

Pillar 3 Disclosures

DISCLOSURES UNDER THE NEW CAPITAL ADEQUACY FRAMEWORK (BASEL II) GUIDELINES FOR THE HALF YEAR ENDED SEPTEMBER 30, 2010

1. Scope of Application

The Bank has investments in the equity capital of two subsidiaries namely HDFC Securities Ltd. and HDB Financial Services Private Ltd. The investment in these subsidiaries are deducted, 50% from Tier I capital and 50% from Tier II capital. Investments in the Bank's associates are risk-weighted.

As of September 30, 2010, the Bank does not have investment in any insurance entity.

2. Capital Structure

- a) The details of Tier I capital of the Bank are given below: (₹ in lacs)

Particulars	Amount
Paid-up share capital	462,60
Reserves	23,271,63
Innovative Perpetual Debt	200,00
Gross Tier I	23,934,23
Deductions:	
Deferred Tax Asset	(1,072,68)
Securitisation exposures*	(227,80)
Investments in Subsidiaries	(136,88)
Market Risk Charge on account of valuation adjustment for illiquid position of derivative and non derivative portfolio	(65,44)
Total Deductions	(1,502,80)
Total Tier I capital (net of deductions)	22,431,43

* Principally comprises credit enhancements

- b) The details of Tier II capital of the Bank are given below: (₹ in lacs)

Particulars	Amount
Upper Tier II capital	3,865,25
Lower Tier II capital	3,036,40
General Provisions	1,135,32
Investment Reserve Account	26,14
Securitisation exposures*	(227,80)
Investments in Subsidiaries	(136,88)
Total Tier II capital (net of deductions)	7,698,43

* Principally comprises credit enhancements

- c) Debt capital instruments eligible for inclusion in Upper Tier II capital are given below: (₹ in lacs)

Particulars	Amount
Total amount outstanding	3,865,25
Of which amounts raised during the period	1,105,00
Amount eligible to be reckoned as capital funds	3,865,25

- d) Subordinated debt eligible for inclusion in Lower Tier II capital is given below: (₹ in lacs)

Particulars	Amount
Total amount outstanding	3,331,20
Of which amounts raised during the period	-
Amount eligible to be reckoned as capital funds	3,036,40

- e) Other deductions from capital: Nil

- f) The total eligible capital of the Bank outstanding as of September 30, 2010 amounts to ₹ 30,129,86 lacs.

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3. Capital Adequacy

a) Capital requirements for credit risk: (₹ in lacs)

Particulars	Amount
Portfolios subject to Standardised approach	13,085,58
Securitisation Exposures	758,94
Total	13,844,52

b) Capital requirements for market risk:

Standardised duration approach: (₹ in lacs)

Particulars	Amount
Interest rate risk	534,19
Foreign exchange risk (including gold)	27,00
Equity risk	34,55
Total	595,74

c) Capital requirements for operational risk: (₹ in lacs)

Particulars	Amount
Basic indicator approach	1,490,45

d) Total and Tier I capital ratio:

Tier I capital ratio	12.67%
Total capital ratio	17.02%

4. Credit Risk

a) Total gross credit risk exposures: (₹ in lacs)

Category	Amount
Fund based*	169,396,84
Non-fund based**	23,557,96
Total	192,954,80

* Fund based exposures comprise investments and loans & advances including bills re-discounted.

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

b) Geographic distribution of exposures: (₹ in lacs)

Category	Fund based	Non-fund based
Domestic	166,003,59	23,522,82
Overseas	3,393,25	35,14
Total	169,396,84	23,557,96

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c) Industry-wise distribution of exposures:

(` in lacs)

