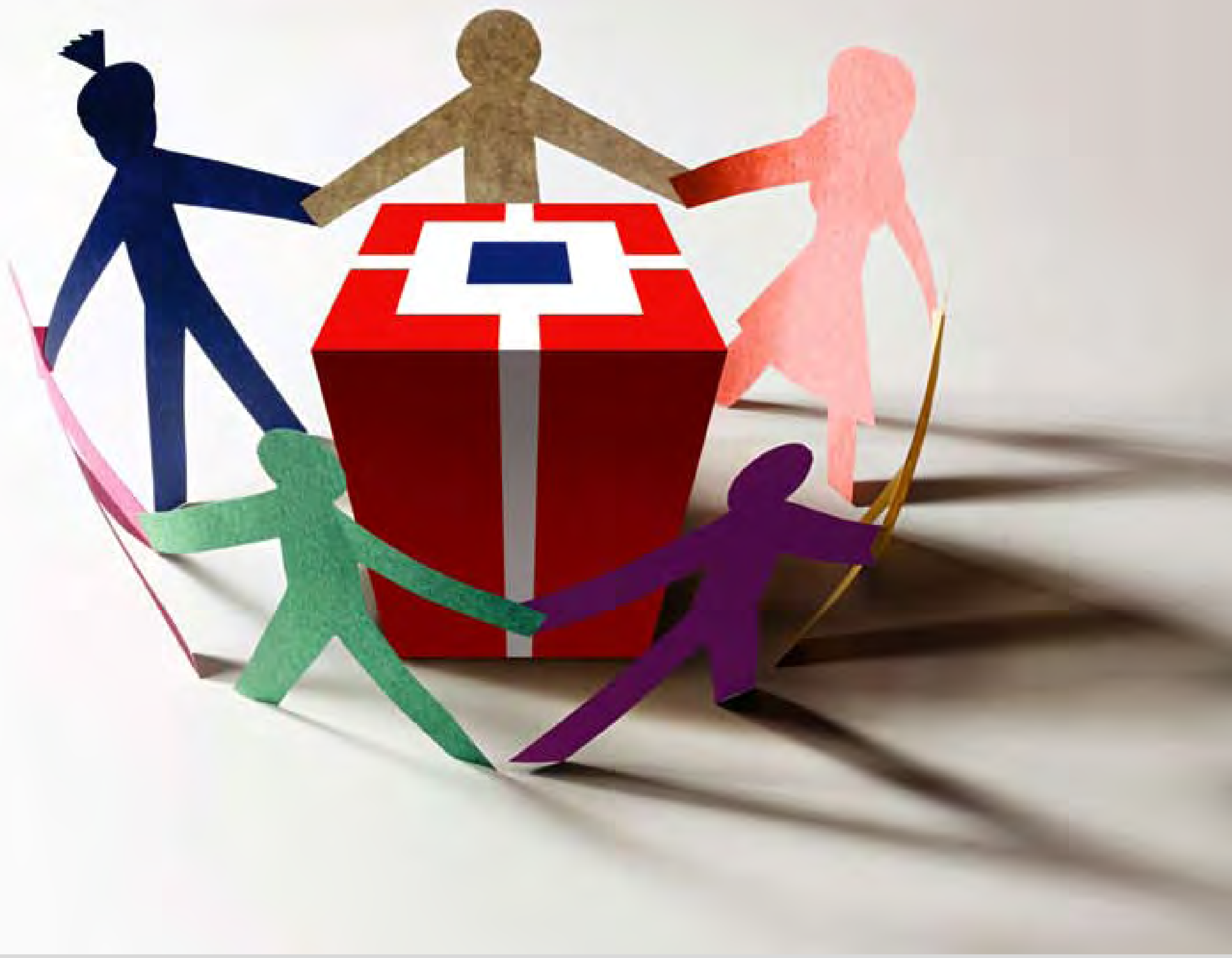
ANNUAL REPORT 2010-2011

Touching lives with banking solutions for everyone



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ACCOLADES

2010 - 2011

The Asian Banker 2011
- *The Strongest Bank in the Asia Pacific Region*

Avaya Global Connect 2010
- *Customer Responsiveness Award*

Bloomberg UTV's Financial Leadership Awards 2011
- *Best Bank*

Businessworld Best Bank Awards 2010
- *Best Bank (Large)*

Celent's 2010 Banking Innovation Award
- *Model Bank*

Dun & Bradstreet Banking Awards 2010
- *Overall Best Bank*
- *Best Private Sector Bank*
- *Best Private Sector Bank in SME Financing*

Economic Times Awards for Corporate Excellence 2010
- *Business Leader of the Year - Aditya Puri*

Financial Express-EVI Green Business Leadership Award
- *Best performer in the Banking Category*

Forbes Asia
- *Fab 50 Companies*

Global Finance Award 2010
- *Best Trade Finance Provider in India*

IBA Banking Technology Awards 2010
- *Technology Bank of the Year*
- *Best Online Bank*
- *Best Use of Business Intelligence*
- *Best Customer Initiative*
- *Best Risk Management System*

