30	22,297,14	105,489,42	17,063,74

d) Industry-wise distribution of exposures :

(Rs. lacs)

Industry	March 31, 2010	
	Fund Based	Non-fund Based
Agriculture and allied activities	3,149,36	72,06
Airlines	187,60	234,06
Automobile and Auto Ancillary	7,383,28	751,88
Banks and Financial Institutions	9,413,64	246,55
Capital Market Intermediaries	1,082,14	1,781,31
Cement and Cement Products	840,13	390,22
Chemical and Chemical Products	1,045,50	269,02
Coal and Petroleum Products	2,111,42	3,601,73
Construction and Developers	898,00	240,98
Drugs and Pharmaceuticals	1,584,41	202,55
Engineering	2,110,69	2,319,28
Fertilisers and Pesticides	5,483,01	339,44
FMCG and Personal Care	476,16	57,75
Food and Beverage	2,356,79	552,78
Gems and Jewellery	1,136,90	19,18
Housing Finance Companies	3,599,83	-
Information Technology	977,87	250,43
Iron and Steel	2,033,72	1,650,64
Mining and Minerals	425,45	368,58
NBFC / Financial Intermediaries	5,473,61	35,02
Non-ferrous Metals and Products	1,331,31	2,715,60
Paper, Printing and Stationery	721,08	407,83

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(Rs. lacs)

Industry	March 31, 2010	
	Fund Based	Non-fund Based
Power	1,859,35	511,50
Real Estate and Property Services*	2,705,13	249,31
Retail Assets**	55,913,40	81,69
Road Transport***	5,901,72	96,17
Services	2,450,04	593,83
Telecom	768,29	1,055,92
Textile	1,383,68	283,46
Wholesale / Retail Trade	7,106,41	1,852,58
Other Industries****	2,447,38	1,065,79
Total	134,357,30	22,297,14

* Classification of exposure to real estate sector under "Exposures in Sensitive Sector" as disclosed in the Notes to the Financial Statements in the Balance Sheet of the Bank, is as per the RBI guidelines, which includes not only exposures to borrowers in the real estate industry but also exposure to borrowers in other industries, where the exposures are primarily secured by real estate and investment in home finance institutions and securitization.

** Consists of auto loans, consumer loans, credit cards, home loans, personal loans, two wheeler loans, business loans except where otherwise classified.

*** Includes retail commercial vehicle financing.

**** Covers about 11 industries such as consumer durables, glass and glass products, leather and leather products, media and entertainment, other non metallic mineral products, plastic and plastic products, railways, rubber and rubber products, shipping, tobacco and tobacco products, wood and wood products each of which is less than 0.25% of the total exposure.

e) Residual contractual maturity breakdown of assets :

As on March 31, 2010

(Rs. lacs)

Maturity Buckets	Cash and Balances with RBI	Balances with Banks and Money at Call and Short Notice	Investments	Advances	Fixed Assets	Other Assets	Grand Total
1 to 14 days	5,776,48	14,152,70	9,800,94	6,237,53	-	2,712,06	38,679,71
15 to 28 days	138,86	81,68	1,096,01	2,390,98	-	1,974,45	5,681,98
29 days to 3 months	589,81	238,89	3,087,27	13,199,47	-	-	17,115,44
3 to 6 months	549,66	34,04	2,274,05	13,749,99	-	-	16,607,74
6 months to 1 year	688,24	67,82	2,883,05	14,684,28	-	-	18,323,39
1 to 3 years	5,356,24	10,00	23,534,38	55,333,97	-	1,362,71	85,597,30
3 to 5 years	1,215,87	-	5,907,31	9,436,38	-	-	16,559,56
Above 5 years	1,168,15	9,75	9,925,27	11,130,13	2,149,07	-	24,382,37
Total	15,483,31	14,594,88	58,508,28	126,162,73	2,149,07	6,049,22	222,947,49

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As on March 31, 2009

(Rs. lacs)

Maturity Buckets	Cash and Balances with RBI	Balances with Banks and Money at Call and Short Notice	Investments	Advances	Fixed Assets	Other Assets	Grand Total
1 to 14 days	5,789,36	3,495,20	17,063,46	6,342,89	-	3,210,56	35,901,47
15 to 28 days	133,45	69,06	1,125,44	2,447,68	-	399,85	4,175,48
29 days to 3 months	433,48	334,00	2,540,01	11,205,24	-	3,24	14,515,97
3 to 6 months	453,97	42,59	2,355,52	10,582,53	-	1,03	13,435,64
6 months to 1 year	676,64	52,78	4,147,37	13,991,78	-	2,53	18,871,10
1 to 3 years	4,696,66	7,50	21,618,57	40,625,20	-	2,766,39	69,714,32
3 to 5 years	869,63	-	4,519,68	6,106,80	-	5,32	11,501,43
Above 5 years	474,03	8,81	5,345,10	7,725,24	1,732,28	1,89	15,287,36
Total	13,527,22	4,009,94	58,715,15	99,027,36	1,732,28	6,390,81	183,402,77

f) Amount of Gross NPAs :

(Rs. lacs)

NPA Classification	March 31, 2010	March 31, 2009
Sub Standard	1,064,09	1,647,47
Doubtful *		
- Doubtful 1	307,91	161,01
- Doubtful 2	20,36	20,61
- Doubtful 3	31,07	4,18
Loss	398,46	154,81
Total	1,821,89	1,988,08

* Doubtful 1, 2 and 3 categories correspond to the period for which asset has been doubtful - Up to one year (Doubtful 1), One to three years (Doubtful 2) and More than three years (Doubtful 3).

g) Amount of Net NPAs :

(Rs. lacs)

Particulars	March 31, 2010	March 31, 2009
Gross NPAs	1,821,89	1,988,08
Less : Provisions	1,427,26	1,360,46
Net NPAs	394,63	627,62

h) NPA Ratios :

Particulars	March 31, 2010	March 31, 2009
Gross NPAs as a ratio to gross advances	1.43%	1.98%
Net NPAs as a ratio to net advances	0.31%	0.63%

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i) Movement of NPAs (Gross) :

(Rs. lacs)

Particulars	March 31, 2010	March 31, 2009
Opening balance*	1,951,53	906,97
Additions during the year / on Amalgamation	2,617,54	3,413,31
Reductions	(2,747,18)	(2,332,20)
Closing balance	1,821,89	1,988,08

j) Movement of provisions for NPAs :

(Rs. lacs)

Particulars	March 31, 2010	March 31, 2009
Opening balance*	1,323,90	608,45
Provisions made during the year / on Amalgamation	2,655,32	3,012,88
Write-off	(2,250,20)	(2,187,37)
Write-back of excess provisions	(301,76)	(73,50)
Closing balance	1,427,26	1,360,46

* In accordance with RBI guidelines under reference DBOD.No.BP.BC.46/21.04.048/2009-10 dated September 24, 2009, gross NPAs and provisions for NPAs as of April 1, 2009 and as of March 31, 2010 exclude interest held in suspense in respect of NPA accounts. Previous year's figures are not recomputed.

k) Amount of Non performing investments :

(Rs. lacs)

Particulars	March 31, 2010	March 31, 2009
Gross non-performing investments	2,23	2,23
Provisions held for non-performing investments	(2,23)	(2,23)
Net non-performing investments	-	-

l) Movement of provisions for depreciation on investments :

(Rs. lacs)

Particulars	March 31, 2010	March 31, 2009
Opening balance	55,41	7,45
Provisions made during the year	9,73	51,41
Write-off	-	-
Write-back of excess provisions	(6,73)	(3,45)
Closing balance	58,41	55,41

5. Credit Risk : Portfolios subject to the Standardised Approach

a) The Bank has used the Standardised Approach for the entire credit portfolio.

Name of credit rating agencies used :

- The Bank is using the ratings assigned by the following domestic external credit rating agencies, approved by RBI, for risk weighting claims on domestic entities -

- Credit Analysis and Research Limited (CARE)
- Credit Rating Information Services of India Limited (CRISIL)
- Fitch India
- ICRA Limited (ICRA)

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- The Bank is using the ratings assigned by the following international credit rating agencies, approved by RBI, for risk weighting claims on overseas entities -
 1. Fitch
 2. Moodys
 3. Standard & Poor's

Types of exposures for which each agency is used:

- The Bank has used the solicited ratings assigned by all the above approved credit rating agencies for all eligible exposures, both on balance sheet and off balance sheet, whether short term or long term, in the manner permitted in RBI guidelines. The Bank has not made any discrimination among ratings assigned by these agencies nor restricted their usage to any particular type(s) of exposure(s).

Process used to transfer public issue ratings onto comparable assets in the banking book:

- For assets in the Bank's portfolio that have contractual maturity less than or equal to one year, short term ratings accorded by the chosen credit rating agencies are considered relevant. For other assets, which have a contractual maturity of more than one year, long term ratings accorded by the chosen credit rating agencies are considered relevant.
- The Bank has used long term ratings of counterparty as a proxy for an unrated short term exposure on the same counterparty subject to compliance with the requirements for use of multiple rating assessments and applicability of issue rating to issuer / other claims. The long term ratings issued by the chosen domestic credit rating agencies have been mapped to the appropriate risk weights applicable as per the Standardised approach under the Revised Framework. The rating risk weight mapping furnished below was adopted for domestic corporate exposures, as per RBI guidelines :

Rating	AAA	AA	A	BBB	BB & Below	Unrated
Risk Weight	20%	30%	50%	100%	150%	100%

- If an issuer has a long-term exposure with an external long term rating that warrants a risk weight of 150%, all unrated claims on the same counterparty, whether short-term or long-term, receives a 150% risk weight, unless recognised credit risk mitigation techniques have been used for such claims.
- For risk-weighting purposes, short-term ratings are deemed to be issue specific. They are only used to derive risk weights for claims arising from the rated facility. They are not generalised to other short-term claims. Further, a short-term rating is not used to support a risk weight for an unrated long-term claim. Short-term assessments are only used for short-term claims against banks and corporates.
- As permitted by the RBI guidelines, notwithstanding the above restriction on using an issue specific short term rating for other short term exposures, unrated short term claim on counterparty attract a risk weight of at least one level higher than the risk weight applicable to the rated short term claim on that counter-party. If a short-term rated facility to counterparty attracts a 20% or a 50% risk-weight, unrated short-term claims to the same counter-party cannot attract a risk weight lower than 30% or 100% respectively. Similarly, if an issuer has a short-term exposure with an external short term rating that warrants a risk weight of 150%, all unrated claims on the same counter-party, whether long-term or short-term, receives a 150% risk weight, unless the recognised credit risk mitigation techniques for such claims have been used.
- In respect of the issue specific short term ratings the following risk weight mapping has been adopted by the Bank, as provided in the RBI guidelines :

Short Term Rating (eqv.)	P1+	P1	P2	P3	P4 / P5	Unrated
Risk Weight	20%	30%	50%	100%	150%	100%

- The Bank has been guided by the following rules in respect of exposures / obligors having multiple ratings from the chosen credit rating agencies for the purpose of risk weight calculation :
 - If there is only one rating by a chosen credit rating agency for a particular claim, that rating is used to determine the risk weight of the claim.
 - If there are two ratings accorded by chosen credit rating agencies, which map into different risk weights, the higher risk weight is applied.
 - If there are three or more ratings accorded by chosen credit rating agencies with different risk weights, the ratings corresponding to the two lowest risk weights should be referred to and the higher of those two risk weights is applied, i.e., the second lowest risk weight.

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- Where the Bank invests in a particular issue that has an issue specific rating by a chosen credit rating agency the risk weight of the claim is based on this assessment. Where the Bank's claim is not an investment in a specific assessed issue, the following general principles are applied :
 - (i) In circumstances where the borrower has a specific assessment for an issued debt - but the Bank's claim is not an investment in this particular debt - the rating applicable to the specific debt (where the rating maps into a risk weight lower than that which applies to an unrated claim) is applied to the Bank's unassessed claim only if this claim ranks pari passu or senior to the specific rated debt in all respects and the maturity of the unassessed claim is not later than the maturity of the rated claim, except where the rated claim is a short term obligation.
 - (ii) If either the issuer or single issue has been assigned a rating which maps into a risk weight equal to or higher than that which applies to unrated claims, a claim on the same counterparty, which is unrated by any chosen credit rating agency, is assigned the same risk weight as is applicable to the rated exposure, if this claim ranks pari passu or junior to the rated exposure in all respects.
 - (iii) Where the Bank extends an issuer or an issue specific rating assigned by a chosen credit rating agency to any other exposure which the Bank has on the same counterparty and which meets the above criterion, it is extended to the entire amount of credit risk exposure the bank has with regard to that exposure i.e., both principal and interest.
- b) For exposure amounts after risk mitigation subject to the standardised approach (including exposures under bills re-discounting transactions, if any), the Bank's outstanding (rated and unrated) in the following three major risk buckets as well as those that are deducted :

(Rs. lacs)

Particulars	March 31, 2010*	March 31, 2009
Below 100% risk weight	64,069,03	45,470,60
100% risk weight	56,858,55	44,083,39
More than 100% risk weight	39,726,86	32,999,17
Deducted	-	-
Total	160,654,44	122,553,16

*Including exposure under bills re-discounting transactions of Rs. 4,000,00 lacs

6. Credit Risk Mitigation : Disclosures for Standardised Approaches

a) Policies and process :

The Bank's Credit Policies & Procedures Manual and Product Programs include the risk mitigation and collateral management policy of the Bank. The policy covers aspects on the nature of risk mitigants / collaterals acceptable to the Bank, the documentation and custodial arrangement of the collateral, the manner and periodicity of valuation etc.

For purposes of computation of capital requirement for Credit Risk, the Bank recognizes only those collaterals that are considered as eligible for risk mitigation in RBI guidelines, which are :

- Cash deposit with the Bank
- Gold, including bullion and jewellery
- Securities issued by Central and State Governments
- Kisan Vikas Patra and National Savings Certificates (Kisan Vikas Patra is a safe and long term investment option backed by the Government of India and provides interest income similar to bonds; National Savings Certificates are certificates issued by the Department of Post, Government of India – it is a long term safe savings option for the investor and combines growth in money with reductions in tax liability as per the provisions of the Indian Income Tax Act, 1961)
- Life insurance policies with a declared surrender value of an insurance company which is regulated by the insurance sector regulator
- Debt securities rated at least BBB (-)/PR3/P3/F3/A3
- Units of Mutual Funds, where the investment is in instruments mentioned above

The Bank uses the comprehensive approach in capital assessment. In the comprehensive approach, when taking collateral, the Bank calculates the adjusted exposure to a counterparty for capital adequacy purposes by netting off the effects of that collateral. The Bank adjusts the value of any collateral by a haircut to take account of possible future fluctuations in the value of the security occasioned by market movements.

For purposes of capital calculation and risk based pricing, the Bank recognises the credit protection given by the following entities, considered eligible as per RBI guidelines :

- Sovereign, entities including Bank for International Settlements (BIS), International Monetary Fund (IMF), European Central Bank and European Community as well as Multilateral Development Banks approved by RBI for the purpose, Export Credit Guarantee Corporation of India (ECGC) and Credit Guarantee Fund Trust for Small Industries (CGTSI), banks and primary dealers with a lower risk weight than the counter-party.
- Other entities externally rated AA(-) or better or equivalent. This would include guarantee cover provided by parent, subsidiary and affiliate companies when they have a lower risk weight than the obligor.

The credit risk mitigation taken is largely in the form of cash deposit with the Bank and thus the risk (credit and market) concentration of the mitigants is low.

- b) Total exposure covered by eligible financial collateral after the application of haircuts as on March 31, 2010 was Rs. 10,040,78 lacs.
- c) The total exposure for each separately disclosed credit risk portfolio, that is covered by guarantees / credit derivatives as on March 31, 2010 was Rs. 166,01 lacs.

7. Securitisation Exposures : Disclosure for Standardised Approach

- a) Objectives, Policies, Monitoring :

The Bank undertakes securitisation transactions with the objective of capital release, meeting liquidity requirements, asset-liability management, diversifying exposures across asset classes, managing the risk-return trade off that the underlying assets carry.

The securitisation transactions of the Bank are in compliance with the guidelines issued by RBI on securitisation of standard assets. The securitisation transactions meet the 'True Sale' criteria mentioned in the said RBI guidelines.

Once securitised-out, the underlying assets are derecognised from the Bank's balance sheet. Risks and rewards associated with the said assets are transferred to the purchasing counter-party. The Bank does not assume any credit risk on the securitised-out exposures except to the extent of any credit enhancement and / or liquidity facilities provided in respect of such transactions. The Bank holds necessary capital towards such credit risk assumed.

The Bank also enters into sale / purchase transactions through the direct assignment route, which are similar to securitisation transactions undertaken through the SPV route, without the issuance of any securities and / or formation of any SPV.

Risks inherent in a securitisation transaction are typically in the form of :

- (i) Liquidity Risk : This arises due to timing differences between payment received on pooled assets from the underlying obligors and payments due to investors.
- (ii) Credit Risk : It is the risk of non-payment by the underlying obligors. The investor bears loss in the event of the shortfalls in the transaction exceeding credit enhancement provided.
- (iii) Prepayment Risk : Prepayments in the securitised pool results in early amortisation and loss of future interest to the investor on the prepaid amount. The investor is also exposed to reinvestment risk on account of prepayments in the pool.
- (iv) Servicer Risk : The investor faces servicing disruption risk if the servicer fails to perform its duties and obligations on a sustainable basis as per Collection & Servicing Agreement. In long tenor pools, the investor is exposed to the risk of servicer defaulting or discontinuing its operations in totality.

The Bank participates in securitisation transactions in any or all of the following roles :

- Originator - As the originator of securitisation deals, the Bank sells its loan portfolios through either the SPV route or the direct assignment route.
- Service and collection agent - For pools securitised-out, the Bank also undertakes the activity of collection / servicing of the underlying assets.
- Investor - The Bank invests in Pass Through Certificates (PTCs) and purchases loans through the direct assignment route. In some of the securitisation transactions, the Bank also invests in the assets securitised by it, which, however, is restricted to the maximum limit prescribed by RBI from time to time.
- Liquidity facility provider - In sell-down transactions, the Bank also provides liquidity facility on the transactions. The liquidity facility is a type of credit support used to meet temporary collection shortfalls. The Bank may also undertake to be a third party liquidity facility provider.

- Credit enhancement provider - The Bank provides credit enhancement as stipulated by the rating agencies in case of rated sell down transactions.

Securitisation transactions in the Bank are processed by a separate team. The Bank has a comprehensive policy, approved by the Board, for the securitisation business. The said policy articulates the requirements that need to be adhered to for all securitisation transactions.

The activities at the time of sell down, inter alia include pool selection, pool rating, due diligence audits, legal evaluation etc.

Similarly, when the Bank invests in securitisation instruments, it examines the profile and track record of the originator, the type and nature of underlying assets, pool characteristics and rating, listing availability, credit enhancements etc.

Monitoring of the underlying pools and periodical reporting thereof is integral to the risk management function of the team that processes securitisation and loan assignment transactions.

Typical monitoring / reporting tools include :

- Quarterly reporting of sell down transactions to the Audit Committee as per extant RBI guidelines.
- Monthly reporting and monitoring of transactions which show concerning trends.

b) Accounting Policy of the Bank for Securitisation transactions :

The Bank securitises out its receivables to Special Purpose Vehicles (SPVs) in securitisation transactions. Such securitised-out receivables are de-recognised in the balance sheet when they are sold (true sale criteria being fully met with) and consideration is received by the Bank. Sales / transfers that do not meet these criteria for surrender of control are accounted for as secured borrowings.

In respect of receivable pools securitised-out, the Bank provides liquidity and credit enhancements, as specified by the rating agencies, in the form of cash collaterals / guarantees and / or by subordination of cash flows etc., to senior Pass Through Certificates (PTCs).

The RBI issued guidelines on securitisation of standard assets vide its circular dated February 1, 2006 under reference no. DBOD No.BP.BC.60/21.04.048/2005-06. Pursuant to these guidelines, the Bank amortises any profit / premium arising on account of sale of receivables over the life of the securities sold out while any loss arising on account of sale of receivables is recognised in the Profit and Loss Account for the period in which the sale occurs. Any credit enhancement on assets sold are reduced from tier I & tier II capital as prescribed in the guidelines. Prior to the issuance of the said guidelines (i.e. in respect of sell-off transactions undertaken until January 31, 2006), any gain or loss from the sale of receivables was recognised in the period in which the sale occurred.

In accordance with RBI guidelines on sale of non performing advances if the sale is at a price below the net book value (i.e., book value less provisions held), the shortfall is debited to the Profit and Loss Account. If the sale is for a value higher than the net book value, the excess provision is not reversed but is utilised to meet the shortfall / loss on account of sale of other non performing advances.

Investments in Pass Through Certificates (PTCs) and loans bought through the direct assignment route are accounted for at the deal value. Securitisation exposures of the Bank in PTC instruments are classified under the investment portfolio of the Bank. The said instruments are marked to market as per RBI guidelines.

Appropriate provisions are made as per the approved policy of the Bank for investments and purchases in securitisation and loan assignment transactions respectively.