Industry	Fund Based	Non-fund Based
Agriculture and Allied Activities	2,776,97	114,71
Airlines	459,57	149,44
Automobile & Auto Ancillary	7003,48	849,83
Banks and Financial Institutions	11,210,67	299,12
Capital Market Intermediaries	2,080,54	1,674,97
Cement & Cement Products	1,050,11	430,81
Chemical and Chemical Products	1,348,73	297,95
Coal & Petroleum Products	8,989,14	3,454,33
Construction and Developers	1,196,28	442,12
Consumer Durables	370,49	119,97
Drugs and Pharmaceuticals	1,578,70	224,32
Engineering	2,782,71	2,817,26
Fertilisers & Pesticides	5,017,89	533,39
FMCG & Personal Care	614,07	59,80
Food and Beverage	2,284,72	195,02
Gems and Jewellery	1,200,78	3,50
Housing Finance Companies	3,490,98	-
Information Technology	1,397,64	260,02
Iron and Steel	2,581,46	1,936,37
Mining and Minerals	745,39	366,00
NBFC / Financial Intermediaries	7,397,56	62,63
Non-ferrous Metals and Products	1,082,13	2,262,85
Paper, Printing and Stationery	819,38	331,46
Power	3,071,60	592,34
Real Estate & Property Services*	3,051,59	289,77
Retail Assets**	66,456,00	1,014,79
Road Transport***	6,952,55	118,63
Services	4,939,55	463,28
Telecom	3,277,03	1,101,55
Textiles & Garments	1,582,89	387,66
Wholesale / Retail Trade	8,417,65	1,900,07
Other Industries****	4,168,59	804,00
Total	169,396,84	23,557,96

* classification of exposure to real estate sector under "Exposures in Sensitive Sector", as disclosed in the Notes to the Accounts in the Balance Sheet of the Bank, is as per the RBI guidelines, which includes not only exposure to borrowers in the real estate industry but also exposure to borrowers in other industries (where repayment is dependent on real estate prices), investment in home finance institutions, securitisation, etc.

** 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 other industries such as 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.

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d) Residual contractual maturity breakdown of assets:

(` in 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	4,894,50	3,892,67	7,209,53	11,407,05	-	1,054,99	28,458,74
15 to 28 days	170,31	72,95	692,18	4,386,95	-	1,553,36	6,875,75
29 days to 3 months	704,11	237,69	2,888,47	16,254,97	-	-	20,085,24
3 to 6 months	944,63	118,84	3,810,28	13,888,51	-	-	18,762,26
6 months to 1 year	963,44	10	5,218,25	22,795,74	-	-	28,977,53
1 to 3 years	6,134,80	-	25,868,15	65,886,10	-	3,557,29	101,446,34
3 to 5 years	1,416,12	-	6,848,83	10,660,99	-	-	18,925,94
Above 5 years	1,337,41	9,85	11,159,22	11,810,29	2,133,97	-	26,450,74
Total	16,565,32	4,332,10	63,694,91	157,090,60	2,133,97	6,165,64	249,982,54

*Excludes exposure under bills re-discounted.

e) Amount of Gross NPAs:

(` in lacs)

NPA Classification	Amount
Substandard	977,92
Doubtful *	
- Doubtful 1	334,90
- Doubtful 2	51,36
- Doubtful 3	27,08
Loss	449,95
Total	1,841,21

* 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).

f) Amount of Net NPAs:

(` in lacs)

Particulars	Amount
Gross NPAs	1,841,21
Less : Provisions	1,432,67
Net NPAs	408,54

g) NPA Ratios:

Particulars	Ratios
Gross NPAs as a ratio to gross advances	1.16%
Net NPAs as a ratio to net advances	0.26%

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h) Movement of NPAs (Gross):

(` in lacs)

Particulars	Amount
Opening balance	1,816,76
Additions during the period	881,02
Reductions	(856,57)
Closing balance	1,841,21

i) Movement of provisions for NPAs:

(` in lacs)

Particulars	Amount
Opening balance	1,424,71
Provisions made during the period	801,78
Write-off	(654,70)
Write-back of excess provisions	(139,12)
Closing balance	1,432,67

j) Amount of Non-performing investments:

(` in lacs)

Particulars	Amount
Gross non-performing investments	6,49
Provisions held for non-performing investments	(6,49)
Net non-performing investments	-

k) Movement of provisions for depreciation on investments:

(` in lacs)

Particulars	Amount
Opening balance	58,41
Provisions made during the year	4,27
Write-off	-
Write-back of excess provisions	(40,74)
Closing balance	21,94

5. Credit Risk: Disclosures for portfolios subject to the Standardised Approach

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:

(` in lacs)

Particulars	Amount
Below 100% risk weight	86,109,04
100% risk weight	63,208,20
More than 100% risk weight	43,637,56
Deducted	-
Total	192,954,80

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6. Credit Risk Mitigation: Disclosures for Standardised Approaches

- a) Exposure covered by eligible financial collateral (after application of haircuts): (₹ in lacs)

Particulars	Amount
Total exposure covered by eligible financial collateral	11,666,62
Total	11,666,62

- b) Exposure covered by Guarantees / Credit Derivatives: (₹ in lacs)

Particulars	Amount
Total exposure covered by guarantees	1,505,33
Total	1,505,33

7. Securitisation Exposures: Disclosure for Standardised Approach

Banking Book

- a) The total amount of exposures securitised by the Bank:

i) Total outstanding amount securitised was ₹ 1,023,03 lacs.

ii) Deals done during the period:

The Bank has not securitised out any component of its standard asset portfolio during the period ended September 30, 2010.