There have been no changes during the fiscal year ended March 31, 2010 in the methods or key assumptions deployed in accounting of securitisation transactions.

c) In the banking book, following were the external credit rating agencies involved with the Bank's securitisation transactions :

1. Credit Analysis and Research Limited (CARE)
2. Credit Rating Information Services of India Limited (CRISIL)
3. Fitch Ratings
4. ICRA Limited (ICRA)

The ratings declared / issued by the above agencies were used to cover the following securitisation exposures :

1. Securitised debt Instruments / PTCs
2. Second loss credit enhancement facilities
3. Liquidity facilities

Basel II - Pillar 3 Disclosures

Banking Book

- d) The total amount of exposures securitised by the Bank :
- Total outstanding amount securitised was Rs. 1,338,71 lacs (previous year : Rs. 2,130,82 lacs).
 - Deals done during the year :
The Bank has not securitised out any component of its standard asset portfolio during the year ended March 31, 2010.
The amount of impaired / past due assets securitised out were Rs. 4,69 lacs (previous year : Rs. 84,07 lacs).
- e) Losses on exposures securitised during the current period : Nil.
- f) Amount of assets intended to be securitised within a year :
The Bank has made no projection of the assets it intends to securitise-out during the fiscal year beginning April 01, 2010.
The securitisations transactions are undertaken on a need basis to meet the objectives articulated in section (a) above.
- g) Of (f), amount of assets originated within a year before securitisation : Not applicable.
- h) The total amount of exposures securitised and unrecognised gain or losses on sale by exposure type :

(Rs. lacs)

Exposure Type	March 31, 2010		March 31, 2009	
	Outstanding amount of exposures securitised	Outstanding unrecognised gain or losses on sale	Outstanding amount of exposures securitised	Outstanding unrecognised gain or losses on sale
Auto loans	232,21	-	557,63	-
Commercial vehicle loans	81,40	9	173,72	38
Two Wheeler loans	-	5	1,18	37
Loans against property	279,53	-	385,10	-
Housing loans	707,36	-	967,20	-
Loans against rent receivables	38,21	-	45,99	-
Total	1,338,71	14	2,130,82	75

- i) Aggregate amount of :
- On-balance sheet securitisation exposures retained or purchased broken down by exposure type

(Rs. lacs)

Particulars	March 31, 2010	March 31, 2009
Auto loans	-	23
Commercial vehicle loans	1,518,91	985,44
Housing loans	8,141,19	4,245,21
Personal loans	25,46	100,45
Two wheeler loans	1,05	3,18
Mixed Assets	752,00	340,83
Commercial Equipment loans	91,97	-
Tractor loans	523,65	499,45
Total	11,054,23	6,174,79

- Off-balance sheet securitisation exposures broken down by exposure type

(Rs. lacs)

Particulars	March 31, 2010	March 31, 2009
Auto loans	3,09	2,61
Housing loans	189,42	164,42
Personal loans	-	9,50
Mixed Assets	268,42	499,68
Total	460,93	676,21

Basel II - Pillar 3 Disclosures

- j) Aggregate amount of securitisation exposures retained or purchased and the associated capital charges, broken down between exposures and further broken down into different risk weight bands for each regulatory capital approach :

(Rs. lacs)

Risk Weight Bands	Exposure Type	March 31, 2010		March 31, 2009	
		Exposure	Capital Charge	Exposure	Capital Charge
Less than 100%	Housing loans	4,884,27	225,91	-	-
	Commercial vehicle loans	1,081,06	72,97	378,77	25,57
	Mixed Assets	663,35	43,43	444,25	10,25
	Business loans	21,18	1,43	-	-
	Tractor loans	274,48	18,53	-	-
	Construction equipment loans	91,98	6,21	-	-
	Auto loans	3,15	6	3,15	6
At 100%	Housing loans	3,256,91	29,312	4,245,21	382,07
	Commercial vehicle loans	436,35	39,27	597,17	53,75
	Tractor loans	249,17	22,43	499,45	44,95
	Personal loans	4,06	37	18,13	1,63
	Mixed Assets	-	-	77	6
More than 100%	Commercial vehicle loans	1,07	12	9,06	1,02
	Personal loans	22	2	73,96	8,32
	Auto loans	-	-	23	3
	Mixed Assets	89,17	10,03	170,26	19,15
	Two wheeler loans	1,05	12	3,18	36
Total		11,057,47	734,02	6,443,59	547,22

- Exposures that have been deducted entirely from Tier 1 capital, credit enhancing Interest Only Strips (I/Os) deducted from total capital and other exposures deducted from total capital (by exposure type) :

As on March 31, 2010

(Rs. lacs)

Exposure Type	Exposure deducted entirely from Tier I capital	Credit enhancing I/Os deducted from total capital	Other exposure deducted from total capital
Commercial vehicle loans	-	-	44
Housing loans	-	-	189,42
Mixed Assets*	-	-	267,83
Total	-	-	457,69

* includes auto loans, commercial vehicle loans, two wheeler loans, loans against property and loans against rent receivables.

Basel II - Pillar 3 Disclosures

As on March 31, 2009

(Rs. lacs)

Exposure Type	Exposure deducted entirely from Tier I capital	Credit enhancing I/Os deducted from total capital	Other exposure deducted from total capital
Commercial vehicle loans	-	-	44
Housing loans	-	-	164,43
Mixed Assets*	-	-	242,53
Total	-	-	407,40

* includes auto loans, commercial vehicle loans, two wheeler loans, loans against property and loans against rent receivables.

Trading Book

- k) Aggregate amount of exposure securitised-out by the Bank for which the Bank has retained some exposure and which is subject to market risk approach, by exposure type as of March 31, 2010 :

Mixed Assets : Rs. 18,56 lacs (previous year : Rs. 23,57 lacs)

- l) Aggregate amount of :

- On-balance sheet securitisation exposures retained or purchased broken down by exposure type :

(Rs. lacs)

Exposure Type	March 31, 2010	March 31, 2009
Auto loans	4,43	145,52
Commercial vehicle loans	16,13	55,25
Hire purchase receivables	15,29	18,82
Housing loans	617,20	873,87
Personal loans	-	81,90
Two wheeler loans	3,40	27,06
Mixed Assets	18,56	23,57
Total	675,01	1,225,99

- Off-balance sheet securitisation exposures broken down by exposure type : Nil (previous year : Nil)

- m) Aggregate amount of securitisation exposures retained or purchased, subject to the securitisation framework for specific risk broken down into different risk weight bands :

- The capital requirements for the securitisation exposures, subject to the securitisation framework broken down into different risk weight bands (book value) :

(Rs. lacs)

Particulars	March 31, 2010	March 31, 2009
Less than 100 %	651,21	1,225,99
100%	-	-
More than 100%	-	-
Total	651,21	1,225,99

- n) Aggregate amount of :

- The capital requirements for the securitisation exposures, subject to the securitisation framework broken down into different risk weight bands (capital charge) :

(Rs. lacs)

Particulars	March 31, 2010	March 31, 2009
Less than 100 %	44,19	34,04
100%	-	-
More than 100%	-	-
Total	44,19	34,04

- Securitisation exposures that are deducted entirely from Tier 1 capital, credit enhancing I/Os deducted from total capital, and exposures deducted from total capital (by exposure type) :

As on March 31, 2010

(Rs. lacs)

Exposure Type	Exposure deducted entirely from Tier I capital	Credit enhancing I/Os deducted from total capital	Other exposures deducted from total capital
Two wheeler loans	-	-	3,41
Auto loans	-	-	1,83
Mixed Assets	-	-	18,56
Total	-	-	23,80

8. Market Risk in Trading Book

a) Market risk management policy :

Strategy and Processes :

The Bank has a market risk management process, which consists of risk identification, limits setting and risk monitoring. The process ensures that the risks assumed by treasury desks are within the stipulated risk appetite of the Bank. This risk appetite is handed down as limits in a hierarchical manner within the treasury. The treasury limits are a function of budgeted revenues for each desk. The treasury limits are reviewed and finalised by the Market Risk Unit. The Treasury Mid-Office, an independent unit, monitors and reports the limit utilisations as per documented procedures. The Bank has a stress testing framework and a Board approved stress testing policy. Stress testing is carried out periodically for its trading book on the basis of specified stress scenarios. This provides a way to assess the Bank's financial ability to withstand extreme but plausible fluctuations in market prices.

Structure and Organization :

The market risk process includes the following key participants.

- The Risk Monitoring Committee of the Board, inter-alia, evaluates the Bank's credit and market risk policies and procedures, approves and reviews dealing authorities / limits for the Bank's treasury operations and reviews the Bank's risk monitoring systems and risk control procedures.
- The Market Risk Unit, part of the Credit and Market Risk Group, plays its role in the market risk limit approval process, lays down risk assessment and monitoring methods, and periodically evaluates the portfolio in the deliberations of the various committees as well as bilaterally with Treasury Group.
- The Treasury Mid-Office has the role of the day to day monitoring and reporting of market risk controls, valuations etc. It reports limit transgressions to the Senior Management.
- The Investment Committee oversees the investments in equities and equity linked investments.
- Treasury Desks, which includes Foreign Exchange, Money Market, Interest Rate Trading, Equities and Precious Metal desks. These are the basic levels of day to day management of the various portfolios and market risk.

Risk reporting and Measurement Systems :

Limits are control measures which seek to reduce risk within or across the desks. The objective of a limit is to ensure that the negative earnings impact of price risks are within the risk taking appetite of the desks and of the Bank. The nature of limits could typically include position limits, gap limits, tenor and duration limits, stop loss limits, VaR (Value-at-Risk) limits. These limits are appropriately selected for the relevant portfolios. Limits are monitored using various information technology software packages, including STP (Straight Through Processing) software systems.

Policies for hedging and / or mitigating risk :

The derivative book is classified into trading and banking books. When the Bank deals in derivatives on its own account (trading activity), principally for the purpose of generating a profit from short term fluctuations in price or yields, these transactions are classified as trading book. The trading book is managed within the trading limits approved by the Risk Monitoring Committee of the Board. All other derivative transactions are classified as a part of the banking book. For derivative contracts designated as hedge, the Bank documents, at the inception of the relationship between the hedging instrument and the hedged item, the risk management objective for undertaking the hedge and the methods used to assess the effectiveness of the hedge. The assessment is done on an on-going basis to test if the derivative is still effective in offsetting the changes in the fair value of the hedged item.

The banking book includes transactions concluded for the purpose of providing customer structures which are covered with inter-bank counter parties on a back-to-back basis. These transactions are classified under banking-non hedge book.

The banking book also consists of transactions to hedge balance sheet assets or liabilities. The hedge may be against a single asset or liability or against a portfolio of asset or liability in specific tenor buckets. The tenor of derivative hedges may be less than or equal to tenor of underlying asset or liability. These derivative transactions are classified as banking-hedge book. If the underlying asset or liability is not marked to market, then the hedge is also not marked to market. The Bank enters into derivative deals with counter parties based on their financial strength and understanding of derivative products and its risks. In this regard the Bank has a Customer Suitability and Appropriateness Policy in place. The Bank sets up appropriate limits having regard to the ability of the counterparty to honour its obligations in the event of crystallisation 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, at the minimum, conforms to the Reserve Bank of India guidelines with regard to provisioning requirements. On a conservative basis, the Bank may make incremental provisions based on its assessment of impairment of the credit. The Bank maintains capital charge for market risk under the standardised approach.

b) Capital requirements :

(Rs. lacs)

Category	March 31, 2010	March 31, 2009
Interest rate risk	486,63	521,23
Equity position risk	27,12	14,50
Foreign Exchange risk	27,00	27,00
Market Risk Charge on account of valuation adjustment for illiquid positions of derivative and non derivative portfolio	48,52	N.A.
Total	589,27	562,73

9. Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Strategies

The Bank's Operational Risk Framework have been developed and independently reviewed by Risk and control teams. Key aspects towards effective operational risk management include identification, assessment, review, control and reporting of key operational risks.

Process and Measurement

Some of the key principles ingrained in the Bank's business operations towards effective Operational Risk Management include segregation of functions, clear reporting guidelines, strong management team with vast experience in diverse fields, well defined processes, operating manuals and job cards, transactions verification and authorisation, distributed processing and staff training. The Bank is in the process of implementing various principles and guidelines laid out in respect of Operational Risk Management by the Basel Committee on Banking Supervision vide Basel II guidelines and by Reserve Bank of India vide their Guidance Note on Operational Risk. The Bank has a robust process of reporting operational losses and issues relating to operational risk, wherein the relevant areas are quickly reviewed and any gap suitably addressed. This is further being enhanced with a framework that has integrated capabilities to monitor losses, evaluate operational key risk indicators and qualitatively evaluate risk-control environments among other sound principles and practices.

The Bank has robust information technology with disaster recovery capability for critical components apart from having an integrated Business Continuity Planning (BCP) initiative for all business operations of the Bank. A BCP committee oversees strategy and implementation of disaster and business continuity framework of the Bank. The Bank has Information Security Committee which oversees strategy and implementation of information security policies and procedures for the entire Bank.

Risk Reporting

As a part of the Bank's overall Operational Risk Management strategy, there is a clear line of reporting at every function which facilitates reporting and monitoring of operational risk events. Further, measurement and reporting is also achieved through various Management Information Systems attached with each operational process which are generated and monitored regularly.

Hedging / Mitigating

The Bank manages its various operational risks by ways of adopting best practices in business processes through checks and balances, embedding monitoring and control mechanisms as a part of day-to-day operations and having an effective internal audit process. Various risk mitigants and hedges are monitored regularly and reviewed periodically by the Bank to ensure effective implementation. Control and mitigation guidelines are part of various product, process operation manual and documents of the Bank. The Bank covers risk on account of natural disaster through appropriate insurance.

Operational Risk Capital

Currently the Bank is following the 'Basic Indicator Approach' for operational risk capital assessment as mandated by RBI.

10. Interest Rate Risk in the Banking Book (IRRBB)

Interest Rate Risk in the Banking Book (IRRBB) refers to the potential adverse financial impact on the Bank's Banking Book from changes in interest rates. The Banking Book comprises of assets and liabilities which are contracted on account of relationship or for steady income and statutory obligations and are generally held till maturity.

The Bank carries various assets, liabilities and off-balance sheet items across markets, maturities and benchmarks exposing it to risks from changing interest rates. The Bank's Asset Liability Management Committee (ALCO) is responsible for evolving appropriate systems and procedures for identification and analysis of balance sheet risks and laying down parameters for efficient management of these risks through the Asset Liability Management Policy of the Bank. ALCO periodically monitors and controls the strategic position and the interest rate risk positions arising during the normal course of business and ensures adherence to compliance of internal limits.

Measurement of Interest Rate Risk in the Banking Book :

In measuring Interest Rate Risk, risk arising from maturity and re-pricing mismatches are measured both from an earnings and economic value perspective. The Bank uses the following techniques for the quantification of IRRBB :

- Interest Rate Sensitivity using Gap Method : Gap or mismatch risk is calculated by calculating gaps for interest rate sensitive assets, liabilities and off-balance sheet positions in different time buckets.
- Earnings at Risk using Gap : Based on the gap report, Earnings at Risk approximates the impact of an interest rate / re-pricing shock for a given change in interest rate on the net interest income (difference between total interest income and total interest expense) over a one year horizon.
- Impact on Economic Value of equity : As against the earnings approach, risk is monitored based on the present value of the Bank's expected cash flows. A modified duration approach is used to ascertain the impact on interest sensitive assets, liabilities and off-balance sheet positions for a given change in interest rates.
- Stress Testing : The Bank undertakes periodic stress testing for its banking book based on stress scenarios. This provides a measure to assess the Bank's financial withstanding from extreme but plausible interest rate fluctuations.

Quantification of the Interest Rate Risk :

The increase / decline in earnings and economic value for an upward / downward rate shock of 200 basis points, broken down by currency, is as follows :

- Earnings Perspective (Impact on Net Interest Income) : (Rs. lacs)

Currency	If Interest rate were to go down by 200 basis points		If interest rate were to go up by 200 basis points	
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
INR	(263,04)	(271,02)	263,04	271,02
USD	(145,16)	(99,47)	145,16	99,47
Others	7,01	6,89	(7,01)	(6,89)
Total	(401,19)	(363,60)	401,19	363,60

- Economic Value Perspective (Impact on Market Value of Equity) : (Rs. lacs)

Currency	If Interest rate were to go down by 200 basis points		If interest rate were to go up by 200 basis points	
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
INR	(69,24)	(397,02)	69,24	397,02
USD	(199,25)	(138,16)	199,25	138,16
Others	(22,66)	(30,84)	22,66	30,84
Total	(291,15)	(566,02)	291,15	566,02

Auditor's Report on Consolidated Financial Statements

To The Board of Directors, HDFC Bank Limited

We have examined the attached Consolidated Balance Sheet of **HDFC Bank Limited** ("the Bank") and its subsidiaries and associates (the Bank and its subsidiaries and associates constitute "the Group") as at 31 March 2010 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of the Bank's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 did not audit the financial statements of one of the subsidiaries, whose financial statements reflect total assets of Rs. 3,371,474 Thousands as at 31 March 2010, total revenue of Rs. 2,353,099 Thousands and net cash inflows amounting to Rs. 618,656 Thousands for the year then ended. These financial statements and other financial information have been audited by other auditors whose report has been furnished to us, and our opinion is based solely on the report of the other auditor.

We have also relied on the unaudited financial statements of certain associates provided by the management and included in the consolidated financial statements. These unaudited financial statements reflect the Group's share of net profit of Rs. 32,740 Thousands for the year then ended.

We report that the Consolidated financial statements have been prepared by the Bank's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements and Accounting Standard (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

Based on our audit and on consideration of the report of other auditor on separate financial statements and on the consideration of the unaudited financial statements of the associates and on the other financial information of the components, and to the best of our information and according to the explanation given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India;

- (i) in the case of the consolidated balance sheet, of the state of affairs of the group as at 31 March 2010;
- (ii) in the case of the consolidated profit and loss account, of the profits of the group for the year ended on that date; and
- (iii) in the case of the consolidated cash flow statement, of the cash flows for the group for the year ended on that date.

For **Haribhakti & Co.**
Chartered Accountants
FRN No. 103523W

Shailesh V. Haribhakti
Partner
Membership No. 30823

Mumbai
24 April 2010

Consolidated Balance Sheet

As at March 31, 2010

		Rs. in '000
	Schedule	As at 31-Mar-10 As at 31-Mar-09
CAPITAL AND LIABILITIES		
Capital	1	4,577,433
Equity Share Warrant		-
Reserves and Surplus	2	211,581,521
Minority Interest	2A	758,869
Employees' Stock Options (Grants) Outstanding		29,135
Deposits	3	1,672,977,827
Borrowings	4	131,717,976
Other Liabilities and Provisions	5	207,832,114
Total		2,229,474,875
ASSETS		
Cash and Balances with Reserve Bank of India	6	154,833,109
Balances with Banks and Money at Call and Short notice	7	145,948,826
Investments	8	585,082,763
Advances	9	1,261,627,346
Fixed Assets	10	21,490,659
Other Assets	11	60,492,172
Total		2,229,474,875
Contingent Liabilities	12	4,791,249,976
Bills for Collection		81,248,646
Principal Accounting Policies and Notes forming integral part of the consolidated financial statements	17 & 18	

In terms of our report of even date attached.

For Haribhakti & Co.

Chartered Accountants

Shailesh V. Haribhakti

Partner

Mumbai, 24 April, 2010

For and on behalf of the Board

Jagdish Capoor

Chairman

Aditya Puri

Managing Director

Sanjay Dongre

Executive Vice President (Legal) &

Company Secretary

Harish Engineer

Executive Director

Paresh Sukthankar

Executive Director

Keki M. Mistry

Ashim Samanta

Renu Karnad

Arvind Pande

C M Vasudev

Gautam Divan

Dr. Pandit Palande

Directors

Consolidated Profit and Loss Account

For the year ended March 31, 2010

		Rs. in '000	
	Schedule	Year Ended 31-Mar-10	Year Ended 31-Mar-09
I. INCOME			
Interest earned	13	162,329,226	163,140,223
Other income	14	40,340,687	34,365,224
Total		202,669,913	197,505,447
II. EXPENDITURE			
Interest expended	15	77,976,000	89,033,700
Operating expenses	16	59,055,148	56,492,748
Provisions and contingencies [includes provision for income tax and fringe benefit tax of Rs. 1,386,09 lacs (previous year : Rs. 1,065,92 lacs)]		35,309,633	29,457,697
Total		172,340,781	174,984,145
III. PROFIT			
Net Profit for the year		30,329,132	22,521,302
Less : Minority Interest		325,354	63,541
Add : Share in profits of Associates		32,740	32,136
Consolidated profit for the year attributable to the Group		30,036,518	22,489,897
Balance of profit brought forward		34,934,863	26,086,785
Total		64,971,381	48,576,682
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		7,371,752	5,612,349
Proposed dividend		5,495,995	4,255,071
Tax (including cess) on dividend		913,551	723,450
Dividend (including tax / cess thereon) pertaining to previous year paid during the year		9,343	5,900
Transfer to General Reserve		2,948,701	2,244,939
Transfer to Capital Reserve		1,994,599	938,660
Transfer to / (from) Investment Reserve Account		(14,900)	(138,550)
Balance carried over to Balance Sheet		46,252,340	34,934,863
Total		64,971,381	48,576,682
V. EARNINGS PER EQUITY SHARE (Face value Rs. 10/- per share)		Rs.	Rs.
Basic		68.82	52.95
Diluted		68.12	52.69
Principal Accounting Policies and Notes forming integral part of the consolidated financial statements	17 & 18		

In terms of our report of even date attached.

For Haribhakti & Co.

Chartered Accountants

Shailesh V. Haribhakti

Partner

Mumbai, 24 April, 2010

For and on behalf of the Board

Jagdish Capoor
Chairman

Aditya Puri
Managing Director

Sanjay Dongre
Executive Vice President (Legal) &
Company Secretary

Harish Engineer
Executive Director

Paresh Sukthankar
Executive Director

Keki M. Mistry
Ashim Samanta
Renu Karnad
Arvind Pande
C M Vasudev
Gautam Divan
Dr. Pandit Palande
Directors

Consolidated Cash Flow Statement

For the year ended March 31, 2010

Particulars	Rs. in '000	
	31-Mar-10	31-Mar-09
Cash flows from operating activities		
Net profit before income tax	43,897,391	33,149,134
Adjustment for :		
Depreciation	4,040,391	3,696,183
(Profit) / Loss on Revaluation of Investments	30,082	279,856
Amortisation of premia on investments	4,408,528	4,442,222
Loan Loss provisions	19,430,092	16,058,038
Floating Provisions	500,000	50,000
Provision against standard assets	-	1,204,814
Provision for wealth tax	5,607	6,132
Contingency provisions	1,513,061	1,529,476
(Profit) / Loss on sale of fixed assets	(37,959)	(41,465)
	73,787,193	60,374,390
Adjustments for :		
(Increase) / Decrease in Investments	(2,369,914)	(29,575,553)
(Increase) / Decrease in Advances	(291,283,710)	(213,865,139)
Increase / (Decrease) in Borrowings	39,846,602	(24,044,226)
Increase / (Decrease) in Deposits	246,529,853	202,041,537
(Increase) / Decrease in Other assets	1,421,449	922,518
Increase / (Decrease) in Other liabilities and provisions	41,286,510	768,571
	109,217,983	(3,377,902)
Direct taxes paid (net of refunds)	(14,504,465)	(14,097,385)
Net cash flow from / (used in) operating activities	94,713,518	(17,475,287)
Cash flows from investing activities		
Purchase of fixed assets	(5,724,557)	(6,895,369)
Proceeds from sale of fixed assets	123,774	116,507
Net cash used in investing activities	(5,600,783)	(6,778,862)

Consolidated Cash Flow Statement

For the year ended March 31, 2010

Particulars	Rs. in '000	
	31-Mar-10	31-Mar-09
Cash flows from financing activities		
Increase in Minority Interest	325,354	64,239
Money received on exercise of stock options by employees	5,559,685	878,060
Proceeds from issue of Convertible Warrants	-	4,009,158
Proceeds from issue of equity shares	36,080,585	-
Proceeds from issue of Upper and Lower Tier II capital instruments	-	28,750,000
Redemption of subordinated debt	(665,000)	(460,000)
Dividend paid during the year	(4,264,414)	(3,018,580)
Tax on Dividend	(723,450)	(512,005)
Net cash generated from financing activities	36,312,760	29,710,872
Effect of Exchange Fluctuation on Translation reserve	(15,104)	(317)
Net increase in cash and cash equivalents	125,410,391	5,456,406
Cash and cash equivalents on amalgamation	-	21,635,341
Cash and cash equivalents as at April 1	175,371,544	148,279,797
Cash and cash equivalents as at March 31	300,781,935	175,371,544

In terms of our report of even date attached.

For Haribhakti & Co.
Chartered Accountants

Shailesh V. Haribhakti
Partner

Mumbai, 24 April, 2010

For and on behalf of the Board

Jagdish Capoor
Chairman

Aditya Puri
Managing Director

Sanjay Dongre
Executive Vice President (Legal) &
Company Secretary

Harish Engineer
Executive Director

Paresh Sukthankar
Executive Director

Keki M. Mistry
Ashim Samanta
Renu Karnad
Arvind Pande
C M Vasudev
Gautam Divan
Dr. Pandit Palande
Directors

Schedules to the Consolidated Accounts

As at March 31, 2010

		Rs. in '000
	As at 31-Mar-10	As at 31-Mar-09
SCHEDULE 1 - CAPITAL		
Authorised Capital		
55,00,00,000 (31 March 2009 : 55,00,00,000) Equity Shares of Rs. 10/- each	5,500,000	5,500,000
Issued, Subscribed and Paid-up Capital		
45,77,43,272 (31 March, 2009 : 42,53,84,109) Equity Shares of Rs. 10/- each	4,577,433	4,253,841
Total	4,577,433	4,253,841
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening Balance	22,987,291	15,193,539
Additions on amalgamation	-	2,181,403
Additions during the year	7,371,752	5,612,349
Total	30,359,043	22,987,291
II. General Reserve		
Opening Balance	7,360,523	5,115,584
Additions during the year	2,948,701	2,244,939
Total	10,309,224	7,360,523
III. Balance in Profit and Loss Account	46,252,340	34,934,863
IV. Share Premium Account		
Opening Balance	65,437,981	64,794,740
Additions during the year	45,351,571	643,241
Total	110,789,552	65,437,981
V. Amalgamation Reserve		
Opening Balance	10,635,564	145,218
Additions during the year	-	10,490,346
Total	10,635,564	10,635,564
VI. Capital Reserve		
Opening Balance	956,510	17,850
Additions during the year	1,994,599	938,660
Total	2,951,109	956,510
VII. Investment Reserve Account		
Opening Balance	276,250	414,800
Additions during the year	33,300	17,092
Deductions during the year	(48,200)	(155,642)
Total	261,350	276,250
VIII. Foreign Currency Translation Account		
Opening Balance	(317)	-
Additions during the year	(15,104)	(317)
Total	(15,421)	(317)
IX. Capital Reserve on Consolidation (net of goodwill, if any)	38,760	38,760
Total	211,581,521	142,627,425

Schedules to the Consolidated Accounts

As at March 31, 2010

	Rs. in '000	
	As at 31-Mar-10	As at 31-Mar-09
SCHEDULE 2 A - MINORITY INTEREST		
Minority Interest at the date on which parent subsidiary relationship came into existence	276,029	276,029
Subsequent increase / (decrease)	482,840	157,486
Total	758,869	433,515
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
(i) From Banks	10,554,618	7,592,207
(ii) From Others	360,838,986	276,241,949
Total	371,393,604	283,834,156
II. Savings Bank Deposits	498,767,849	349,147,360
III. Term Deposits		
(i) From Banks	13,824,354	16,305,286
(ii) From Others	788,992,020	777,161,172
Total	802,816,374	793,466,458
Total	1,672,977,827	1,426,447,974
B. I. Deposits of Branches in India	1,672,336,111	1,426,002,816
II. Deposits of Branches Outside India	641,716	445,158
	1,672,977,827	1,426,447,974
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
(i) Reserve Bank of India	-	-
(ii) Other Banks*	21,181,387	11,339,193
(iii) Other Institutions and agencies*	75,722,986	56,450,784
Total	96,904,373	67,789,977
II. Borrowings outside India*	34,813,603	24,746,397
Total	131,717,976	92,536,374
* Includes Upper and Lower Tier II debt and innovative perpetual debt as under : Other Banks - Rs. 482,70 lacs (previous year : Rs. 388,30 lacs) Other Institutions and agencies - Rs. 5,421,40 lacs (previous year : Rs. 5,582,30 lacs) Outside India - Rs. 449,00 lacs (previous year : Rs. 507,20 lacs) Secured borrowings included in I & II above : Rs. 210,11 lacs (previous year : Rs. 90,00 lacs)		
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	59,257,373	29,224,076
II. Interest Accrued	19,966,229	33,229,362
III. Others (including provisions)	114,596,079	88,629,571
IV. Contingent Provisions against standard assets	7,602,887	7,602,887
V. Proposed Dividend (including tax on dividend)	6,409,546	4,978,521
Total	207,832,114	163,664,417

Schedules to the Consolidated Accounts

As at March 31, 2010

	Rs. in '000	
	As at 31-Mar-10	As at 31-Mar-09
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	24,352,828	15,861,933
II. Balances with Reserve Bank of India :		
(a) In current accounts	129,480,281	118,410,244
(b) In other accounts	1,000,000	1,000,000
Total	130,480,281	119,410,244
Total	154,833,109	135,272,177
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
(i) Balances with Banks :		
(a) In current accounts	3,138,690	2,440,203
(b) In other deposit accounts	5,310,963	6,915,615
Total	8,449,653	9,355,818
(ii) Money at call and short notice :		
(a) With banks	5,150,000	-
(b) With other institutions	98,354,000	12,422,500
Total	103,504,000	12,422,500
Total	111,953,653	21,778,318
II. Outside India		
(i) In current accounts	3,062,216	5,298,405
(ii) In other deposit accounts	-	1,014,400
(iii) Money at call and short notice	30,932,957	12,008,244
Total	33,995,173	18,321,049
Total	145,948,826	40,099,367
SCHEDULE 8 - INVESTMENTS		
A. Investments in India in		
(i) Government securities	510,499,288	521,565,829
(ii) Other approved securities	4,972	12,500
(iii) Shares*	1,208,280	538,413
(iv) Debentures and Bonds	11,392,914	19,428,414
(v) Joint Venture*	384,591	385,883
(vi) Units, Certificate of Deposits and Others	61,120,668	45,218,242
Total	584,610,713	587,149,281
*Includes goodwill net of capital reserves, on account of investment in associates, amounting to Rs. 15,27 lacs (previous year : Rs. 16,86 lacs).		
B. Investments outside India - Others*	472,050	2,178
* Includes Shares and Bonds		
Total	585,082,763	587,151,459

Schedules to the Consolidated Accounts

As at March 31, 2010

		Rs. in '000	
		As at 31-Mar-10	As at 31-Mar-09
C. Investments			
(i) Gross Value of Investments			
(a) In India		585,194,891	587,703,377
(b) Outside India		472,050	2,178
Total		585,666,941	587,705,555
(ii) Provision for Depreciation			
(a) In India		584,178	554,096
(b) Outside India		-	-
Total		584,178	554,096
(iii) Net Value of Investments			
(a) In India		584,610,713	587,149,281
(b) Outside India		472,050	2,178
Total		585,082,763	587,151,459
SCHEDULE 9 - ADVANCES			
A			
(i) Bills purchased and discounted		63,614,705	48,553,378
(ii) Cash Credits, Overdrafts and Loans repayable on demand		239,838,503	215,972,035
(iii) Term loans		958,174,138	725,748,315
Total		1,261,627,346	990,273,728
B			
(i) Secured by tangible assets*		893,122,762	735,300,707
(ii) Covered by Bank / Government Guarantees		29,462,230	24,956,098
(iii) Unsecured		339,042,354	230,016,923
Total		1,261,627,346	990,273,728
<i>* Including advances against Book Debts</i>			
C. I. Advances in India			
(i) Priority Sector		444,112,262	297,815,970
(ii) Public Sector		52,634,745	30,831,056
(iii) Banks		6,229,141	3,666,663
(iv) Others		738,866,925	649,626,235
Total		1,241,843,073	981,939,924
II. Advances Outside India			
(i) Due from Banks		-	-
(ii) Due from Others			
a) Bills Purchased and discounted		454,412	469,480
b) Syndicated Loans		-	-
c) Others		19,329,861	7,864,324
Total		19,784,273	8,333,804
Total		1,261,627,346	990,273,728
<i>(Advances are net of provisions)</i>			

Schedules to the Consolidated Accounts

As at March 31, 2010

		Rs. in '000
	As at 31-Mar-10	As at 31-Mar-09
SCHEDULE 10 - FIXED ASSETS		
A. Premises (including Land)		
Gross Block		
At cost on 31st March of the preceding year	7,160,665	5,243,809
Additions on amalgamation	-	1,298,061
Additions during the year	2,735,762	669,230
Deductions during the year	(99,347)	(50,435)
Total	9,797,080	7,160,665
Depreciation		
As at 31st March of the preceding year	1,482,660	815,063
Additions on amalgamation	-	356,312
Charge for the year	338,370	318,536
On deductions during the year	(43,207)	(7,251)
Total	1,777,823	1,482,660
	8,019,257	5,678,005
B. Other Fixed Assets (including furniture and fixtures)		
Gross Block		
At cost on 31st March of the preceding year	28,422,510	18,693,483
Additions on amalgamation	-	4,906,684
Additions during the year	5,714,584	5,603,249
Deductions during the year	(704,584)	(780,906)
Total	33,432,510	28,422,510
Depreciation		
As at 31st March of the preceding year	16,855,947	11,159,762
Additions on amalgamation	-	2,972,979
Charge for the year	3,702,050	3,368,342
On deductions during the year	(518,667)	(645,136)
Total	20,039,330	16,855,947
	13,393,180	11,566,563
C. Assets on Lease (Plant and Machinery)		
Gross Block		
At cost on 31st March of the preceding year	4,613,605	438,277
Additions on amalgamation	-	4,175,328
Deductions during the year	(66,682)	-
Total	4,546,923	4,613,605

Schedules to the Consolidated Accounts

As at March 31, 2010

	Rs. in '000	
	As at 31-Mar-10	As at 31-Mar-09
Depreciation		
As at 31st March of the preceding year	4,092,927	117,412
Additions on amalgamation	-	3,966,210
Charge for the year	-	9,305
On deductions during the year	(66,682)	-
Total	4,026,245	4,092,927
Lease Adjustment Account		
As at 31st March of the preceding year	442,456	320,865
Additions on amalgamation	-	121,591
Total	442,456	442,456
Unamortised cost of assets on lease	78,222	78,222
Total	21,490,659	17,322,790
SCHEDULE 11 - OTHER ASSETS		
I. Interest accrued	14,339,860	14,183,726
II. Advance tax (net of provision)	9,955,222	9,056,552
III. Stationery and stamps	254,552	310,936
IV. Non banking assets acquired in satisfaction of claims	5,934	5,934
V. Bond and share application money pending allotment	1,800,000	-
VI. Security deposit for commercial and residential property	4,088,368	3,917,750
VII. Other assets *	30,048,236	36,433,155
Total	60,492,172	63,908,053
<i>*Includes deferred tax asset (net) of Rs. 844,15 lacs (previous year : Rs. 861,92 lacs)</i>		
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the Group not acknowledged as debts - Taxation	5,905,182	5,703,080
II. Claims against the Group not acknowledged as debts - Others	89,629	481,405
III. Liability on account of outstanding forward exchange contracts	2,281,083,550	2,338,927,663
IV. Liability on account of outstanding derivative contracts	2,230,978,616	1,533,722,300
V. Guarantees given on behalf of constituents - in India	94,818,797	76,353,601
VI. Acceptances, endorsements and other obligations	128,152,628	93,873,829
VII. Other items for which the Group is contingently liable	50,221,574	11,211,722
Total	4,791,249,976	4,060,273,600

Schedules to the Consolidated Accounts

For the year ended March 31, 2010

		Rs. in '000
	Year Ended 31-Mar-10	Year Ended 31-Mar-09
SCHEDULE 13 - INTEREST EARNED		
I. Interest / discount on advances / bills	120,927,523	121,124,916
II. Income from investments	39,781,142	40,088,676
III. Interest on balance with RBI and other inter-bank funds	870,809	1,881,817
IV. Others	749,752	44,814
Total	162,329,226	163,140,223
SCHEDULE 14 - OTHER INCOME		
I. Commission, exchange and brokerage	30,598,297	26,035,102
II. Profit on sale of investments	3,480,775	4,106,888
III. Profit / (Loss) on revaluation of investments	(30,082)	(279,856)
IV. Profit / (Loss) on sale of building and other assets	37,959	41,465
V. Profit on exchange transactions	6,102,097	5,986,077
VI. Miscellaneous income	151,641	(1,524,452)
Total	40,340,687	34,365,224
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on Deposits	69,936,140	80,069,391
II. Interest on RBI / Inter-bank borrowings*	7,608,391	8,851,843
III. Other interest	431,469	112,466
<i>*Principally includes interest on subordinated debt.</i>		
Total	77,976,000	89,033,700
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for employees	23,893,140	23,013,761
II. Rent, taxes and lighting	5,759,288	5,165,824
III. Printing and stationery	1,658,013	1,682,065
IV. Advertisement and publicity	860,190	1,118,992
V. Depreciation on property	4,040,391	3,696,183
VI. Directors' fees, allowances and expenses	4,729	4,414
VII. Auditors' fees and expenses	11,766	14,472
VIII. Law charges	323,084	193,062
IX. Postage, telegram, telephone etc.	3,374,578	3,431,001
X. Repairs and maintenance	4,602,209	3,096,635
XI. Insurance	1,611,924	1,388,669
XII. Other Expenditure*	12,915,836	13,687,670
<i>* Includes marketing expenses, professional fees, travel and hotel charges, entertainment, registrar and transfer agency fees and system management fees.</i>		
Total	59,055,148	56,492,748

Schedules to the Consolidated Accounts

For the year ended March 31, 2010

SCHEDULE 17 - PRINCIPAL ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2010.

A. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of HDFC Bank Ltd. (the Bank), its subsidiaries and associates, which together constitute the 'Group'.

The Bank consolidates its subsidiaries in accordance with AS-21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India on a line-by-line basis by adding together the like items of assets, liabilities, income and expenditure. Capital reserve on consolidation represents the difference between the Bank's share in the net worth of the subsidiary and the cost of acquisition at the time of making the investment in the subsidiary. Further, the Bank accounts for investments in associates in accordance with AS-23, Accounting for Investments in Associates in Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India, by the equity method of accounting.

B. BASIS OF PREPARATION

The financial statements have been prepared and presented under the historical cost convention and accrual basis of accounting, unless otherwise stated and are in accordance with Generally Accepted Accounting Principles, statutory requirements prescribed under the Banking Regulation Act 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, Accounting Standards ('AS') issued by the Institute of Chartered Accountants of India ('ICAI') and notified by the Companies Accounting Standard Rules, 2006 to the extent applicable and current practices prevailing within the banking industry in India. Suitable adjustments are made to align with the format prescribed under the Banking Regulation Act, 1949.

Use of Estimates :

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. Any revision in the accounting estimates is recognized prospectively in the current and future period.

The Bank had bought a stake of 29.5% in HDFC Securities Ltd. during the financial year ended March 31, 2001. During the financial year ended March 31, 2006, the Bank bought a further stake of 25.5% from HDFC Ltd., thereby obtaining a controlling interest of 55% in HDFC Securities Ltd. During the year ended March 31, 2008, the Bank increased its stake-holding in HDFC Securities Ltd. to 59.0%. The Bank paid a price of Rs. 62.50 per share for acquiring these add-on shares. This has resulted in goodwill on account of the acquisition of the add-on stake amounting to Rs. 59 lacs, which have been netted off from capital reserves on consolidation.

During the year ended March 31, 2008, the Bank invested in 10 crore equity shares of HDB Financial Services Ltd. of Rs. 10 each at par aggregating to Rs. 100 crores. This has resulted in goodwill of Rs. 3.43 lacs, which has been netted off, from capital reserves on consolidation. HDB Financial Services Ltd. is a non-banking financial company and a subsidiary of the Bank. As at March 31, 2010, the stake-holding of the Bank in the company was 95.3%.

The consolidated financial statements present the accounts of HDFC Bank Ltd. with its following subsidiaries and associates :

Name	Relation	Country of Incorporation	Ownership Interest
HDFC Securities Ltd.	Subsidiary	India	59.0%
HDB Financial Services Ltd.	Subsidiary	India	95.3%
Atlas Documentary Facilitators Company Private Ltd.	Associate	India	29.0%
SolutionNET India Private. Ltd.*	Associate	India	Nil
Softcell Technologies Ltd.	Associate	India	12.0%
International Asset Reconstruction Company Private Ltd.	Associate	India	29.4%
Centillion Solutions and Services Private Ltd.	Associate	India	29.9%
HBL Global Private Ltd.	Associate	India	Nil

The audited financial statements of the subsidiary companies and the un-audited financial statements of associate companies have been drawn up to the same reporting date as that of the Bank, i.e. March 31, 2010.

* SolutionNET India Private Ltd. ceased to be an associate with effect from May 5, 2009.

Schedules to the Consolidated Accounts

For the year ended March 31, 2010

C. PRINCIPAL ACCOUNTING POLICIES

1 Investments

HDFC Bank Ltd.

Classification

In accordance with the Reserve Bank of India guidelines, Investments are classified on the date of purchase into "Held for Trading" (HFT), "Available for Sale" (AFS) and "Held to Maturity" (HTM) categories (hereinafter called "categories"). Subsequent shifting amongst the categories is done in accordance with the RBI guidelines. 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.

Basis of Classification :

Investments that are held principally for resale within 90 days from the date of purchase are classified under "Held for Trading" category.

Investments which the Bank intends to hold till maturity, are classified as HTM securities. Investments in the equity of subsidiaries are categorized as "Held to Maturity" in accordance with RBI guidelines.

Investments which are not classified in the above categories, are classified under "Available for Sale" category.

Acquisition Cost :

In determining acquisition cost of an investment:

- 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.

Disposal of Investments :

Profits / Loss on sale of Investments under the aforesaid three categories are taken to the Profit and Loss account. The profit from sale of investment under Held to Maturity category, net of taxes and transfers to statutory reserve is appropriated to "Capital Reserve".

Valuation :

Investments classified under Available for Sale category and Held for Trading category are marked to market as per the RBI guidelines. Net depreciation, if any, in any of the six groups, is charged to the Profit and Loss account. The net appreciation, if any, in any of the six groups is not recognised except to the extent of depreciation already provided. The book value of individual securities is not changed after the valuation of investments.

Investments classified under Held to Maturity category 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 constant yield to maturity basis. Such amortization of premium is adjusted against interest income under the head "Income from investments" as per RBI guidelines. Any diminution, other than temporary, in the value of investments in subsidiaries / joint ventures is provided for.

Non-performing investments are identified and depreciation / provision is made thereon based on the RBI guidelines. The depreciation / provision is not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is not recognised in the Profit or Loss Account until received.

Repo and Reverse Repo Transactions :

In a repo transaction, the bank borrows monies against pledge of securities. The book value of the securities pledged is credited to the investment account. Borrowing costs on repo transactions are accounted for as interest expense. In respect of repo transactions outstanding at the balance sheet date, the difference between the sale price and book value, if the former is lower than the latter, is provided as a loss in the income statement.

In a reverse repo transaction, the bank lends monies against incoming pledge of securities. The securities purchased

Schedules to the Consolidated Accounts

For the year ended March 31, 2010

are debited to the investment account at the market price on the date of the transaction. Revenues thereon are accounted as interest income.

In respect of repo transactions under Liquidity Adjustment Facility with RBI (LAF), monies borrowed from RBI are credited to investment account and reversed on maturity of the transaction. Costs thereon are accounted for as interest expense. In respect of reverse repo transactions under LAF, monies paid to RBI are debited to investment account and reversed on maturity of the transaction. Revenues thereon are accounted as interest income.

HDFC Securities Ltd.

All investments of long-term nature are valued at cost. Provision is made to recognise a diminution, other than temporary, in the value of long-term investments. Current investments are valued at cost or market value, whichever is lower.

HDB Financial Services Ltd.

Investments which are long term in nature are stated at cost. Provisions are made only in case of permanent diminution in the value of investment. Current investments are valued at lower of cost and net realizable value.

2 Advances

HDFC Bank Ltd.

Advances are classified as performing and non-performing based on the Reserve Bank of India guidelines and are stated net of bills rediscounted, specific provisions, floating provisions, interest in suspense for non-performing advances and claims received from Export Credit Guarantee Corporation. Provisions in lieu of diminution in the fair value of restructured assets which was hitherto included under Other Liabilities is netted from Advances as on March 31, 2010 in accordance with revised RBI guidelines. Interest on non-performing advances is transferred to an interest suspense account and not recognised in the Profit and Loss Account until received.

Specific loan loss provisions in respect of non-performing advances (NPAs) are made based on management's assessment of the degree of impairment of wholesale and retail advances, subject to the minimum provisioning level prescribed in the RBI guidelines. The specific provision levels for retail non-performing assets are also based on the nature of product and delinquency levels.