The amount of impaired / past due assets securitised out were ₹ 21,22 lacs.

- b) Losses on exposures securitised during the current period: Nil.

- c) Amount of assets intended to be securitised within a year:

The Bank has made no projection of the assets it intends to securitise-out within a year. The securitisation transactions are undertaken on a need basis.

- d) Of (c), amount of assets originated within a year before securitisation: Not applicable.

- e) The total amount of exposures securitised and unrecognised gain or losses on sale by exposure type:

(₹ in lacs)

Exposure Type	Outstanding amount of exposures securitised	Outstanding unrecognised gain or losses on sale
Auto loans	143,39	-
Commercial vehicle loans	45,99	3
Loans against property	223,83	-
Housing loans	572,10	-
Loans against rent receivables	37,72	-
Total	1,023,03	3

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f) Aggregate amount of:

- On-balance sheet securitisation exposures retained or purchased broken down by exposure type:
(` in lacs)

Particulars	Amount
Commercial vehicle loans	1,768,34
Housing loans	8,685,70
Personal loans	14,27
Two wheeler loans	6,53
Mixed assets*	500,34
Commercial Equipment loans	73,21
Tractor loans	696,46
Total	11,744,85

- Off-balance sheet securitisation exposures broken down by exposure type:
(` in lacs)

Particulars	Amount
Commercial vehicle loans	44
Housing loans	183,53
Mixed assets*	284,11
Total	468,08

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

g) 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:

(` in lacs)

Risk Weight Bands	Exposure Type	Exposure	Capital Charge
Less than 100%	Housing loans	5,524,73	256,72
	Commercial vehicle loans	1,452,90	98,07
	Mixed assets	495,04	33,43
	Personal loans	14,27	96
	Tractor loans	537,79	36,30
	Construction equipment loans	73,21	4,94
	Two wheeler loans	6,14	41
At 100%	Housing loans	3,160,97	28,449
	Commercial vehicle loans	315,45	28,39
	Tractor loans	158,66	14,28
More than 100%	Mixed assets	5,30	60
	Two wheeler loans	39	4
	Total	11,744,85	758,63

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- 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):

(` in 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	-	-	164,42
Mixed assets*	-	-	285,89
Total	-	-	450,75

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

Trading Book

h) 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 September 30, 2010:

Mixed Assets: ` 4,84 lacs.

i) Aggregate amount of :

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

(` in lacs)

Exposure Type	Amount
Auto loans	1
Hire purchase receivables	13,45
Housing loans	531,01
Two wheeler loans	1
Mixed assets	10,33
Total	554,81

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

j) 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)

(` in lacs)

Particulars	Amount
Less than 100 %	549,97
100%	-
More than 100%	-
Total	549,97

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k) Aggregate amount of:

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

(` in lacs)

Particulars	Amount
Less than 100 %	20,42
100%	-
More than 100%	-
Total	20,42

- 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):

(` in 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	-	-	1
Auto loans	-	-	1
Mixed assets	-	-	4,82
Total	-	-	4,84

8. Market Risk in Trading Book

Capital requirements:

(` in lacs)

Category	Amount
Interest rate risk	534,19
Equity position risk	34,55
Foreign Exchange risk	27,00
Total	595,74

9. Interest rate risk in the banking book (IRRBB)

- Earnings Perspective (Impact on Net Interest Income):

(` in lacs)

Currency	If Interest rate were to go down by 200 basis points	If interest rate were to go up by 200 basis points
INR	(8,21)	8,21
USD	(126,10)	126,10
Others	7,91	(7,91)
Total	(126,40)	126,40

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

(` in lacs)

Currency	If Interest rate were to go down by 200 basis points	If interest rate were to go up by 200 basis points
INR	343,75	(343,75)
USD	(73,99)	73,99
Others	(19,12)	19,12
Total	250,64	(250,64)