The Bank maintains general provision for standard assets including credit exposures computed as per the current marked to market value of interest rate and foreign exchange derivative contracts and gold at levels stipulated by RBI from time to time. Provision for standard assets is included under Other Liabilities. Provisions made in excess of these regulatory levels or provisions which are not made with respect to specific non-performing assets are categorised as floating provisions. Creation of further floating provisions are considered by the Bank up to a level approved by the Board of Directors of the Bank. Floating provisions are not reversed by credit to Profit and Loss account and can be used only for contingencies under extraordinary circumstances for making specific provisions in impaired accounts after obtaining Board approval and with prior permission of RBI.

The Bank considers a restructured account as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advance / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of installments / rate of interest (due to reasons other than competitive reasons). Restructured accounts are reported as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made. Restructuring is done at a borrower level.

In addition to the provisions required according to the asset classification status, provisioning is done for individual country exposures (other than for home country exposure). Countries are categorised into risk categories as per Export Credit Guarantee Corporation of India Ltd. (ECGC) guidelines and provisioning is done in respect of that country where the net funded exposure is one percent or more of the Bank's total assets.

HDB Financial Services Ltd.

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 in suspense account and not recognized in the Profit and Loss Account until received. Advances are net of provision on debts and interest in suspense.

Schedules to the Consolidated Accounts

For the year ended March 31, 2010

3 Securitisation and Transfer of Assets

HDFC Bank Ltd.

The Bank securitises out its receivables to Special Purpose Vehicles (SPVs) in securitisation transactions. Such securitised-out receivables are de-recognised in the balance sheet when they are sold (true sale criteria being fully met with) and consideration is received by the Bank. Sales / transfers that do not meet these criteria for surrender of control are accounted for as secured borrowings.

In respect of receivable pools securitised-out, the Bank provides liquidity and credit enhancements, as specified by the rating agencies, in the form of cash collaterals / guarantees and / or by subordination of cash flows etc., to senior Pass Through Certificates (PTCs).

The Bank also enters into securitised-out transactions through the direct assignment route, which are similar to asset-backed securitisation transactions through the SPV route, except that such portfolios of receivables are assigned directly to the purchaser and are not represented by pass-through certificates.

The RBI issued guidelines on securitization of standard assets vide its circular dated February 1, 2006 under reference no. DBOD No.BP.BC.60/21.04.048/2005-06. Pursuant to these guidelines, the Bank amortizes any profit / premium arising on account of sale of receivables over the life of the securities sold out while any loss arising on account of sale of receivables is recognized in the Profit and Loss Account for the period in which the sale occurs. Any credit enhancement on assets sold are reduced from tier I & tier II capital as prescribed in the guidelines. Prior to the issuance of the said guidelines (i.e. in respect of sell-off transactions undertaken until January 31, 2006), any gain or loss from the sale of receivables was recognised in the period in which the sale occurred.

In accordance with RBI guidelines on sale of non performing advances if the sale is at a price below the net book value (i.e., book value less provisions held), the shortfall is debited to the Profit and Loss Account. If the sale is for a value higher than the net book value, the excess provision is not reversed but is utilised to meet the shortfall / loss on account of sale of other non performing advances.

The Bank also invests in Pass Through Certificates (PTCs) and buys loans through the direct assignment route. These are accounted for at the deal value.

4 Fixed Assets and Depreciation

HDFC Bank Ltd.

Fixed assets are stated at cost less accumulated depreciation as adjusted for impairment, if any. Cost includes cost of purchase and all expenditure like site preparation, installation costs and professional fees incurred on the asset before it is ready 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, which are not lower than the rates prescribed in Schedule XIV of the Companies Act, 1956 are given below :

- Owned Premises at 1.63% per annum.
- Improvements to lease hold premises are charged off over the remaining primary period of lease.
- VSATs at 10% per annum
- ATMs at 10% 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 20% per annum
- Point of sale terminals at 20% per annum
- Assets at residences of executives of the Bank at 25% per annum

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For the year ended March 31, 2010

- Items (excluding staff assets) 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.

For assets purchased and sold during the year, depreciation is provided on pro rata basis by the Bank.

The Bank undertakes assessment of the useful life of an asset at periodic intervals taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use etc. Whenever there is a revision of the estimated useful life of an asset, the unamortised depreciable amount will be charged over the revised remaining useful life of the said asset.

HDFC Securities Ltd.

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

Costs incurred for the development/customisation of the Company's website, Front-office System software and Back-office system software are capitalised.

Depreciation is charged over the estimated useful life of the fixed asset on a straight-line basis as under :

- | | |
|--|--|
| • Leasehold improvements | Over the primary period of lease (ranging from 33 months to 9 years) |
| • Computer Hardware – Personal Computers | 3 years |
| • Computer Hardware – Others | 4 years |
| • Computer Software | 5 years |
| • Office equipments | 6 years |
| • Furniture and Fixture | 15 years |
| • Website Cost | 5 years |
| • Motor cars | 4 years |
| • Bombay Stock Exchange Card | 10 years |

Fixed assets costing less than Rs. 5,000 are fully depreciated in the year of purchase.

HDB Financial Services Ltd.

Fixed assets are stated at cost less accumulated depreciation and impairment, if any. Cost includes cost of purchase and all other expenditure in relation to site preparation, installation costs and professional fees incurred on the asset before it is ready for intended 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 or its useful life, whichever is shorter.
- Office equipment at 16.21% per annum
- Computers at 16.21% per annum
- Software and System development expenditure at 20.00% 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.

For assets purchased and sold during the year, depreciation is being provided on pro rata basis by the Company.

5 Impairment of Assets

Group

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the Profit and Loss Account to the extent the carrying amount of assets exceeds their estimated recoverable amount.

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For the year ended March 31, 2010

6 Transactions involving Foreign Exchange

HDFC Bank Ltd.

Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction, and income and expenditure items of integral foreign operations (representative offices) and non-integral foreign operations (foreign branch) are translated at the monthly average closing rates.

Foreign currency monetary items of domestic and integral foreign operations are translated at the closing exchange rates notified by Foreign Exchange Dealers' Association of India (FEDAI) at the balance sheet date and the resulting net valuation profit or loss arising due to a net open position in any foreign currency is included in the Profit and Loss Account.

Both monetary and non-monetary foreign currency assets and liabilities of non integral foreign operations are translated at closing exchange rates notified by FEDAI at the balance sheet date and the resulting profit / loss from exchange differences are accumulated in the foreign currency translation account until the disposal of the net investment in the non-integral foreign operations.

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 notified by FEDAI and at interpolated rates for contracts of interim maturities. The resulting forward valuation profit or loss is included in the Profit and Loss Account.

Foreign exchange forward contracts, which are not intended for trading and are outstanding at the balance sheet date, are effectively 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.

Contingent Liabilities on account of foreign exchange contracts, guarantees, letters of credit, acceptances and endorsements are reported at closing rates of exchange notified by FEDAI at the Balance Sheet date.

7 Lease accounting

Group

Lease payments including cost escalations for assets taken on operating lease are recognized in the Profit and Loss Account over the lease term in accordance with the AS-19, Leases, issued by the Institute of Chartered Accountants of India.

8 Employee Benefits

HDFC Bank Ltd.

Employee Stock Option Scheme (ESOS)

The Employee Stock Option Scheme (the Scheme) provides for the grant of equity shares of the Bank to its employees. The Scheme provides that employees are granted an option to acquire equity shares of the Bank that vests in a graded manner. The options may be exercised within a specified period. The Bank follows the intrinsic value method to account for its stock-based employees compensation plans. Compensation cost is measured by the excess, if any, of the fair market price of the underlying stock over the exercise price on the grant date as determined under the option plan.

Gratuity

The Bank provides for gratuity to all employees. The benefit is in the form of lumpsum payments to vested employees on resignation, retirement, death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The Bank makes contributions to funds administered by trustees and managed by insurance companies for amounts notified by the said insurance companies and in respect of erstwhile Lord Krishna Bank (eLKB) employees, the Bank makes contribution to a fund set up by eLKB and administered by the board of trustees. The defined gratuity benefit plans are valued by an independent actuary as at the balance sheet date using the projected unit credit method to determine the present value of the defined benefit obligation and the related service costs. Under this method, the determination is based on actuarial calculations, which include assumptions about demographics, early retirement, salary increases and interest rates. Actuarial gain or loss is recognized in the profit / loss account.

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For the year ended March 31, 2010

Superannuation

Employees of the Bank, above a prescribed grade, are entitled to receive retirement benefits under the Bank's Superannuation Fund. The Bank contributes a sum equivalent to 13% of the employee's eligible annual basic salary (15% for the Managing Director, Executive Directors and for certain eligible eCBoP staff) to insurance companies, which administer the fund. The Bank has no liability for future superannuation fund benefits other than its contribution, and recognizes such contributions as an expense in the year incurred, as such contribution is in the nature of defined contribution.

Provident fund

In accordance with law, all employees of the Bank are entitled to receive benefits under the provident fund. The Bank contributes an amount, on a monthly basis, at a determined rate (currently 12% of employee's basic salary). Of this, the Bank contributes an amount of 8.33% of employee's basic salary upto a maximum salary level of Rs. 6500/- per month to the Pension Scheme administered by the Regional Provident Fund Commissioner (RPFC) and the Bank has no liability for future provident fund benefits other than its contribution. The balance amount is contributed to a fund set up by the Bank and administered by a board of trustees. In respect of eCBoP employees, employer's and employee's share of contribution to Provident Fund till March 2009, was administered by RPFC and from April 2009 onwards, the same is transferred to fund set up by the Bank and administered by a board of trustees. In respect of eLKB employees, the Bank contributes to a fund set up by eLKB and administered by the board of trustees. The Bank recognizes such contributions as an expense in the year incurred. Interest payable to the members of the trust shall not be lower than the statutory rate of interest declared by the Central government under the Employees Provident Funds and Miscellaneous Provisions Act 1952 and shortfall, if any, shall be made good by the Bank. The guidance note on implementing AS-15 (revised 2005), Employee Benefits, states that benefits involving employer established provident funds, which requires interest shortfalls to be provided, are to be considered as defined benefit plans. Pending the issuance of the guidance note from the Actuary Society of India, the Bank's actuary has expressed an inability to reliably measure provident fund liabilities. Accordingly the Bank is unable to ascertain the related information.

The Bahrain Branch makes contributions to the relevant government scheme calculated as a percentage of the employee's salaries. The Bahrain Branch's obligations are limited to these contributions, which are expensed when due, as such contribution is in nature of defined contribution.

Leave Encashment / Compensated Absences

The Bank does not have a policy of encashing unavailed leave for its employees, except for certain eLKB employees under IBA structure. The Bank provides for leave encashment / compensated absences based on an independent actuarial valuation at the balance sheet date, which includes assumptions about demographics, early retirement, salary increases, interest rates and leave utilisation.

Pension

In respect of pension payable to certain eLKB employees under IBA structure, which is a defined benefit scheme, the Bank contributes 10% of basic salary to a pension fund set up by the Bank and administered by the board of trustees and balance amount is provided based on actuarial valuation at the balance sheet date conducted by an independent actuary. In respect of employees who have moved to a cost to company (CTC) driven compensation structure and have completed services up to 15 years as on the date of movement to CTC structure, contribution made till the date of movement to CTC structure and with additional one-time contribution of 10% of Bank contribution accumulation as on date of movement to CTC, made for employees (who have completed more than 10 years but less than 15 years) will be maintained as a fund and will be converted into annuity on separation after a lock-in-period of two years. Hence for this category of employees, liability stands frozen and no additional provision would be required except for interest at par as applicable to PF, which has been provided for. In respect of the employees who accepted the offer and have completed services for more than 15 years, pension would be paid on separation based on salary applicable as on date of movement to CTC and provision is made based on actuarial valuation at the balance sheet date conducted by an independent actuary.

HDFC Securities Ltd.

Employee Stock Option Scheme (ESOS)

The Employee Stock Option Scheme(s) provides for the grant of stock options to the employees of the Company. The said scheme(s) provides that employees are granted an option to acquire equity shares of the Company that vests at

Schedules to the Consolidated Accounts

For the year ended March 31, 2010

dates prescribed in the scheme(s). The options may be exercised within a specified period. The Company follows the intrinsic value method to account for its stock-based employees compensation plans.

Provident Fund

The Company's Contribution to Recognised Provident Fund (maintained and managed by the Office of Regional Provident Fund Commissioner) paid / payable during the year is recognised in the Profit and Loss Account.

Gratuity

The Company makes annual contributions to funds administered by trustees and managed by insurance companies for amounts notified by the said insurance companies. The Company accounts for the net present value of its obligations for gratuity benefits based on an independent external actuarial valuation as at the year end, determined on the basis of the projected unit credit method. Actuarial gains and losses are immediately recognised in the Profit and Loss Account.

Compensated Absences

The Company has scheme of compensated absences for employees. The liability for which is determined on the basis of an actuarial valuation as at the end of the year in accordance with AS-15.

Other Employee Benefits

Other benefits are determined on an undiscounted basis and recognised based on the likely entitlement thereof on accrual basis.

HDB Financial Services Ltd.

Employee Stock Option Scheme (ESOS)

The Employee Stock Option Scheme provides for the grant of stock options to the employees of the Company. The said scheme provides that employees are granted an option to acquire equity shares of the Company that vests on dates specified in the scheme. The options may be exercised within a specified period. The Company follows the intrinsic value method to account for its stock-based employees compensation plans.

Gratuity

The Company provides for gratuity to all employees. The benefit is in the form of lump sum payments to vested employees on resignation, retirement, on death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The Company makes annual contributions to funds administered by trustees and managed by insurance companies for amounts notified by the said insurance companies. The defined gratuity benefit plans are valued by an independent external actuary as at the balance sheet date using the projected unit credit method to determine the present value of defined benefit obligation and the related service costs. Under this method, the determination is based on actuarial calculations, which include assumptions about demographics, early retirement, salary increases and interest rates. Actuarial gain or loss is recognized in the profit and loss account.

Provident Fund

In accordance with law, all employees of the Company are entitled to receive benefits under the provident fund. The Company contributes an amount, on a monthly basis, at a determined rate (currently 12% of employee's basic salary) to the Pension Scheme administered by the Regional Provident Fund Commissioner (RPFC) and the Company has no liability for future provident fund benefits other than its annual contribution. The contributions are accounted for on an accrual basis and recognized in the profit and loss account, being a defined contribution plan.

Compensated Absences

The Company does not have a policy of encashment of unavailed leaves for its employees. The Company provides for compensated absences in accordance with AS-15 (revised 2005) Employee Benefits. The provision is based on an independent external actuarial valuation at the balance sheet date.

9 Revenue and Expense Recognition

HDFC Bank Ltd.

Interest income is recognised in the Profit and Loss Account on an accrual basis, except in the case of non-performing assets where it is recognized upon realization as per RBI norms.

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For the year ended March 31, 2010

Income on non-coupon bearing discounted instruments and instruments which carry a premia on redemption 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, agents and manufacturers) – (hereafter called “net commission”) for originating fixed tenor retail loans.

Interest income on investments in Pass Through Certificates (PTCs) and loans bought out through the direct assignment route is recognised at their effective interest rate.

Net commission paid to sales agents for originating retail loans is expensed in the year in which it is incurred.

Fees and commission income is recognised when due, except for guarantee commission and annual fees for credit cards which are recognised on a straight line basis over the period of contract.

HDFC Securities Ltd.

Income from brokerage activities is recognised as income on the trade date of the transaction. Brokerage is stated net of rebate.

Income from other services is recognised on completion of services.

Interest income is recognized in the Profit and Loss Account on an accrual basis.

HDB Financial Services Ltd.

Interest income is recognized in the profit or loss account on an accrual basis. Income including interest / discount or any other charges on Non-Performing Assets (NPA) is recognized only when it is realized. Any such income recognized before the asset became non-performing and remaining unrealized is reversed.

Fee based income and other financial charges are recognized on an accrual basis, except in case of cheque bouncing charges, late payment charges, foreclosure charges and application money, which are accounted as and when received.

Interest on borrowings is recognized in Profit and Loss Account on an accrual basis.

10 Credit Cards Reward Points

HDFC Bank Ltd.

The Bank estimates the probable redemption of credit card reward points and cost per point 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

Group

Income tax expense comprises 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 and liabilities are measured using the enacted or substantially enacted tax rates at the balance sheet date.

Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future. In case of unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and appropriately adjusted to reflect the amount that is reasonably / virtually certain to be realized.

Until the previous year, income tax expense included provision for fringe benefit tax (FBT) which was made on the basis of applicable FBT on the taxable value of chargeable expenditure of the Group as was prescribed under the Income Tax Act, 1961 and rules framed there under. With effect from the current year, FBT has been abolished.

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12 Derivative Contracts

HDFC Bank Ltd.

The Bank recognizes all derivative contracts at the fair values, on the dates on which the derivative contracts are entered into and are re-measured at fair value as at the balance sheet or reporting dates. Derivatives are classified as assets when the net fair value is positive (Positive marked to market value) or as liabilities when the net fair value is negative (Negative marked to market value). Changes in the fair value of derivatives other than those designated as hedges are included in the Profit and Loss Account.

Derivative contracts designated as hedges are not marked to market unless their underlying is marked to market. In respect of derivative contracts that are marked to market, changes in the market value are recognized in the Profit and Loss Account in the relevant period. Gains or losses arising from hedge ineffectiveness, if any, are recognised in the Profit and Loss Account.

Contingent Liabilities on account of derivative contracts denominated in foreign currencies are reported at closing rates of exchange notified by FEDAI at the Balance Sheet date.

13 Earnings Per Share

Group

The Group 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 profit for the year by the weighted average number of equity shares outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. 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 except where the results are anti-dilutive.

14 Segment Information – Basis of Preparation

Group

The classification of exposures to the respective segments conforms to the guidelines issued by RBI vide DBOD.No.BP.BC.81/21.01.018/2006-07 dated April 18, 2007. Business 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 organization structure, the internal business reporting system and the guidelines prescribed by RBI. The Group operates in the following segments :

(a) Treasury

The treasury segment primarily consists of net interest earnings on investments portfolio of the Group, gains or losses on investment operations and gains or losses on account of trading in foreign exchange and derivative contracts.

(b) Retail Banking

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 other services with the help of specialist product groups to such customers. Exposures are classified under retail banking taking into account the status of the borrower (orientation criterion), the nature of product, granularity of the exposure and the quantum thereof.

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 and interest earned from other segments for surplus funds placed with those segments, fees from services rendered, foreign exchange earnings on retail products etc. 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 of specialist product groups, processing units and support groups.

(c) Wholesale Banking

The wholesale banking segment provides loans, non-fund facilities and transaction services to large corporate, emerging corporate, public sector units, government bodies, financial institutions and medium scale enterprises.

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For the year ended March 31, 2010

Revenues of the wholesale banking segment consist of interest earned on loans made to customers, interest earned on the cash float arising from transaction services, fees from such transaction services, earnings from trade services and other non-fund facilities and also earnings from foreign exchange and derivatives transactions on behalf of customers. 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 of delivery channels, specialist product groups, processing units and support groups.

(d) Other Banking Business

This segment includes income from para banking activities such as credit cards, debit cards, third party product distribution, primary dealership business and the associated costs. This segment also includes Bank's subsidiaries viz. HDFC Securities Ltd. and HDB Financial Services Ltd.

(e) Unallocated

All items which are reckoned at an enterprise level are classified under this segment. This includes capital and reserves, debt classifying as Tier I or Tier II capital and other unallocable assets and liabilities.

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 approved yield curve or at a certain agreed transfer price rate. Transaction charges are levied 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.

Geographic Segments

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

15 Accounting for Provisions, Contingent Liabilities and Contingent Assets

Group

In accordance with AS-29, Provisions, Contingent Liabilities and Contingent Assets, issued by the Institute of Chartered Accountants of India, the Group recognises provisions 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.

Provisions are determined based on management estimate required to settle the obligation at the balance sheet date, supplemented by experience of similar transactions. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates. In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure is made in the financial statements.

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

16 Bullion

HDFC Bank Ltd.

The Bank imports bullion including precious metal bars on a consignment basis for selling to its wholesale and retail customers. The imports are typically on a back-to-back basis and are priced to the customer based on an estimated price quoted by the supplier. The Bank earns a fee on such wholesale bullion transactions. The fee is classified under commission income.

The Bank also sells bullion to its retail customers. The difference between the sale price to customers and actual price quoted by supplier is also reflected under commission income.

The Bank also borrows and lends gold, which is treated as borrowing / lending as the case may be with the interest paid / received classified as interest expense / income.

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For the year ended March 31, 2010

SCHEDULE 18 - NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2010.

1. Key Events

Merger of the Centurion Bank of Punjab Limited

During the year ended March 31, 2009 the Centurion Bank of Punjab got merged with HDFC Bank Ltd. The Scheme of Amalgamation ('the Scheme') of Centurion Bank of Punjab Limited ('CBoP' or 'eCBoP') with HDFC Bank Ltd. ('HDFC Bank' or 'the Bank') under section 44 A (4) of the Banking Regulation Act, 1949 which was approved by the shareholders of both the banks on March 27, 2008 was sanctioned by the RBI vide their order DBOD No. PSBD. 16197/16.01.131/2007-08 dated May 20, 2008, and was effective from May 23, 2008. The appointed date of the merger was April 1, 2008. Both the entities were banking companies incorporated under the Companies Act, 1956 and licensed by the RBI under the Banking Regulation Act, 1949.

As per the Scheme, upon its coming into effect from the appointed date i.e. April 1, 2008, the entire undertaking of CBoP including all its assets and liabilities stood transferred / deemed to be transferred to and vest in HDFC Bank. As per the Scheme, in consideration of the transfer of and vesting of the undertaking of CBoP, one equity share of HDFC Bank of the face value of Rs. 10/- each fully paid-up was issued to members of the eCBoP for every twenty nine equity shares of the face value of Re. 1/- each of CBoP held by them on the record date i.e. June 16, 2008. Accordingly 6,98,83,956 equity shares of Rs. 10/- each of HDFC Bank were allotted at par to the shareholders of CBoP vide board resolution dated June 24, 2008. The excess of the value of net assets transferred over the paid up value of shares issued in consideration have been adjusted in Amalgamation Reserve as per the Scheme of Amalgamation.

The amalgamation has been accounted using the pooling of interest method. Accordingly, the assets and liabilities of CBoP that vested in HDFC Bank as on April 1, 2008 were accounted at the values at which they were appearing in the books of CBoP as on March 31, 2008 and provisions arising out of harmonization of accounting policies and estimates, as approved by the Board of Directors of HDFC Bank and as prescribed in the Scheme, were made for the difference between the net value appearing in the books of CBoP and the value as determined by HDFC Bank. Also the Bank provided for merger related expenses on a best estimate basis. Such adjustments, as per the Scheme, were made by the Bank against the reserves arising on amalgamation.

After accounting the assets, liabilities and reserves of CBoP and after effecting the above adjustments, a surplus of Rs. 1,049,03 lacs arose, which was credited to Amalgamation Reserve in accordance with the Scheme.

(Rs. lacs)		
Particulars	Amount	Amount
Net Assets of eCBoP as on the reporting date of merger*		2,089,85
Less : 6,98,83,956 equity shares of face value of Rs. 10 each	(69,88)	
Less : Statutory Reserves taken over on amalgamation	(218,15)	(288,03)
Excess of net assets over the paid-up value of shares issued and Statutory Reserve		1,801,82
Less : Harmonization of accounting policies and estimates		(690,62)
Less : Expenses related to merger		(62,17)
Amalgamation Reserve		1,049,03

*Net assets taken over on April 1, 2008 adjusted for options allotted by eCBoP between April 1, 2008 till May 22, 2008.

As per AS-14, Accounting for Amalgamation, if the amalgamation is an "amalgamation in the nature of merger", the identity of reserves of the amalgamating entity is required to be preserved in the books of HDFC Bank. However the balances in Profit and Loss Account (Rs. 246,49 lacs), Securities Premium Account (Rs. 1,354,60 lacs), Capital Reserve (Rs. 65 lacs) and Investment Reserve Account (Rs. 7,02 lacs) have been credited to Amalgamation Reserve in accordance with the scheme. As a result the balances in these accounts are lower by the aforesaid amounts.

2. Capital Infusion

During the year ended March 31, 2010, the Bank allotted 2,62,00,220 equity shares of Rs. 10 each at a premium of Rs. 1,520.13 per share to Housing Development Finance Corporation Limited (HDFC Ltd.), on their exercising the warrants issued to them in June 2008. As a result, equity share capital increased by Rs. 26,20 lacs and share premium by Rs. 3,982,77 lacs.

3. Earnings Per Equity Share

Basic and Diluted earnings per equity share have been calculated based on the net profit after taxation of Rs. 3,003,65 lacs (previous year : Rs. 2,248,99 lacs) and the weighted average number of equity shares outstanding during the year amounting to 436,439,573 (previous year : 424,754,825).

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For the year ended March 31, 2010

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

Particulars	(Rupees)	
	For the year ended	
	March 31, 2010	March 31, 2009
Nominal value per share	10.00	10.00
Basic earnings per share	68.82	52.95
Effect of potential equity shares (per share)	(0.70)	(0.26)
Diluted earnings per share	68.12	52.69

Basic earnings per equity share have been computed by dividing net profit after taxation by the weighted average number of equity shares outstanding for the year. Diluted earnings per equity share have been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

There is no impact of dilution on profits in the current year and previous year.

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

Particulars	For the year ended	
	March 31, 2010	March 31, 2009
Weighted average number of equity shares used in computing basic earnings per equity share	436,439,573	424,754,825
Effect of potential equity shares	4,507,362	21,06,683
Weighted average number of equity shares used in computing diluted earnings per equity share	440,946,935	426,861,508

4. Reserves and Surplus

General reserve

The Bank has made an appropriation of Rs. 294.87 lacs (previous year : Rs. 224.49 lacs) out of profits for the year ended March 31, 2010 to General Reserve pursuant to Companies (Transfer of Profits to Reserves) Rules, 1975.

Investment Reserve Account

During the year, the Bank has transferred Rs. 1.49 lacs (previous year : Rs. 13.86 lacs) (net) from Investment Reserve Account to the Profit and Loss Account.

5. Accounting for Employee Share Based Payments

HDFC Bank Limited

The shareholders of the Bank approved grant of equity share options under Plan "A" in January 2000, Plan "B" in June 2003, Plan "C" in June 2005 and Plan "D" in June 2007. Under the terms of each of these Plans, the Bank may issue stock options to employees and directors of the Bank, each of which is convertible into one equity share. All the plans were framed in accordance with the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 as amended from time to time

Plan A provides for the issuance of options at the recommendation of the Compensation Committee of the Board (the "Compensation Committee") at an average of the daily closing prices on the Bombay Stock Exchange Ltd. during the 60 days preceding the date of grant of options.

Plans B, C and D provide for the issuance of options at the recommendation of the Compensation Committee on the working day immediately preceding the date when options are granted. For Plan B the price is that quoted on an Indian stock exchange with the highest trading volume during the preceding two weeks, while for Plans C and D the

Schedules to the Consolidated Accounts

For the year ended March 31, 2010

price that quoted on an Indian stock exchange with the highest trading volume as of working day immediately preceding the date of grant.

Such options vest at the discretion of the Compensation Committee, subject to a maximum vesting not exceeding five years, set forth at the time the grants are made. Such options are exercisable for a period following vesting at the discretion of the Compensation Committee, subject to a maximum of five years, as set forth at the time of the grant. Modifications, if any, made to the terms and conditions of ESOPs as approved by the Compensation Committee are disclosed separately.

The erstwhile Centurion Bank of Punjab Limited had granted stock options to its employees prior to its amalgamation with the Bank. The options were granted under the following Schemes framed in accordance with the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 as amended from time to time :

- 1) Key ESOP-2004
- 2) ESOP-2004
- 3) ESOP-2007

The outstanding options granted under each of the above Schemes and the grant prices were converted into equivalent HDFC Bank options and prices in the swap ratio of 1:29 i.e. 1 stock option of HDFC Bank for every 29 stock options granted and outstanding of Centurion Bank of Punjab as on 23rd May 2008, the effective date of the amalgamation. This was done in accordance with Clause 9.9 of the Scheme of Amalgamation of Centurion Bank of Punjab Limited with HDFC Bank Limited ("Scheme"). The vesting dates for the said stock options granted in various tranches were revised as per Clause 9.9 of the Scheme. All the aforesaid stock options are exercisable within a period of 5 years from the date of vesting. Options are granted at an exercise price, which is equal to or less than fair market price of the shares. The fair market price is the closing price of the stock quoted on the National Stock Exchange on the day immediately preceding the date of the grant in respect of grants under ESOP-2004 and ESOP-2007. The volume of trading in the shares of Centurion Bank of Punjab which were listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited were consistently higher on the National Stock Exchange of India.

Method used for accounting for shared based payment plan

The Bank has elected to use intrinsic value method to account for the compensation cost of stock options to employees of the Bank. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price of the option.

Activity in the options outstanding under the Employees Stock Options Plan as at March 31, 2010

Particulars	Options	Weighted average exercise price (Rs.)
Options outstanding, beginning of year	1,95,94,027	975.64
Granted during the year	72,68,250	1,512.07
Exercised during the year	61,58,943	902.70
Forfeited / lapsed during the year	1,97,254	1,292.89
Options outstanding, end of year	2,05,06,080	1,184.63
Options Exercisable	1,27,18,580	1,003.36

Activity in the options outstanding under the Employees Stock Options Plan as at March 31, 2009

Particulars	Options	Weighted average exercise price (Rs.)
Options outstanding, beginning of year	1,69,37,800	956.94
Additions on amalgamation	35,51,978	894.20
Granted during the year	12,53,000	1,126.45
Exercised during the year	10,67,233	595.29
Forfeited / lapsed during the year	10,81,518	965.32
Options outstanding, end of year	1,95,94,027	975.64
Options Exercisable	1,12,75,016	907.66

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For the year ended March 31, 2010

Following summarizes the information about stock options outstanding as at March 31, 2010

Plan	Range of exercise price	Number of shares arising out of options	Weighted average life of unvested options (in years)	Weighted average Exercise Price (Rs.)
Plan A	Rs. 366.30	33,600	1.59	366.30
Plan B	Rs. 358.60 to Rs. 1,098.70	24,74,700	2.79	977.12
Plan C	Rs. 630.60 to Rs. 1,098.70	37,57,600	2.58	896.46
Plan D	Rs. 1,098.70 to Rs. 1,704.80	1,26,96,400	3.89	1,334.24
Key ESOP 2004	Rs. 116.00	64,816	3.04	116.00
General ESOP 2004	Rs. 442.25 to Rs. 859.85	3,92,643	3.59	643.84
General ESOP 2007	Rs. 1,162.90 to Rs. 1,258.60	10,86,321	3.97	1,190.18

Following summarizes the information about stock options outstanding as at March 31, 2009

Plan	Range of exercise price	Number of shares arising out of options	Weighted average life of unvested options (in years)	Weighted average Exercise Price (Rs.)
Plan A	Rs. 366.30	99,700	2.61	366.30
Plan B	Rs. 358.60 to Rs. 1,098.70	3,408,400	3.67	959.11
Plan C	Rs. 630.60 to Rs. 1,098.70	5,971,600	3.42	870.93
Plan D	Rs. 1,098.70 to Rs. 1,126.45	7,154,100	3.92	1,103.56
Key ESOP 2004	Rs. 116.00	122,070	3.98	116.00
General ESOP 2004	Rs. 442.25 to Rs. 859.85	1,156,263	4.50	611.80
General ESOP 2007	Rs. 1,162.90 to Rs. 1,258.60	1,681,894	4.91	1,185.46

Fair Value methodology

The fair value of options used to compute proforma net income and earnings per equity share have been estimated on the dates of each grant using the binomial option-pricing model. The Bank estimated the volatility based on the historical share prices. The various assumptions considered in the pricing model for the ESOPs granted during the year ended March 31, 2010 are :

Particulars	March 31, 2010	March 31, 2009
Dividend yield	0.6% to 0.7%	0.8%
Expected volatility	44.68% to 49.86%	39.71%
Risk - free interest rate	4.8% to 7.7%	9.2% to 9.3%
Expected life of the option	1 to 5 years	1 to 4 years

Details of Modifications in terms and conditions of ESOPs

No modifications were made in the terms and conditions of ESOPs during the year ended March 31, 2010.

The Compensation Committee, at its meeting held on January 14, 2009, accorded its approval for extending the life of ESOPs under Plans B, C and D from two years from date of vesting to four years from date of vesting. ESOPs thus modified have been fair valued using the binomial option model as of January 14, 2009, being the modification date. The various assumptions considered in the pricing model for the ESOPs modified during the year ended March 31, 2009 were :

Particulars	March 31, 2009
Dividend yield	0.9%
Expected volatility	47.13%
Risk - free interest rate	4.5% to 5.2%
Expected life of the option	1 to 6 years

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For the year ended March 31, 2010

The incremental share based compensation determined under fair value based method was Rs. 43,24 lacs for the year ended March 31, 2009.

Impact of fair value method on net profit and EPS

Had compensation cost for the Bank's stock option plans outstanding been determined based on the fair value approach, the Bank's net profit and earnings per share would have been as per the pro forma amounts indicated below :

	(Rs. lacs)	
Particulars	March 31, 2010	March 31, 2009
Net Profit (as reported)	2,948,70	2,244,94
Add : Stock-based employee compensation expense included in net income.	-	-
Less : Stock based compensation expense determined under fair value based method : (pro forma)	164,62	103,40
Net Profit : (pro forma)	2,784,08	2,141,54
	(Rs.)	(Rs.)
Basic earnings per share (as reported)	67.56	52.85
Basic earnings per share (pro forma)	63.79	50.42
Diluted earnings per share (as reported)	66.87	52.59
Diluted earnings per share (pro forma)	63.14	50.17

HDFC Securities Ltd.

The Shareholders of the Company approved a new stock option scheme (viz. ESOS-001) in February, 2010 ("Company Options"). Under the terms of the scheme, the Company may issue stock options to employees, whole time director, managing director and directors of the Company, each of which is convertible into one equity share.

Scheme ESOS-001 provides for the issuance of options at the recommendation of the Compensation Committee of the Board (the "Compensation Committee") at a price of Rs. 135/- per share, being the fair market value of the share arrived by a category 1 merchant banker.

Further, the Company had issued shares to its Employee Welfare Trust as per an old ESOP plan ("EWT Options"), in terms of which the trust grants options to its employees.

Such options vest at a definitive date, save for specific incidents, prescribed in the scheme as framed/approved by the Compensation Committee. Such options are exercisable for a period following the vesting at the discretion of the Compensation Committee, subject to a maximum of two years from the date of vesting.

Method used for accounting for shared based payment plan

The Company uses the Intrinsic Value method to account for the compensation cost of stock options to employees of the Company.

Activity in the options outstanding under the Employees Stock Options Plan as at March 31, 2010

Particulars	EWT Options	Company Options	Weighted average exercise price (Rs.)
Options outstanding, beginning of the year	49,500	-	53.00
Granted during the year	192,020	542,750	135.00
Exercised during the year	16,500	-	53.00
Forfeited / lapsed during the year	-	-	-
Options outstanding, end of the year	225,020	542,750	131.48
Options Exercisable	33,000	-	53.00

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For the year ended March 31, 2010

Following summarises the information about stock options outstanding as at March 31, 2010

Plan	Range of exercise price	Number of shares arising out of options	Weighted average life of unvested options (in years)	Weighted average exercise price (Rs.)
Company Options	Rs 135.00	542,750	4.10	135.00
EWT Options	Rs 53.00 to Rs. 135.00	225,020	1.60	122.97

Fair Value methodology

The fair value of options used to compute pro forma net income and earnings per equity share have been estimated on the dates of each grant using the Black and Scholes model. The shares of the Company are not listed on any stock exchange. Accordingly, the Company has considered the volatility of the Company's stock price as an average of the historical volatility of similar listed enterprises for the purpose of calculating the fair value to reduce any company specific variations. The various assumptions considered in the pricing model for the stock options granted by the Company during the year ended March 31, 2010 are :

Particulars	EWT Options	Company Options
Dividend Yield	Nil	Nil
Expected volatility	73.56% to 79.04%	71.53% to 72.67%
Risk – free interest rate	6.53% to 8.19%	6.22% to 7.18%
Expected life of the option	0 to 2 years	0 to 5 years

Impact of fair value method on net profit and EPS

Had compensation cost for the Company's stock option plans outstanding been determined based on the fair value approach, the Company's net profit and earnings per share would have been as per the pro forma amounts indicated below :

(Rs. lacs)	
Particulars	March 31, 2010
Net Profit (as reported)	78,18
Add : Stock based compensation expense included in net income	-
Less : Stock based compensation expense determined under fair value based method (pro forma)	(54)
Net Profit (pro forma)	77,64
	(Rs.)
Basic and diluted earnings per share (as reported)	52.12
Basic and diluted earnings per share (pro forma)	51.76

HDB Financial Services Ltd.

The shareholders of the Company approved stock option schemes ESOS-1 and ESOS-2 in April 2008 and ESOS-3 in October 2009. Under the term of the schemes, the Company may issue stock options to employees and directors of the Company, each of which is convertible into one equity share.

Schemes ESOS-1, ESOS-2 and ESOS-3 provide for the issuance of options at the recommendation of the Compensation Committee of the Board (the "Compensation Committee") at a price of Rs. 10 per share, being the face value of the share.

Such options vest at a definitive date, save for specific incidents, prescribed in the scheme as framed / approved by the Compensation Committee. Such options are exercisable for a period following vesting at the discretion of the Compensation Committee, subject to a maximum of two years from the date of vesting.

Method used for accounting for shared based payment plan

The Company has elected to use intrinsic value to account for the compensation cost of stock options to employees of the Company.

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For the year ended March 31, 2010

Activity in the options outstanding under the Employee Stock Options Plan as at March 31, 2010

Particulars	Options	Weighted average exercise price (Rs.)
Options outstanding, beginning of year	2,65,000	10.00
Granted during the year	2,05,000	10.00
Exercised during the year	-	-
Forfeited / lapsed during the year	-	-
Options outstanding, end of year	4,70,000	10.00
Options Exercisable	-	-

Activity in the options outstanding under the Employee Stock Options Plan as at March 31, 2009

Particulars	Options	Weighted average exercise price (Rs.)
Options outstanding, beginning of year	-	-
Granted during the year	2,65,000	10.00
Exercised during the year	-	-
Forfeited / lapsed during the year	-	-
Options outstanding, end of year	2,65,000	10.00
Options Exercisable	-	-

Following summarises the information about stock options outstanding as at March 31, 2010

Plan	Range of exercise price	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average Exercise Price (Rs.)
ESOS-1	Rs. 10.00	1,25,000	2.50	10.00
ESOS-2	Rs. 10.00	1,40,000	3.01	10.00
ESOS-3	Rs. 10.00	2,05,000	3.50	10.00

Following summarises the information about stock options outstanding as at March 31, 2009

Plan	Range of exercise price	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average Exercise Price (Rs.)
ESOS-1	Rs. 10.00	1,25,000	3.50	10.00
ESOS-2	Rs. 10.00	1,40,000	4.01	10.00

Fair Value methodology

The fair value of options used to compute proforma net income and earnings per equity share have been estimated on the dates of each grant using the Black and Scholes model. The shares of Company are not listed on any stock exchange. Accordingly, the Company has considered the volatility of the Company's stock price as zero, since historical volatility of similar listed enterprise was not available. The various assumptions considered in the pricing model for the stock options granted by the Company during the year ended March 31, 2010 are :

Particulars	March 31, 2010	March 31, 2009
Dividend yield	Nil	Nil
Expected volatility	Nil	Nil
Risk- free interest rate	6.81%	7.66% to 7.69%
Expected life of the option	1 to 5 years	1 to 5 years

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For the year ended March 31, 2010

Impact of fair value method on net profit and EPS

Had compensation cost for the Company's stock option plans outstanding been determined based on the fair value approach, the Company's net profit and earnings per share would have been as per the proforma amounts indicated below :

	(Rs. lacs)	
Particulars	March 31, 2010	March 31, 2009
Net Profit / (Loss) (as reported)	9,92	(9,28)
Less : Stock based compensation expense determined under fair value based method (proforma)	(2)	(2)
Net Profit (proforma)	9,90	(9,30)
	(Rs.)	(Rs.)
Basic earnings per share (as reported)	0.94	(0.88)
Basic earnings per share (proforma)	0.94	(0.89)
Diluted earnings per share (as reported)	0.94	(0.88)
Diluted earnings per share (proforma)	0.94	(0.89)

Impact of fair value method on net profit and EPS of the Group

Had compensation cost for the stock option plans outstanding been determined based on the fair value approach, the Group's net profit and earnings per share would have been as per the proforma amounts indicated below :

	(Rs. lacs)	
Particulars	March 31, 2010	March 31, 2009
Net Profit (as reported)	3,003,65	2,248,99
Less : Stock based compensation expense determined under fair value based method (proforma)	165,18	103,42
Net Profit (proforma)	2,838,47	2,145,57
	(Rs.)	(Rs.)
Basic earnings per share (as reported)	68.82	52.95
Basic earnings per share (proforma)	65.04	50.51
Diluted earnings per share (as reported)	68.12	52.69
Diluted earnings per share (proforma)	64.37	50.26

6. Dividend in respect of Shares to be allotted on Exercise of Stock Options

Any allotment of shares after the Balance Sheet date but before the book closure date pursuant to the exercise of options during the said period will be eligible for full dividend, if approved at the ensuing Annual General Meeting.

7. Upper and Lower Tier II Capital and Innovative Perpetual Debt Instruments

Subordinated debt (Lower Tier II capital), Upper Tier II capital and innovative perpetual debt instruments outstanding as at March 31, 2010 are Rs. 3,393,20 lacs (previous year : Rs. 3,459,70 lacs), Rs. 2,759,90 lacs (previous year : Rs. 2,818,10 lacs) and Rs. 200,00 lacs (previous year : Rs. 200,00 lacs) respectively.

8. Investments

- Investments include securities of Face Value (FV) aggregating Rs. 1,000,25 lacs (previous year : FV Rs. 1,111,70 lacs) which are kept as margin for clearing of securities and of FV Rs. 7,135,00 lacs (previous year : FV Rs. 5,548,54 lacs)

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which are kept as margin for Collateral Borrowing and Lending Obligation (CBLO) with the Clearing Corporation of India Ltd.

- Investments include securities of FV aggregating Rs. 6,00 lacs (previous year : FV Rs. 5,70 lacs) which are kept as margin with National Securities Clearing Corporation of India Ltd. (NSCCIL) and of FV Rs. 5,00 lacs (previous year : FV Rs. 4,75 lacs) which are kept as margin with Multi Commodity Exchange of India Ltd. (MCX).
- Investments having FV amounting to Rs. 29,810,78 lacs (previous year : FV Rs. 16,035,13 lacs) are kept as margin with the Reserve Bank of India towards Real Time Gross Settlement (RTGS).
- Other investments include certificate of deposits : Rs. 589,15 lacs (previous year : Rs. 1,383,25 lacs), commercial paper : Rs. 18,84 lacs (previous year : Rs. 94,60 lacs), investments in equity mutual fund units : Rs. 1,00 lacs (previous year : Rs. 68 lacs), security receipts issued by Reconstruction Companies : Rs. 8,78 lacs (previous year : Rs.10,69 lacs), deposits with NABARD under the RIDF Deposit Scheme : Rs. 4,197,11 lacs (previous year : Rs. 2,527,11 lacs), deposits with SIDBI and NHB under the Priority / Weaker Sector Lending Schemes : Rs. 1,297,19 lacs (previous year : Rs. 505,49 lacs).

9. Other Fixed Assets (including Furniture and Fixtures)

It includes amount capitalized on software, website cost and Bombay Stock Exchange Card. Details regarding the same are tabulated below :

	(Rs. lacs)	
Particulars	March 31, 2010	March 31, 2009
Cost as at March 31 of the previous year	557,17	373,36
Additions during the year / on Amalgamation	73,64	183,81
Accumulated depreciation as at March 31	(376,75)	(307,03)
Net value as at March 31 of the current year	254,06	250,14

10. Other Assets

- Other assets include deferred tax asset (net) of Rs. 844,15 lacs (previous year : Rs. 861,92 lacs). The break up of the same is as follows :

	(Rs. lacs)	
Particulars	March 31, 2010	March 31, 2009
Deferred tax asset arising out of		
Loan loss provisions	552,25	614,10
Employee Benefits	43,60	53,56
Others	346,55	283,22
Total	942,40	950,88
Deferred tax liability arising out of		
Depreciation	(98,25)	(88,96)
Total	(98,25)	(88,96)
Deferred Tax Asset (net)	844,15	861,92

HDB Financial Services Ltd has deferred tax asset amounting to Rs. 52 lacs (previous year : Rs. 3,67 lacs). The Company has not recognized such asset in its books by virtue of not having virtual / reasonable certainty that there will be sufficient future taxable income against which such deferred tax assets can be realised.

- Other Assets includes deposits of Rs. 2,11 (previous year : Rs. 2,86 lacs) maintained by HDFC Securities Ltd. with the Stock Exchange.

11. Provisions, Contingent Liabilities and Contingent Assets

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.

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For the year ended March 31, 2010

a) Movement in provision for credit card reward points

(Rs. lacs)

Particulars	March 31, 2010	March 31, 2009
Opening provision for reward points	33,57	34,98
Provision for reward points made during the year	17,78	17,31
Utilisation / Write back of provision for reward points	(8,83)	(8,49)
Effect of change in rate for accrual of reward points	(1,33)	1,44
Effect of change in cost of reward points	(7,19)	(11,67)
Closing provision for reward points	34,00	33,57

b) Description of contingent liabilities

Sr. No.	Contingent liability*	Brief description
1.	Claims against the Group not acknowledged as debts - taxation	The Group is a party to various taxation matters in respect of which appeals are pending. The Group expects the outcome of the appeals to be favorable based on decisions on similar issues in the previous years by the appellate authorities.
2.	Claims against the Group not acknowledged as debts - others	The Group is a party to various legal proceedings in the normal course of business. The Group does not expect the outcome of these proceedings to have a material adverse effect on the Group's financial conditions, results of operations or cash flows.
3.	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 of financial instruments such as foreign exchange contracts and derivatives provide a basis for comparison with instruments recognised on the Balance Sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market rates or prices relative to their terms.
4.	Guarantees given on behalf of constituents, acceptances, endorsements and other obligations	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 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.
5.	Other items for which the Group is contingently liable respect of securitized- out loans.	These include : a) Credit enhancements in b) Bills rediscounted by the Bank. c) Capital commitments. d) Repo borrowings.

*Also refer Schedule 12 – Contingent liabilities

12. 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.

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For the year ended March 31, 2010

13. Employee Benefits

Gratuity		(Rs. lacs)	
Particulars	March 31, 2010	March 31, 2009	
Reconciliation of opening and closing balance of the present value of the defined benefit obligation			
Present value of obligation as at April 1	73,19	38,43	
Addition due to amalgamation	-	21,47	
Interest cost	5,95	4,46	
Current service cost	21,30	16,67	
Benefits paid	(4,93)	(4,14)	
Actuarial (gain) / loss on obligation :			
Experience adjustment	(5,05)	4,83	
Assumption change	9,64	(8,53)	
Present value of obligation as at March 31	10,010	73,19	
Reconciliation of opening and closing balance of the fair value of the plan assets			
Fair value of plan assets as at April 1	45,67	22,55	
Addition due to amalgamation	-	11,39	
Expected return on plan assets	3,92	3,18	
Contributions	16	16,25	
Benefits paid	(4,93)	(4,14)	
Actuarial gain / (loss) on plan assets :			
Experience adjustment	7,42	(3,68)	
Assumption change	-	12	
Fair value of plan assets as at March 31	52,24	45,67	
Amount recognised in Balance Sheet			
Fair value of plan assets as at March 31	52,24	45,67	
Present value of obligation as at March 31	(100,10)	(73,19)	
Asset / (Liability) as at March 31	(47,86)	(27,52)	
Expenses recognised in Profit and Loss Account			
Interest Cost	5,95	4,46	
Current Service cost	21,30	16,67	
Expected return on plan assets	(3,92)	(3,18)	
Net Actuarial (gain) / loss recognised in the year	(2,82)	(14)	
Net Cost	20,51	17,80	
Actual return on plan assets	11,33	(37)	
Estimated contribution for the next year	12,84	15,88	
Assumptions (HDFC Bank Limited)			
Discount rate	8.4% per annum	8.0% per annum	
Expected return on plan assets	8.0% per annum	8.0% per annum	
Salary escalation rate	8.5% per annum	7.5% per annum	
Assumptions (HDFC Securities Limited)			
Discount rate	8.25% per annum	7.5% per annum	
Expected return on plan assets	8.0% per annum	8.0% per annum	
Salary escalation rate	5.0% per annum	5.0% per annum	
Assumptions (HDB Financial Services Limited)			
Discount rate	8.4% per annum	8.0% per annum	
Expected return on plan assets	8.0% per annum	8.0% per annum	
Salary escalation rate			
General	5.0% per annum	10.0% per annum	
Others	5.0% per annum	10.0% per annum	

Schedules to the Consolidated Accounts

For the year ended March 31, 2010

Pension	(Rs. lacs)	
Particulars	March 31, 2010	March 31, 2009
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	34,60	-
Addition due to amalgamation	-	39,29
Interest cost	2,73	2,96
Current service cost	1,21	1,44
Benefits paid	(4,28)	(4,63)
Actuarial (gain) / loss on obligation :		
Experience adjustment	2,12	(8,06)
Assumption change	4,32	3,60
Present value of obligation as at March 31	40,70	34,60
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	36,90	-
Addition due to amalgamation	-	13,96
Expected return on plan assets	3,03	2,03
Contributions	46	28,86
Benefits paid	(4,27)	(4,63)
Actuarial gain / (loss) on plan assets :		
Experience adjustment	2,78	(2,69)
Assumption change	(12)	(63)
Fair value of plan assets as at March 31	38,78	36,90
Amount recognised in Balance sheet		
Fair value of plan assets as at March 31	38,78	36,90
Present value of obligation as at March 31	(40,70)	(34,60)
Asset / (Liability) as at March 31	(1,92)	2,30
Expenses recognised in Profit and Loss Account		
Interest Cost	2,73	2,96
Current Service cost	1,21	1,44
Expected return on plan assets	(3,03)	(2,03)
Net Actuarial (gain) / loss recognised in the year	3,78	(1,14)
Net Cost	4,69	1,23
Actual return on plan assets	5,69	(1,29)
Estimated contribution for the next year	2,00	49
Assumptions		
Discount rate	8.4% per annum	8.0% per annum
Expected return on plan assets	8.0% per annum	8.0% per annum
Salary escalation rate	8.5% per annum	7.5% per annum

Expected rate of return on investments is determined based on the assessment made by the Group at the beginning of the year with regard to its existing portfolio. The Group's investments have been made in insurance funds and securities.

The Group does not have any unfunded defined benefit plan.

The Group contributed Rs. 83,69 lacs (previous year : Rs. 85,78 lacs) to the provident fund and Rs. 22,97 (previous year Rs. 18,16 lacs) to the superannuation plan respectively.

Schedules to the Consolidated Accounts

For the year ended March 31, 2010

Compensated Absences

The actuarial liability of compensated absences of accumulated privileged and sick leaves of the employees of the Group as of March 31, 2010 are given below :

	(Rs. lacs)	
Particulars	March 31, 2010	March 31, 2009
Privileged leave	94,04	103,24
Sick leave	22,82	24,81
Total actuarial liability	116,86	128,05
Assumptions (HDFC Bank Limited)		
Discount rate	8.4% per annum	8.0% per annum
Salary escalation rate	8.5% per annum	7.5% per annum
Assumptions (HDFC Securities Limited)		
Discount rate	8.25% per annum	7.5% per annum
Salary escalation rate	5.0% per annum	5.0% per annum
Assumptions (HDB Financial Securities Limited)		
Discount rate	8.4% per annum	8.0% per annum
Salary escalation rate		
General staff	5.0% per annum	10.0% per annum
Others	5.0% per annum	2.0% per annum

14 Segment Reporting

Summary of the operating segments of the Group is given below

	(Rs. lacs)	
Particulars	March 31, 2010	March 31, 2009
1. Segment Revenue		
a) Treasury	4,622,82	4,917,01
b) Retail Banking	15,561,73	14,880,83
c) Wholesale Banking	8,162,04	10,605,84
d) Other Banking Operations	2,610,29	2,273,80
e) Unallocated	(3,89)	3,41
Total	30,952,99	32,680,89
Less : Inter Segment Revenue	10,686,00	12,930,35
Income from Operations	20,266,99	19,750,54
2. Segment Results		
a) Treasury	673,48	488,18
b) Retail Banking	1,596,80	1,268,92
c) Wholesale Banking	1,978,62	1,242,26
d) Other Banking Operations	735,68	654,41
e) Unallocated	(565,57)	(335,72)
Total Profit Before Tax, Minority Interest & Earnings from Associates	4,419,01	3,318,05
Income Tax expense	(1,386,09)	(1,065,92)
Net Profit Before Minority Interest & Earnings from Associates	3,032,92	2,252,13

Schedules to the Consolidated Accounts

For the year ended March 31, 2010

14 Segment Reporting (Contd...)

Particulars	March 31, 2010	March 31, 2009
3. Capital Employed		
Segment assets		
a) Treasury	75,532,34	66,380,51
b) Retail Banking	68,765,97	58,073,00
c) Wholesale Banking	65,691,21	46,049,91
d) Other Banking Operations	4,313,81	4,034,70
e) Unallocated	8,644,15	8,864,63
Total Assets	222,947,48	183,402,75
Segment liabilities		
a) Treasury	12,915,69	2,685,84
b) Retail Banking	112,042,29	92,400,30
c) Wholesale Banking	65,017,22	58,321,76
d) Other Banking Operations	468,00	110,63
e) Unallocated	32,504,28	29,884,22
Total Liabilities	222,947,48	183,402,75
Net Segment assets / (liabilities)		
a) Treasury	62,616,65	63,694,67
b) Retail Banking	(43,276,32)	(34,327,30)
c) Wholesale Banking	673,99	(12,271,85)
d) Other Banking Operations	3,845,81	3,924,07
e) Unallocated	(23,860,13)	(21,019,59)
4. Capital Expenditure (including net CWIP)		
a) Treasury	90,51	41,59
b) Retail Banking	562,61	405,68
c) Wholesale Banking	131,21	132,80
d) Other Banking Operations	607,01	109,47
e) Unallocated	-	-
Total	845,03	689,54
5. Depreciation		
a) Treasury	38,09	46,03
b) Retail Banking	266,22	227,16
c) Wholesale Banking	65,93	69,01
d) Other Banking Operations	33,80	27,42
e) Unallocated	-	-
Total	404,04	369,62

Schedules to the Consolidated Accounts

For the year ended March 31, 2010

15 Related Party Disclosures

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.

Enterprises under common control of the promoter

HDFC Asset Management Company Ltd.

HDFC Standard Life Insurance Company Ltd.

HDFC Developers Ltd.

HDFC Holdings Ltd.

HDFC Investments Ltd.

HDFC Trustee Company Ltd.

GRUH Finance Ltd.

HDFC Realty Ltd.

HDFC Ergo General Insurance Company Ltd.

HDFC Venture Capital Ltd.

HDFC Ventures Trustee Company Ltd.

HDFC Sales Pvt. Ltd.

HDFC Property Ventures Ltd.

HDFC Asset Management Company (Singapore) Pte. Ltd.

Griha Investments

Associates

SolutionNET India Pvt. Ltd. (ceased to be an associate from May 5, 2009)

Softcell Technologies Ltd.

Atlas Documentary Facilitators Company Pvt. Ltd.

HBL Global Pvt. Ltd.

Centillion Solutions and Services Pvt. Ltd.

Kairoleaf Analytics Pvt. Ltd. (ceased to be an associate from March 30, 2009)

International Asset Reconstruction Company Pvt. Ltd.

Key Management Personnel

Aditya Puri, Managing Director

Paresh Sukthankar, Director

Harish Engineer, Director

Related Party to Key Management Personnel

Salisbury Investments Pvt. Ltd.

Sudha Engineer

Schedules to the Consolidated Accounts

For the year ended March 31, 2010

The Group's related party balances and transactions for the year ended March 31, 2010 are summarized as follows :

(Rs. lacs)

Items / Related Pary	Promoter	Enterprises Under Common Control of the Promoter	Associates	Key Management Personnel	Relatives of Key Management Personnel	Total
Deposits	2,428,79	229,12	41,05	6,17	1,94	2,707,07
Placement of Deposits	15	43	34,46	2,22	4,28	41,54
Advances	-	-	4,38	73	-	5,11
Purchase of fixed assets	-	-	2,00	-	-	2,00
Interest received	-	-	14	3	-	17
Rendering of Services	77,10	590,46	19,23	-	-	686,79
Receiving of Services	1,05	50,60	463,14	48	66	515,93
Amount received on Equity Share Warrants Issued	3,608,06	-	-	-	-	3,608,06
Equity Investment	-	-	44,19	-	-	44,19
Dividend paid	52,44	30,00	-	-	-	82,44
Dividend received on equity investment	-	-	9	-	-	9
Accounts Receivable	12,93	97,00	-	-	-	109,93
Accounts Payable	15	-	27,93	-	-	28,08
Management Contracts	-	-	-	11,18	-	11,18
Loans Purchased	4,870,29	-	-	-	-	4,870,29
Financial assets sold to securitization or reconstruction company	-	-	4,20	-	-	4,20

HDFC Bank being an authorised dealer, deals in foreign exchange and derivative transactions with certain parties which includes the promoter and related group companies. The foreign exchange and derivative transactions are undertaken in line with the RBI guidelines. The notional principal amount of foreign exchange and derivative contracts transacted with the promoter that were outstanding as on March 31, 2010 is Rs. 970,12 lacs (previous year : Rs. 4,632,97 lacs). The contingent credit exposure pertaining to these contracts computed in line with the extant RBI guidelines on exposure norms is Rs. 15,36 lacs (previous year : Rs. 361,31lacs).

The Group's related party balances and transactions for the year ended March 31, 2009 are summarized as follows :

(Rs. lacs)

Items / Related Pary	Promoter	Enterprises Under Common Control of the Promoter	Associates	Key Management Personnel	Relatives of Key Management Personnel	Total
Deposits	710,73	117,96	43,07	6,27	1,36	879,39
Placement of Deposits	2	18	29,00	-	3,50	32,70
Purchase of fixed assets	-	-	15,89	-	-	15,89
Rendering of Services	56,10	540,63	18,10	-	-	614,83
Receiving of Services	1,03	23,44	497,14	-	54	522,15
Amount received on Equity Share Warrants Issued	400,92	-	-	-	-	400,92
Equity Investment	-	-	34,71	-	-	34,71
Dividend paid	44,58	-	-	-	-	44,58
Dividend received on equity investment	-	-	10	-	-	10
Accounts Receivable	3,72	70,25	-	-	-	73,97
Accounts Payable	-	-	38,02	-	-	38,02
Management Contracts	-	-	-	7,30	-	7,30
Loans Purchased	4,245,21	-	-	-	-	4,245,21
Assignment of Loans	1,961,55	-	-	-	-	1,961,55

Schedules to the Consolidated Accounts

For the year ended March 31, 2010

16. Leases

The details of maturity profile of future operating lease payments are given below:

(Rs. lacs)		
Period	March 31, 2010	March 31, 2009
Not later than one year	386,59	324,43
Later than one year and not later than five years	1,348,31	1,103,47
Later than five years	679,87	546,66
Total	2,414,77	1,974,56
The total of minimum lease payments recognized in the Profit and Loss Account for the year	419,03	385,90

Operating leases primarily comprise office premises and staff residences, which are renewable at the option of the Group.

17. Changes in Accounting Estimates

HDFC Bank Ltd.

Useful Life of Assets

During the year ended March 31, 2009, the Bank changed the useful life of software, automated teller machines (ATM's) and certain other fixed assets prospectively from April 1, 2008. Where there is a revision of the estimated useful life of an asset, the unamortised depreciable amount will be charged over the revised remaining useful life. This change in estimate has resulted in the profit after tax for the year ended March 31, 2009 being higher by Rs. 31,71 lacs.

18. Small and Micro Industries

HDFC Bank Ltd.

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments.

HDFC Securities Ltd.

On the basis of the intimations received from suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 there are five (previous year : nine) suppliers registered under the said Act, and there are no amounts unpaid to these suppliers as at the year end.

HDB Financial Services Ltd.

The Company has received intimation from a supplier regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and amount unpaid as at March 31, 2010 is Rs. 0.3 lacs (previous year : Rs. 36 lacs).

19. Comparative figures

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

For and on behalf of the Board

Jagdish Capoor

Chairman

Aditya Puri

Managing Director

Sanjay Dongre

*Executive Vice President (Legal) &
Company Secretary*

Mumbai, 24 April, 2010

Harish Engineer

Executive Director

Paresh Sukthankar

Executive Director

Keki M. Mistry

Ashim Samanta

Renu Karnad

Arvind Pande

C M Vasudev

Gautam Divan

Dr. Pandit Palande

Directors

AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To The Shareholders 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 31 March 2010 as stipulated in Clause 49 of the Listing Agreement of the Bank with the Stock Exchanges.

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

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

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

For Haribhakti & Co.
Chartered Accountants
FRN No. 103523W

Sd/-

Shailesh V. Haribhakti
Partner
Membership No: 30823

Place : Mumbai
Date : 24 April 2010

[Report on Corporate Governance pursuant to Clause 49 of the Listing Agreement 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 recognised 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. The Bank believes 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 maximisation 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 has a strength of eleven (11) Directors as on March 31, 2010. All the Directors other than Mr. Aditya Puri, Mr. Harish Engineer and Mr. Paresh Sukthankar are non-executive directors. The Bank has five independent directors and six non-independent directors. The Board consists of eminent persons with considerable professional expertise and experience in banking, finance, agriculture, small scale industries and other related fields.

None of the Directors on the Board is a member of more than ten (10) Committees and Chairman of more than five (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. Jagdish Capoor, Mr. Keki Mistry, Mrs. Renu Karnad, Mr. Aditya Puri, Mr. Harish Engineer and Mr. Paresh Sukthankar are non-independent directors on the Board.
- Mr. Arvind Pande, Mr. Ashim Samanta, Mr. Gautam Divan, Mr. C. M. Vasudev and Dr. Pandit Palande are independent directors on the Board.
- Mr. Keki Mistry and Mrs. Renu Karnad represent HDFC Limited on the Board of the Bank.
- 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. The Senior Management have made disclosures to the Board confirming that there are no material, financial

and/or commercial transactions between them and the Bank which could have potential conflict of interest with the Bank at large.

- None of the directors are related to each other.

COMPOSITION AND PROFILE OF THE BOARD OF DIRECTORS

The composition and profile of the Board of Directors of the Bank as on March 31, 2010 is as under:

Mr. Jagdish Capoor

Mr. Jagdish Capoor holds a Master's degree in Commerce and is a Fellow of Indian Institute of Banking and Finance. Prior to joining the Bank, Mr. Capoor was the Deputy Governor of the Reserve Bank of India. He retired as Deputy Governor of the Reserve Bank of India after serving for 39 years. While with Reserve Bank of India, Mr. Capoor was the Chairman of the Deposit Insurance and Credit Guarantee Corporation of India and Bharatiya Reserve Bank Note Mudran Limited. He also served on the boards of Export Import Bank of India, National Housing Bank, National Bank for Agriculture and Rural Development (NABARD) and State Bank of India.

Mr. Capoor is on the Board of the Asset Care Enterprise Limited, The Indian Hotels Company Limited, LIC Pension Fund Limited, Quantum Trustee Co. Pvt. Ltd, Sumati Capoor Charitable Trust and The Stock Exchange Investors' Protection Fund. He is also a member of the Board of Governors of the Indian Institute of Management, Indore.

Mr. Capoor is a member of the Audit Committee of The Indian Hotels Company Limited. He is Chairman of Audit Committee of Quantum Trustee Company Private Limited as well as of LIC Pension Fund Limited.

Mr. Capoor holds 500 equity shares in the Bank as on March 31, 2010.

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. Aditya Puri has been the Managing Director of the Bank since September 1994. He has about 36 years of banking experience in India and abroad.

Prior to joining the Bank, Mr. Puri was the Chief Executive Officer of Citibank, Malaysia from 1992 to 1994. Mr. Puri is not a director on the Board of any other company in India or abroad.

Mr. Puri holds 3,37,953 equity shares in the Bank as on March 31, 2010.

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 of several HDFC group companies including HDFC Bank. Mr. Mistry has been deputed on consultancy assignments for the Commonwealth Development Corporation (CDC) in Thailand, Mauritius, Caribbean Islands and Jamaica. He has also worked as a consultant for the Mauritius Housing Company and Asian Development Bank.

Mr. Mistry is the Vice Chairman & Chief Executive Officer of Housing Development Finance Corporation Limited and Chairman of GRUH Finance Limited. He is also a Director on the Board of HDFC Developers Limited, Shrenuj & Company Limited, HDFC Standard Life Insurance Co. Ltd., HDFC ERGO General Insurance Co. Limited, Infrastructure Leasing & Financial Services Limited, Sun Pharmaceutical Industries Limited, The Great Eastern Shipping Company Limited, NexGen Publishing Limited, HDFC Asset Management Company Limited, Greatship (India) Limited, Intelenet Global Services Pvt. Ltd., Griha Investments-Mauritius, Association of Leasing & Financial Services Companies, India Value Fund Advisors Pvt. Limited and Torrent Power Limited.

Mr. Mistry is the Chairman of the Audit Committee of HDFC ERGO General Insurance Company Limited, Sun Pharmaceutical Industries Limited and The Great Eastern Shipping Company Limited. He is member of the Audit Committee of HDFC Standard Life Insurance Company Limited, GRUH Finance Limited, Infrastructure Leasing & Financial Services Limited, HDFC Asset Management Company Limited, Shrenuj & Company Limited and Greatship (India) Limited. He is also a member of Investors Grievance Committee of Housing Development Finance Corporation Limited, Remuneration Committee and Investment Committee of GRUH Finance Limited and Share Transfer Committee of Infrastructure Leasing & Financial Services Limited.

Mr. Mistry holds 58,383 equity shares in the Bank as on March 31, 2010.

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 on the Board of Housing Development Finance Corporation Limited, HDFC Venture Capital Limited, HDFC Property Ventures Limited, HDFC Sales Private Limited, HDFC Asset Management Company Limited, GRUH Finance Limited, Credit Information Bureau (India) Limited, HDFC ERGO General Insurance Company Limited, ICI India Limited, Indraprastha Medical Corporation Limited, HDFC Standard Life Insurance Company Limited, Sparsh BPO Services Limited, G4S Corporate Services (India) Private Limited, Bosch Limited, Feedback Ventures Private Limited, Value And Budget Housing Corporation (India) Pvt. Ltd., Transunion LLC, Chicago and HDFC Plc, Maldives.

Mrs. Karnad is the Chairperson of the Audit Committee of ICI India Limited, Credit Information Bureau (India) Limited and Bosch Limited. She is a member of the Audit Committee of HDFC ERGO General Insurance Company Limited and Bosch Limited. She is the Chairperson of the Remuneration Committee of ICI India Limited. She is also a member of Investment Committee, Compensation Committee, Compensation-ESOS Committee, Committee of Directors of GRUH Finance Limited; Customer Service Committee and Risk Management Committee of HDFC Asset Management Company Limited; Remuneration Committee of Credit Information Bureau (India) Limited and Sparsh BPO Services Limited; and Investor Grievance Committee, Investment Sub-Committee and Property Sub-Committee of Bosch Limited. She is also the Chairperson of the Compensation Committee of HDFC Standard Life Insurance Co. Ltd.

Mrs. Karnad holds 58,924 equity shares in the Bank as on March 31, 2010.

Mr. Arvind Pande

Mr. Arvind Pande holds a Bachelor of Science degree from Allahabad University and a B.A. (Hons.) and M.A. (Economics) degree from Cambridge University, U.K. He started his career in Indian Administrative Services and has held various responsible positions in the Government of India. He was a Joint Secretary to the Prime Minister of India for Economics, Science and Technology issues. Mr. Pande has been a Director, Department of Economic Affairs, Ministry of Finance, Government of India and has dealt with World Bank aided projects. Mr. Pande has also served on the Board of Steel Authority of India Limited as its Chairman and Chief Executive Officer (CEO).

Mr. Pande is a Director of Sandhar Technologies Limited, Visa Steel Limited, Era Infra Engineering Limited, Coal India Limited and Bengal Aerotropolis Projects Limited. He is a member of the Audit Committee of Coal India Limited, Visa Steel Limited and Era Infra Engineering Limited.

Mr. Pande does not hold equity shares in the Bank as on March 31, 2010.

Mr. Ashim Samanta

Mr. Ashim Samanta holds a Bachelor of Commerce degree from University of Mumbai and has wide and extensive business experience of nearly 35 years. He has vast experience in the field of bulk drugs and fine chemicals.

He is a Director of Samanta Organics Private Limited, Nautilus Trading & Leasing Private Limited, Ashish Rang Udyog Private Limited, Shakti Cine Studios Private Limited, Samanta Movies Private Limited and Shringer Films Ltd. Mr. Samanta has also been engaged in setting up and running of film mixing, editing and dubbing studio.

Mr. Samanta holds 600 equity shares in the Bank as on March 31, 2010.

Mr. C. M. Vasudev

Mr. C. M. Vasudev holds a Master's Degree in Economics and Physics. He joined the Indian Administrative Services in 1966. Mr. Vasudev has worked as an Executive Director of World Bank representing India, Bangladesh, Sri Lanka and Bhutan. Mr. Vasudev has extensive experience of working at policy making levels in the financial sector and was responsible for laying down policies and oversight of management. He chaired World Bank's Committee on Development Effectiveness with responsibility of ensuring effectiveness of World Bank's operations. Mr. Vasudev has also worked as Secretary, Ministry of Finance for more than 8 years and has undertaken various assignments viz. Secretary, Department of Economic Affairs, Department of Expenditure, Department of Banking and Additional Secretary, Budget with responsibility for framing the fiscal policies and policies for economic reforms and for coordinating preparation of budgets of the Government of India and monitoring its implementation. He has worked as a Government nominee Director on the Boards

of many companies in the financial sector including State Bank of India, IDBI, ICICI, IDFC, NABARD, National Housing Bank and also on the Central Board of the Reserve Bank of India. He was also member secretary of the Narasimhan Committee on financial sector reforms. He also chaired a Committee on reforms of the NBFC sector. He also worked as Joint Secretary of Ministry of Commerce with responsibility for state trading, trade policy including interface with WTO.

Mr. Vasudev is a Director on the Board of ICRA Management Consultancy Services Limited, NOIDA Power Company Limited, Uttarakhand Jal Vidyut Nigam Ltd, Star Paper Mills Limited and Insync Advisory Services Private Limited. He is a member of Audit Committee and the Chairman of Remuneration Committee of ICRA Management Consultancy Services Limited and member of Audit Committee of NOIDA Power Company Limited.

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

Mr. Vasudev does not hold equity shares in the Bank as on March 31, 2010.

Mr. Gautam Divan

Mr. Gautam Divan holds a Bachelor's degree in Commerce and is a fellow member of the Institute of Chartered Accountants of India. Mr. Divan is a partner in Rahul Gautam Divan & Associates, Chartered Accountants. Mr. Divan has wide experience in financial and taxation planning of individuals and limited companies and auditing accounts of large public limited companies and nationalized banks. Mr. Divan has substantial experience in structuring overseas investments to and from India. He is the financial expert on the Audit Committee of the Bank.

Mr. Divan is on the Board of HDFC Standard Life Insurance Company Limited, Baltic Consultancy & Services Private Limited, Brady & Morris Engineering Company Limited, Chandabhoy and Jassoobhoy Consultants Private Limited, Serendib Investments Private Limited and Asian Hotels (North) Ltd. He is the Chairman of Audit Committee and a member of Technical Review Committee of HDFC Standard Life Insurance Company Limited.

Mr. Divan does not hold any equity shares in the Bank as on March 31, 2010.

Dr. Pandit Palande

Dr. Pandit Palande has a Ph.D. degree in Business Administration and has completed an Advanced Course in Management from Oxford University and the Warwick University in UK. Dr. Palande has been working as a director of School of Commerce and Management for 19 years in Yashwantrao Chavan Maharashtra Open University ("YCMOU"). Dr. Palande is Ex. Pro-Vice Chancellor of YCMOU.

Dr. Palande has extensive experience of working in the fields of business administration, management and agriculture. Under the guidance of Dr. Palande, YCMOU has become one of the green universities in India. As a Project Director of Indian Space Research Organisation ("ISRO") GAP-3 of YCMOU, Dr. Palande has been serving the academic and agriculture community on a large scale through satellite.

Dr. Palande is not a director on the Board of any other company in India or abroad.

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

Dr. Palande does not hold equity shares in the Bank as on March 31, 2010.

Mr. Harish Engineer

Mr. Harish Engineer is a Science Graduate from Mumbai University and holds a Diploma in Business Management from Hazarimal Somani College, Mumbai. Mr. Engineer has been associated with the Bank since 1994 in various capacities and is responsible for Wholesale Banking at present. Mr. Engineer has over 40 years of experience in the fields of finance and banking. Prior to joining the Bank, Mr. Engineer worked with Bank of America for 26 years in various areas including operations and corporate credit management.

Mr. Engineer is not a director on the Board of any other company in India. He is a member of the Board of Boston Analytics, Boston (USA).

Mr. Engineer holds 50,100 equity shares in the Bank as on March 31, 2010.

Mr. Paresh Sukthankar

Mr. Paresh Sukthankar has done his Masters in Management Studies from Jamnalal Bajaj Institute of Management Studies, Mumbai. Mr. Sukthankar has been associated with the Bank since 1994 in various senior capacities and has direct or supervisory responsibilities for the Credit & Market Risk and Finance functions and for various strategic initiatives of the Bank. Mr. Sukthankar has over 24 years of experience in the fields of finance and banking. Prior to joining the Bank, Mr. Sukthankar worked with Citibank for 9 years in various areas including corporate banking, risk management, financial control and credit administration.

Mr. Sukthankar is not a director on the Board of any other company in India or abroad.

Mr. Sukthankar holds 1,30,751 equity shares in the Bank as on March 31, 2010.

BOARD MEETINGS

During the year under review, six Board Meetings were held on April 23, 2009; July 14, 2009; October 14, 2009; December 21, 2009; January 15, 2010; and March 19, 2010.

Details of attendance at the Bank's Board Meetings held during the year under review, 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	5	3	3	2
Mr. Aditya Puri	6	Nil	Nil	Nil
Mr. Keki Mistry	5	13	10	3
Mrs. Renu Karnad	6	13	5	3
Mr. Arvind Pande	6	5	3	Nil
Mr. Ashim Samanta	6	1	Nil	Nil
Mr. C. M. Vasudev	5	4	2	Nil
Mr. Gautam Divan	6	3	1	1
Dr. Pandit Palande	6	Nil	Nil	Nil
Mr. Harish Engineer	6	Nil	Nil	Nil
Mr. Paresh Sukthankar	6	Nil	Nil	Nil

Note : As per Clause-49, the memberships / chairmanships of directors in Audit Committee and Shareholders' / Investors' Committee have been considered.

ATTENDANCE AT LAST AGM

All the directors of the Bank attended the previous Annual General Meeting held on July 14, 2009.

REMUNERATION OF DIRECTORS

Mr. Jagdish Capoor, Chairman :

During the year, Mr. Jagdish Capoor was paid remuneration of Rs. 15, 00,000/- per annum. Mr. Capoor has also availed Bank's leased accommodation subject to deduction of Rs. 10,000/- per month. Mr. Capoor is also paid sitting fees for attending Board and Committee meetings. The remuneration of the Chairman has been approved by the Reserve Bank of India and the shareholders.

Managing Director and other Executive Directors:

The details of the remuneration paid to Mr. Aditya Puri, Managing Director; Mr. Harish Engineer and Mr. Paresh Sukthankar, Executive Directors during the year 2009-10 are as under:

Particulars	Aditya Puri	Harish Engineer	Paresh Sukthankar
Basic	12360000	7140000	7140000
Allowances	10745806	6459459	6336574
Provident Fund	1483200	856800	856800
Superannuation	1854000	1071000	1071000
Performance Bonus	7643864	4437688	4437688
No. of Stock Options granted during the year	Nil	Nil	Nil

The remuneration of the Managing Director and the Executive Directors has been approved by the RBI and the shareholders.

The Bank provides for gratuity in the form of lump-sum payment on retirement or on death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service. The Bank makes annual contributions to funds administered by trustees and managed by insurance companies for amounts notified by the said insurance companies. The Bank accounts for the liability for future gratuity benefits based on an independent external actuarial valuation carried out annually.

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

No sitting fees are paid to Mr. Puri, Mr. Engineer and Mr. Sukthankar for attending meetings of Board of Directors and/or its Committees.

DETAILS OF REMUNERATION / SITTING FEES PAID TO DIRECTORS

All the non-executive directors other than the Chairman receive remuneration only by way of sitting fees for each meeting of the Board and its various committees. No stock options are granted to any of the non-executive directors.

Sitting fees @ Rs. 20,000/- per meeting is paid for attending each meeting of the Board and its various committees except for Investor Grievance (Share) Committee for which sitting fees @ Rs. 10,000/- for each meeting is paid to the directors.

The details of sitting fees paid to non-executive directors during the year are as under:

Name of the Director	Sitting Fees (Rs.)
Mr. Jagdish Capoor	6,40,000
Mr. Keki Mistry	5,20,000
Mrs. Renu Karnad	3,40,000
Mr. Arvind Pande	4,80,000
Mr. Ashim Samanta	5,20,000
Mr. C. M. Vasudev	3,60,000
Mr. Gautam Divan	9,10,000
Dr. Pandit Palande	5,60,000

COMPOSITION OF COMMITTEES OF DIRECTORS AND ATTENDANCE AT THE MEETINGS

The Board has constituted various 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. Arvind Pande. The other members of the Committee are Mr. Ashim Samanta, Mr. C. M. Vasudev, Mr. Gautam Divan and Dr. Pandit Palande. All the members of the Audit and Compliance Committee are independent directors and Mr. Gautam Divan is a Chartered Accountant and a financial expert.

The Committee met 8 (Eight) times during the year.

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* include the following:

- Overseeing the Bank's financial reporting process and ensuring correct, adequate and credible disclosure of financial information;
- Recommending appointment and removal of external auditors and fixing of their fees;
- 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;
- Reviewing the adequacy of the Audit and Compliance functions, including their policies, procedures, techniques and other regulatory requirements; and
- Any other terms of reference as may be included from time to time in Clause 49 of the Listing Agreement with the Stock Exchanges.

The Board has also adopted a charter for the Audit Committee in connection with certain United States regulatory standards as the Bank's securities are also listed on the New York Stock Exchange.

Compensation Committee

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

The Bank's compensation policy provides a fair and consistent basis for motivating and rewarding employees appropriately according to their job role / size, performance, contribution, skill and competence.

Mr. Jagdish Capoor, Mr. Ashim Samanta, Mr. Gautam Divan and Dr. Pandit Palande are the members of the Committee. The Committee is chaired by Mr. Jagdish Capoor. All the members of the Committee other than Mr. Capoor are independent directors.

The Committee met 6 (Six) times during the year.

Investor Grievance (Share) Committee

The Committee approves and monitors transfer, transmission, splitting and consolidation of shares. Allotment of shares to the employees on exercise of stock options granted under the various Employees Stock Option Schemes which are made in terms of the powers delegated by the Board in this regard, are placed before the Committee for ratification. The Committee also monitors redressal of complaints from shareholders relating to transfer of shares, non-receipt of Annual Report, dividends, etc.

The Committee consists of Mr. Jagdish Capoor, Mr. Aditya Puri and Mr. Gautam Divan. The Committee is chaired by Mr. Capoor. 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, 2010, 78 instruments of transfer representing 4346 shares were pending and since then the same have been processed. The details of the transfers are reported to the Board of Directors from time to time.

During the year under review 1888 complaints were received from the shareholders. All the complaints were attended to and as on 31st March 2010 no complaints remained unattended. Besides 10,907 letters were received from the shareholders relating to change of address, nomination requests, ECS / NECS Mandates, queries relating to annual reports and amalgamation, requests for revalidation of dividend and fractional warrants and other investor related matters. These letters have also been responded to.

The Committee met 15 (fifteen) times during the year.

Risk Monitoring Committee

The Committee has been formed as per the guidelines of Reserve Bank of India on 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 Mrs. Renu Karnad, Mr. Aditya Puri, Mr. C. M. Vasudev and Mr. Paresh Sukthankar. The Committee is chaired by Mrs. Renu Karnad.

The Committee met 6 (six) 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 consists of Mr. Jagdish Capoor, Mr. Aditya Puri, Mr. Keki Mistry and Mr. Gautam Divan. The Committee is chaired by Mr. Capoor.

The Committee met 15 (fifteen) 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 consists of Mrs. Renu Karnad, Mr. Aditya Puri, Mr. Ashim Samanta and Dr. Pandit Palande. The Committee is chaired by Mrs. Renu Karnad.

The Committee met 5 (five) times during the year.

Nomination Committee

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

- Academic qualifications, previous experience, 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. Arvind Pande, Mr. Ashim Samanta and Dr. Pandit Palande. The Committee is chaired by Mr. Arvind Pande. All the members of the Committee are independent directors.

The Committee met once during the year.

Fraud Monitoring Committee

Pursuant to the directions of the Reserve Bank of India, the Bank has constituted a Fraud Monitoring Committee, exclusively dedicated to the monitoring and following up of cases of fraud involving amounts of Rs.1 crore and above. The objectives of this Committee are the effective detection of frauds and immediate reporting of the frauds and actions taken against the perpetrators of frauds to the concerned regulatory and enforcement agencies. The terms of reference of the Committee are as under:

- Identify the systemic lacunae, if any, that facilitated perpetration of the fraud and put in place measures to plug the same;
- Identify the reasons for delay in detection, if any, reporting to top management of the Bank and RBI;
- Monitor progress of investigation by Central Bureau of Investigation / Police Authorities and recovery position;
- 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.
- Review the efficacy of the remedial action taken to prevent recurrence of frauds, such as strengthening of internal controls.
- 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. Arvind Pande and Mr. Gautam Divan. The Committee is chaired by Mr. Jagdish Capoor.

The Committee met 4 (four) times during the year.

Customer Service Committee

The Committee monitors the quality of services rendered to the customers and also ensures implementation of directives received from RBI in this regard. The terms of reference of the Committee are to formulate 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. Keki Mistry, Mr. Arvind Pande, Dr. Pandit Palande and Mr. Harish Engineer. The Committee is chaired by Mr. Arvind Pande.

The Committee met 4 (four) times during the year.

COMPOSITION OF COMMITTEES OF DIRECTORS AND THE ATTENDANCE AT THE MEETINGS

Audit & Compliance Committee [Total eight meetings held] <table><tr><th>Name</th><th>No. of meetings attended</th></tr><tr><td>Mr. Arvind Pande</td><td>8</td></tr><tr><td>Mr. Ashim Samanta</td><td>8</td></tr><tr><td>Mr. C. M. Vasudev</td><td>7</td></tr><tr><td>Mr. Gautam Divan</td><td>8</td></tr><tr><td>Dr. Pandit Palande</td><td>7</td></tr></table>	Name	No. of meetings attended	Mr. Arvind Pande	8	Mr. Ashim Samanta	8	Mr. C. M. Vasudev	7	Mr. Gautam Divan	8	Dr. Pandit Palande	7	Compensation Committee [Total six meetings held] <table><tr><th>Name</th><th>No. of meetings attended</th></tr><tr><td>Mr. Jagdish Capoor</td><td>5</td></tr><tr><td>Mr. Ashim Samanta</td><td>6</td></tr><tr><td>Mr. Gautam Divan</td><td>6</td></tr><tr><td>Dr. Pandit Palande</td><td>5</td></tr></table>	Name	No. of meetings attended	Mr. Jagdish Capoor	5	Mr. Ashim Samanta	6	Mr. Gautam Divan	6	Dr. Pandit Palande	5	Premises Committee [Total five meetings held] <table><tr><th>Name</th><th>No. of meetings attended</th></tr><tr><td>Mr. Aditya Puri</td><td>5</td></tr><tr><td>Mr. Ashim Samanta</td><td>5</td></tr><tr><td>Mrs. Renu Karnad</td><td>5</td></tr><tr><td>Dr. Pandit Palande</td><td>5</td></tr></table>	Name	No. of meetings attended	Mr. Aditya Puri	5	Mr. Ashim Samanta	5	Mrs. Renu Karnad	5	Dr. Pandit Palande	5
Name	No. of meetings attended																																	
Mr. Arvind Pande	8																																	
Mr. Ashim Samanta	8																																	
Mr. C. M. Vasudev	7																																	
Mr. Gautam Divan	8																																	
Dr. Pandit Palande	7																																	
Name	No. of meetings attended																																	
Mr. Jagdish Capoor	5																																	
Mr. Ashim Samanta	6																																	
Mr. Gautam Divan	6																																	
Dr. Pandit Palande	5																																	
Name	No. of meetings attended																																	
Mr. Aditya Puri	5																																	
Mr. Ashim Samanta	5																																	
Mrs. Renu Karnad	5																																	
Dr. Pandit Palande	5																																	
Credit Approval Committee [Total fifteen meetings held] <table><tr><th>Name</th><th>No. of meetings attended</th></tr><tr><td>Mr. Jagdish Capoor</td><td>12</td></tr><tr><td>Mr. Keki Mistry</td><td>14</td></tr><tr><td>Mr. Aditya Puri</td><td>9</td></tr><tr><td>Mr. Gautam Divan</td><td>14</td></tr></table>	Name	No. of meetings attended	Mr. Jagdish Capoor	12	Mr. Keki Mistry	14	Mr. Aditya Puri	9	Mr. Gautam Divan	14	Investor Grievance (Share) Committee [Total fifteen meetings held] <table><tr><th>Name</th><th>No. of meetings attended</th></tr><tr><td>Mr. Jagdish Capoor</td><td>14</td></tr><tr><td>Mr. Aditya Puri</td><td>9</td></tr><tr><td>Mr. Gautam Divan</td><td>15</td></tr></table>	Name	No. of meetings attended	Mr. Jagdish Capoor	14	Mr. Aditya Puri	9	Mr. Gautam Divan	15	Nomination Committee [Total one meeting held] <table><tr><th>Name</th><th>No. of meetings attended</th></tr><tr><td>Mr. Arvind Pande</td><td>1</td></tr><tr><td>Mr. Ashim Samanta</td><td>1</td></tr><tr><td>Dr. Pandit Palande</td><td>1</td></tr></table>	Name	No. of meetings attended	Mr. Arvind Pande	1	Mr. Ashim Samanta	1	Dr. Pandit Palande	1						
Name	No. of meetings attended																																	
Mr. Jagdish Capoor	12																																	
Mr. Keki Mistry	14																																	
Mr. Aditya Puri	9																																	
Mr. Gautam Divan	14																																	
Name	No. of meetings attended																																	
Mr. Jagdish Capoor	14																																	
Mr. Aditya Puri	9																																	
Mr. Gautam Divan	15																																	
Name	No. of meetings attended																																	
Mr. Arvind Pande	1																																	
Mr. Ashim Samanta	1																																	
Dr. Pandit Palande	1																																	
Customer Service Committee [Total four meetings held] <table><tr><th>Name</th><th>No. of meetings attended</th></tr><tr><td>Mr. Arvind Pande</td><td>4</td></tr><tr><td>Mr. Keki Mistry</td><td>4</td></tr><tr><td>Dr. Pandit Palande</td><td>4</td></tr><tr><td>Mr. Harish Engineer</td><td>4</td></tr></table>	Name	No. of meetings attended	Mr. Arvind Pande	4	Mr. Keki Mistry	4	Dr. Pandit Palande	4	Mr. Harish Engineer	4	Risk Monitoring Committee [Total six meetings held] <table><tr><th>Name</th><th>No. of meetings attended</th></tr><tr><td>Mr. Aditya Puri</td><td>6</td></tr><tr><td>Mrs. Renu Karnad</td><td>6</td></tr><tr><td>Mr. C. M. Vasudev</td><td>5</td></tr><tr><td>Mr. Paresh Sukthankar</td><td>6</td></tr></table>	Name	No. of meetings attended	Mr. Aditya Puri	6	Mrs. Renu Karnad	6	Mr. C. M. Vasudev	5	Mr. Paresh Sukthankar	6	Fraud Monitoring Committee [Total four meetings held] <table><tr><th>Name</th><th>No. of meetings attended</th></tr><tr><td>Mr. Jagdish Capoor</td><td>3</td></tr><tr><td>Mr. Aditya Puri</td><td>4</td></tr><tr><td>Mr. Keki Mistry</td><td>3</td></tr><tr><td>Mr. Arvind Pande</td><td>4</td></tr><tr><td>Mr. Gautam Divan</td><td>4</td></tr></table>	Name	No. of meetings attended	Mr. Jagdish Capoor	3	Mr. Aditya Puri	4	Mr. Keki Mistry	3	Mr. Arvind Pande	4	Mr. Gautam Divan	4
Name	No. of meetings attended																																	
Mr. Arvind Pande	4																																	
Mr. Keki Mistry	4																																	
Dr. Pandit Palande	4																																	
Mr. Harish Engineer	4																																	
Name	No. of meetings attended																																	
Mr. Aditya Puri	6																																	
Mrs. Renu Karnad	6																																	
Mr. C. M. Vasudev	5																																	
Mr. Paresh Sukthankar	6																																	
Name	No. of meetings attended																																	
Mr. Jagdish Capoor	3																																	
Mr. Aditya Puri	4																																	
Mr. Keki Mistry	3																																	
Mr. Arvind Pande	4																																	
Mr. Gautam Divan	4																																	

OWNERSHIP RIGHTS

Certain rights that a shareholder in a company enjoys:

- To transfer the shares and receive the share certificates upon transfer within the stipulated period prescribed in the Listing Agreement.
- To receive notice of general meetings, annual report, the balance sheet and profit and loss account and the auditors' report.
- To appoint proxy to attend and vote at the general meetings. In case the member is a body corporate, to appoint a representative to attend and vote at the general meetings of the company on its behalf.
- To attend and speak in person at general meetings. Proxy cannot vote on show of hands but can vote on a poll. In case of vote on poll, the number of votes of a shareholder is proportionate to the number of equity shares held by him.
- 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.
- To demand poll alongwith 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.
- To requisition an extraordinary general meeting of the company by shareholders who collectively hold not less than 1/10th of the total paid-up capital of the company.

Corporate Governance

- To move amendments to resolutions proposed at meetings.
- To receive dividend and other corporate benefits like rights, bonus shares, etc. as and when declared / announced.
- To inspect various registers of the company, minute books of general meetings and to receive copies thereof after complying with the procedure prescribed in the Companies Act, 1956.

GENERAL BODY MEETINGS

(During previous three financial years)

Meeting	Date and Time	Venue	No. of Special Resolutions passed
15 TH AGM	July 14, 2009 at 2.30 p.m.	Ravindra Natya Mandir, Sayani Road, Prabhadevi, Mumbai 400 025	3
14 TH AGM	June 10, 2008 at 3.00 p.m.	Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020	None
13 TH AGM	June 16, 2007 at 11:00 a.m.	Nehru Centre Auditorium, Discovery Of India Building, Worli, Mumbai 400 018	6
EGM	March 27, 2008 at 2.30 p.m.	Birla Matushri Sabhagar, Mumbai 400 020	3

POSTAL BALLOT

During the year under review, no resolutions were passed through postal ballot. No special resolution in the notice of the ensuing 16th Annual General Meeting is proposed to be conducted through postal ballot.

DISCLOSURES

1. During the year, the Bank has not entered into any materially significant transactions, 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. Details of related party transactions entered into during the year ended March 31, 2010 are given in Note No. 25 forming part of 'Notes to Accounts' under Schedule 18 of the financial statements.

- During the year 2009-10, no penalties are levied on the bank by regulatory authorities in relation to depository activities carried out.
- During the year 2008-09, National Securities Depository Limited ("NSDL") imposed a penalty of Rs. 2,45,750/- for DP IDs of erstwhile Centurion Bank of Punjab ("eCBOP") for the following reasons:
 - i. Rs. 2,21,750/- imposed on account of Non compliance with NSE's Certification in Financial Markets ("NCFM") guidelines issued by NSDL.

ii. Rs. 19,000/- imposed on account of incorrect PAN updations for certain depository clients.

iii. Rs. 5000/- imposed on account of non compliance observed during NSDL audit visit - Two cases were observed wherein slips reported lost / misplaced by the clients were not blocked in the back office.

- SEBI vide its order dated November 22, 2006, has intimated the appointment of Enquiry Officer and continuation of enquiry proceedings in the matter of IPO irregularities. The Bank vide its application for consent dated July 14, 2008 requested for settlement of the said case. Securities and Exchange Board of India ("SEBI") vide its consent order dated December 12, 2008 disposed off the enquiry proceedings against the Bank in the referred matter against payment of settlement amount of Rs. 1,00,000/- (Rupees One Lac Only).

The Bank had filed similar application on July 14, 2008 for consent in case of enquiry proceedings pending against eCBOP. SEBI vide its consent order no. CO/ISD/843/252/2009 dated July 29, 2009 disposed off the enquiry proceedings against the Bank in the referred matter against payment of settlement amount of Rs. 8,00,000/- (Rupees Eight Lacs Only).

- No penalties have been levied by the Reserve Bank of India during the years 2007 - 08, 2008 - 09 and 2009 - 10.
- Central Depository Services (India) Limited imposed a penalty of Rs. 15,100/- (Rupees Fifteen Thousand One Hundred Only) during the year 2007 - 08 on account of omissions during opening of accounts for certain depository clients which after providing relevant evidence was reduced to Rs. 4,000/- (Rupees Four Thousand Only)

Other than the above, no penalties or strictures were imposed on the Bank by any of the Stock Exchanges or any statutory authority on any matter relating to capital markets, during the last 3 years.

2. The financial statements of the Bank are prepared and presented under the historical cost convention and accrual basis of accounting, unless otherwise stated and comply with the generally accepted accounting principles, statutory requirements prescribed under Banking Regulation Act 1949, circulars and guidelines issued by the Reserve Bank of India from time to time, accounting standards issued by the Institute of Chartered Accountants of India and notified by the Companies Accounting Standard Rules, 2006 to the extent applicable and as per the current practices prevailing within the banking industry in India.

COMPLIANCE WITH MANDATORY REQUIREMENTS

The Bank has complied with all the mandatory requirements of the Code of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India.

COMPLIANCE WITH NON-MANDATORY REQUIREMENTS

a) Board of Directors

The Bank maintains the expenses relating to the office of non-executive Chairman of the Bank and reimburses all the expenses incurred in performance of his duties. Pursuant to Section 10(2A) of the Banking Regulation Act, 1949, all the directors, other than the Chairman and/or whole-time director, cannot hold office continuously for a period exceeding 8 (eight) years.

b) Remuneration Committee

The Bank has set-up a Compensation Committee of Directors to determine the Bank's policy on remuneration packages for all employees. The Committee comprises majority of independent directors. Mr. Jagdish Capoor is the Chairman of the Committee and is not an independent Director.

c) Shareholder's Rights

The Bank publishes its results on its website at www.hdfcbank.com which is accessible to the public at large. Besides, the same are also available on www.corpfiling.co.in. A half-yearly declaration of financial performance including summary of the significant events is presently not being sent separately to each household of shareholders. The Bank's results for each quarter are published in an English newspaper having a wide circulation and in a Marathi newspaper having a wide circulation in Maharashtra. Hence, half-yearly results are not sent to the shareholders individually.

d) Audit Qualifications

During the period under review, there is no audit qualification in the Bank's financial statements. The Bank continues to adopt best practices to ensure regime of unqualified financial statements.

e) Training of Board Members

The Bank's Board of Directors consists of professionals with expertise in their respective fields and industry. They endeavor to keep themselves updated with changes in global economy and legislation. They attend various workshops and seminars to keep themselves abreast with the changes in the business environment.

f) Mechanism for evaluating non-executive Board Members

The Nomination Committee evaluates the non-executive Board members every year. The performance evaluation of the members of the Nomination Committee is done by the Board of Directors excluding the Directors being evaluated.

g) Whistle Blower Policy

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

The Audit and Compliance Committee of the Bank has reviewed the functioning of the Whistle Blower mechanism. None of the personnel has been denied access to the Audit and Compliance Committee.

SHAREHOLDERS HOLDING MORE THAN 1% OF THE SHARE CAPITAL OF THE BANK AS AT MARCH 31, 2010

Sr. No.	Name of the Shareholder	No. of shares held	% to share capital
1	HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED	78642220	17.18
2	J P MORGAN CHASE BANK (Depository for ADS) *	77694909	16.97
3	LIFE INSURANCE CORPORATION OF INDIA	33661306	7.35
4	HDFC INVESMEMTS LTD	30000000	6.55
5	ICICI PRUDENTIAL LIFE INSURANCE COMPANY LTD	16715771	3.65
6	EUROPACIFIC GROWTH FUND	6786258	1.48
7	BAJAJ ALLIANZ LIFE INSURANCE COMPANY LTD	5211834	1.14

* One (1) ADS represents Three (3) underlying equity shares

DISTRIBUTION OF SHAREHOLDING AS AT MARCH 31, 2010

No. of equity shares held	Folios		Shares	
	Numbers	% to Total Share Holders	Numbers	% to Total Shares
upto 00500	432113	97.91	22850346	4.99
00501 to 01000	4809	1.09	3515609	0.77
01001 to 02000	1810	0.41	2562287	0.56
02001 to 03000	588	0.13	1468146	0.32
03001 to 04000	285	0.06	1007193	0.22
04001 to 05000	210	0.05	959736	0.21
05001 to 10000	491	0.11	3509601	0.77
10001 to 50000	588	0.13	13211898	2.89
50001 and above	453	0.10	408658456	89.28
TOTAL	441347	100.00	457743272	100.00

- 3,33,625 folios comprising of 45,06,27,856 equity shares forming 98.25 % of the share capital are in demat form
- 1,07,722 folios comprising of 71,15,416 equity shares forming 1.75 % of the share capital are in physical form

CATEGORIES OF SHAREHOLDERS AS AT MARCH 31, 2010

Sr. No.	Category	No. of Shares	% to Share Capital
1	Promoters *	108643220	23.73
2	J P Morgan Chase Bank (Depository for ADS)	77694909	16.97
3	Deutsche Bank Trust Company Americas (Depository for GDR)	3407493	0.74
4	Foreign Institutional Investors	121692561	26.59
5	Foreign Bodies / Foreign Nationals / Overseas Corporate Bodies and Non Resident Indians	5724016	1.25
6	Financial Institutions / Banks	220484	0.05
7	Insurance Companies	34892409	7.62
8	Mutual Funds / UTI	20004918	4.37
9	Indian Companies	41503470	9.07
10	Individuals	43959792	9.60
	TOTAL	457743272	100.00

* None of the equity shares held by the Promoter Group are under pledge.

GLOBAL DEPOSITORY RECEIPTS (GDRs)

The monthly high and low quotation of the Bank's GDRs traded on Luxembourg Stock Exchange are as under: (in US\$)

Month	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10
High	11.15	15.22	16.47	15.86	15.50	17.17	18.70	19.53	19.68	19.52	18.68	21.99
Low	9.65	11.49	14.58	13.85	14.14	14.66	17.08	16.94	17.59	17.16	16.70	18.49
Volumes	—	—	—	—	362	—	—	—	—	—	—	—

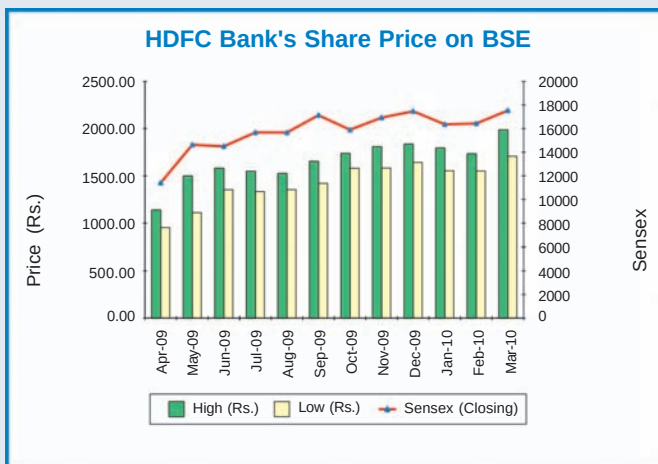
Two GDRs represent one underlying equity share of the Bank.

Corporate Governance

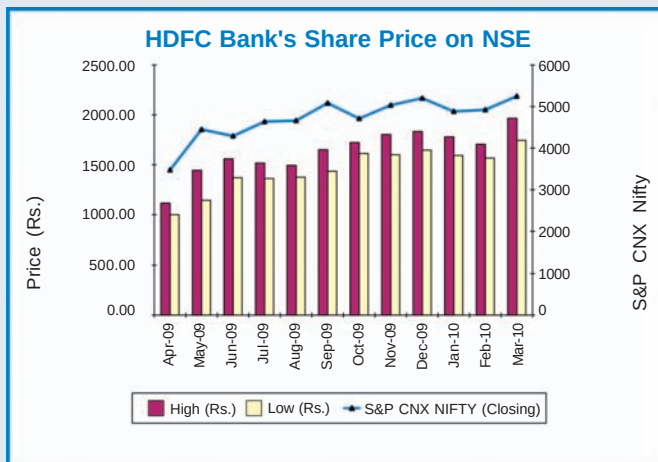
SHARE PRICE / CHART

The monthly high and low quotation of Bank's equity shares traded on Bombay Stock Exchange Ltd (BSE) and National Stock Exchange of India Ltd (NSE) during FY 2009-10 and its performance vis-à-vis BSE SENSEX and S&P CNX NIFTY respectively is as under:

Month	High (Rs.)	Low (Rs.)	Sensex (Closing)
Apr-09	1138.00	952.00	11403.25
May-09	1498.00	1110.10	14625.25
Jun-09	1580.00	1352.80	14493.84
Jul-09	1548.80	1333.00	15670.31
Aug-09	1525.00	1353.30	15666.64
Sep-09	1653.00	1420.00	17126.84
Oct-09	1737.30	1580.00	15896.28
Nov-09	1807.80	1582.00	16926.22
Dec-09	1836.00	1642.10	17464.81
Jan-10	1794.70	1552.25	16357.96
Feb-10	1733.00	1550.00	16429.55
Mar-10	1986.00	1706.50	17527.77

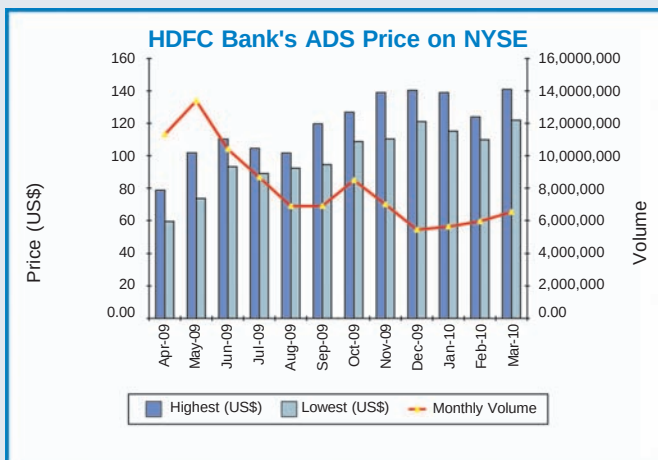


Month	High (Rs.)	Low (Rs.)	S&P CNX NIFTY (Closing)
Apr-09	1115.40	1000.00	3473.95
May-09	1444.50	1144.05	4448.95
Jun-09	1558.85	1370.75	4291.10
Jul-09	1515.75	1362.55	4636.45
Aug-09	1493.45	1375.35	4662.10
Sep-09	1650.50	1435.40	5083.95
Oct-09	1722.30	1613.20	4711.70
Nov-09	1802.70	1600.50	5032.70
Dec-09	1833.25	1646.55	5201.05
Jan-10	1779.20	1593.25	4882.05
Feb-10	1704.80	1567.40	4922.30
Mar-10	1965.05	1744.95	5249.10



The monthly high and low quotation and the volume of Bank's American Depository Shares (ADS) traded on New York Stock Exchange (NYSE) during FY 2009-10

Month	High (US\$)	Low (US\$)	Monthly Volume
Apr-09	78.67	59.42	11,311,500
May-09	101.74	73.59	13,385,900
Jun-09	110.23	93.20	10,400,900
Jul-09	104.52	89.03	8,660,200
Aug-09	101.61	92.30	6,882,100
Sep-09	119.65	94.50	6,896,500
Oct-09	126.79	108.75	8,487,300
Nov-09	138.93	110.34	6,995,100
Dec-09	140.33	121.06	5,430,500
Jan-10	138.91	115.15	5,622,700
Feb-10	123.88	109.85	5,949,800
Mar-10	140.94	121.96	6,524,600



FINANCIAL CALENDAR

[April 1, 2010 to March 31, 2011]

Board Meeting for consideration of accounts and recommendation of dividend	April 24, 2010
Posting of Annual Report	May 31, 2010 to June 4, 2010
Book closure for 16 th Annual General Meeting	June 12, 2010 to June 30, 2010 (both days inclusive)
Last date of receipt of proxy forms	June 28, 2010 (upto 2.30 pm)
Date, Time and Venue of 16 th AGM	30 th June 2010; 2.30 p.m.; Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020
Dividend Declaration Date	June 30, 2010
Date of payment of dividend	From 1 st July, 2010 onwards
Board meetings for considering unaudited results for first 3 quarters of FY 2010-11	Within 30 days of the end of each quarter.

CODE OF CONDUCT

All the Directors and senior management personnel have affirmed compliance with the Code of Conduct/Ethics as approved and adopted by the Board of Directors.

LISTING

Listing on Indian Stock Exchanges:

The equity shares of the Bank are listed at the following Stock Exchanges and the annual fees for 2009-10 have been paid:

Sr.No.	NAME AND ADDRESS OF THE STOCK EXCHANGE	STOCK CODE
1.	Bombay Stock Exchange Limited, 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 (East), Mumbai 400 051	HDFCBANK

Names of Depositories in India for dematerialisation of equity shares:

• National Securities Depository Limited (NSDL) • Central Depository Services (India) Limited (CDSL) (ISIN INE040A01018)

International Listing:

Sr. No.	Security description	Name & Address of the Stock Exchange	Name & Address of Depository
1	The American Depository shares (ADS) (CUIP No. 40415F101)	The New York Stock Exchange (Ticker – HDB)11, Wall Street, New York, N.Y. 11005	J P Morgan Chase Bank, N.A.4, New York Plaza, 13 th Floor, New York, NY 10004
2	Global Depository Receipts (GDRs) (ISIN No. US40415F2002)	Luxembourg Stock Exchange Postal Address : 11, av de la Porte-Neuve, L – 2227 Luxembourg. Mailing Address : B.P. 165, L – 2011, Luxembourg	Deutsche Bank Trust Company Americas, 2, Boulevard Konrad Adenauer, L – 1115 Luxembourg

The Depositories for ADRs and GDRs are represented in India by ICICI Bank Limited, Bandra-Kurla Complex, Mumbai 400 051

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, Datamatics Financial Services Ltd and approved by the Investors' Grievance (Share) Committee of the Bank or authorised officials of the Bank. The share transfers are generally processed within a period of 15 days from the date of receipt of the transfer documents by Datamatics Financial Services Ltd.

MEANS OF COMMUNICATION

The quarterly and half-yearly unaudited financial results are published in 'Business Standard' in English and 'Mumbai Sakal' in Marathi (regional language). The results are 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 the investors can view statutory filings of the Bank with the Securities and Exchange Commission, USA.

The information relating to the Bank's financial results and shareholding pattern are posted with Corporate Filing & Dissemination System (corpfilings) at **www.corpfiling.co.in** through the Stock Exchanges.

Quarterly results, press releases and presentations, etc. are regularly displayed on the Bank's website.

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.

INVESTOR HELPDESK

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

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

Ms. Bindu Jeevarajan / Mr. C. P. Ramesh Babu / Mr. Shekhar Rao

Datamatics Financial Services Ltd
Unit: HDFC Bank, Plot No. B 5, Part B Crosslane, MIDC, Marol, Andheri (East), Mumbai 400 093.
Tel: 022-66712213-14 Fax: 022-28213404.
E-mail: hdinvestors@dfssl.com
Counter Timing: 10:00 a.m. to 4:30 p.m.
(Monday to Friday except public holidays)

For the convenience of investors, transfers upto 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.

Investors Helpdesk Timings 10:30 a.m. to 3:30 p.m.
between Monday to Friday (except on Bank holidays)

Telephone: 022 - 24988484 / 2496 1616 Extn: 3463 & 3476
Fax: 022 - 2496 5235

Email : investors.helpdesk@hdfcbank.com

Queries relating to the Bank's operational and financial performance may be addressed to: investors.helpdesk@hdfcbank.com

Name of the Compliance Officer of the Bank:

Mr. Sanjay Dongre
Executive Vice President (Legal) & Company Secretary
Telephone: 022 - 2498 8484 Extn: 3473.

BANKING CUSTOMER HELPDESK

In the event of any queries/grievances, banking customers can directly approach the Branch Manager or can call/write to the Bank using the following contact details.

Call at: 1800 22 40 60 (Toll-free number accessible through BSNL / MTNL landline)

Timings: Mon to Fri - 8.00 a.m. to 8.00 p.m.
Sat. & Sun.- 8.00 a.m. to 4.00 p.m.

Write to:

Grievance Redressal Cell,
HDFC Bank Ltd,
Old Bldg; "C" Wing' 3rd floor, 26-A Narayan Properties,
Chandivali Farm Rd, Off Saki Vihar Road, Chandivali,
Andheri (East), Mumbai 400 072.

Email: customer_service@hdfcbank.com

For downloading the complaint form, one can visit the domain(s) namely; "Grievance Redressal" and subsequently "Fill up the Complaint Form" available at the following website link:

http://www.hdfcbank.com/common/customer_center.htm

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.

On behalf of the Board of Directors

JAGDISH CAPOOR
Chairman

Mumbai, April 24, 2010

I confirm that for the year under review, all directors and senior management have affirmed their adherence to the provisions of the Code of Conduct.

Aditya Puri
Managing Director