IDC FIIA Awards 2011
- *Excellence in Customer Experience*

IDRBT Technology 2009 Awards: Established by the Reserve Bank of India
- *Best in IT Infrastructure*
- *Best use of IT within the Bank*

MIS Asia IT Excellence Award 2010
- *Best Bottom Line (IT Category)*

NDTV Business Leadership Awards 2010
- *Best Private Sector Bank*

Outlook Money 2010 Awards
- *Best Bank*

The Asset Triple A Awards
- *Best Cash Management Bank in India*

The Banker and PWM 2010 Global Private Banking Awards
- *Best Private Bank in India*

HIGHLIGHTS

2010 - 2011

- Net Profit of ₹ 3,926 crore, an increase of 33% over the previous year
- Balance sheet size of ₹ 277,353 crore as on March 31, 2011
- Total deposits were ₹ 208,586 crore, an increase of 24.6% over the previous year
- Total advances were ₹ 159,983 crore, an increase of 27.1% over the previous year
- The Bank's Capital Adequacy Ratio as on March 31, 2011 stood at 16.2% as against the regulatory minimum of 9.0%. Tier 1 ratio at 12.2%
- Network of 1,986 branches and 5,471 ATMs in 996 cities as on March 31, 2011

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LEADERSHIP

Touching lives with banking solutions for everyone

At HDFC Bank, we are focussed on understanding our customers' financial needs and providing them with appropriate banking solutions. This has been an integral part of our ethos from inception. It is with this commitment and knowledge that we seek to satisfy and delight a wide spectrum of customers, by meeting their diverse needs time and again.

Be it a large corporate seeking funds for business expansion or working capital, an enterprising farmer in need of agricultural equipment, working professionals looking for the most tax-efficient way to invest, or a non-resident Indian who needs to send money to his parents in India, we have banking solutions for all. Our wide range of products and services cater to retail and wholesale customer segments, from the simplest day-to-day banking solutions to the most complex funding or transactional requirements.

Years of improving product structures, enhancing customer experience and leveraging newer technologies, have helped the Bank build invaluable expertise, inevitably translating to leadership. Today, we are market leaders in various products in retail banking such as Auto Loans and Credit Cards. Our subsidiary, HDFC Securities Limited, is a large and rapidly growing player in the broking market. We have also consolidated our leadership in the wholesale banking arena in areas such as Payment Services, Transactional Banking and Cash Management.

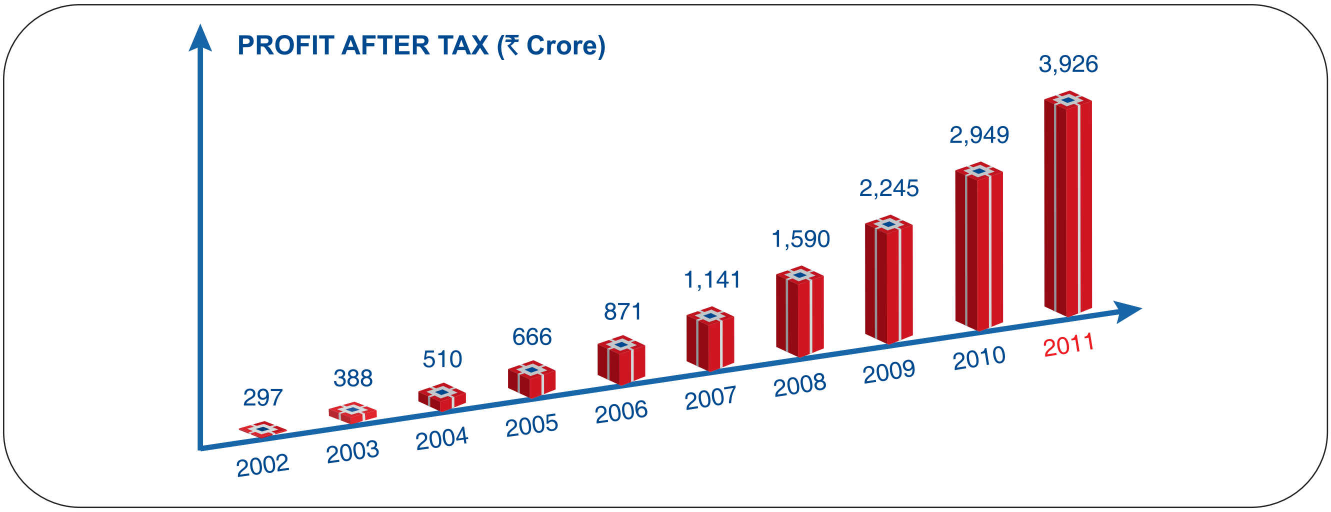
While we are proud to be regarded as a very dynamic Indian bank, for us, growth in balance sheet or market share is not an end in itself. Our focus is on balancing growth with diversified revenues, appropriate margins and healthy asset quality.

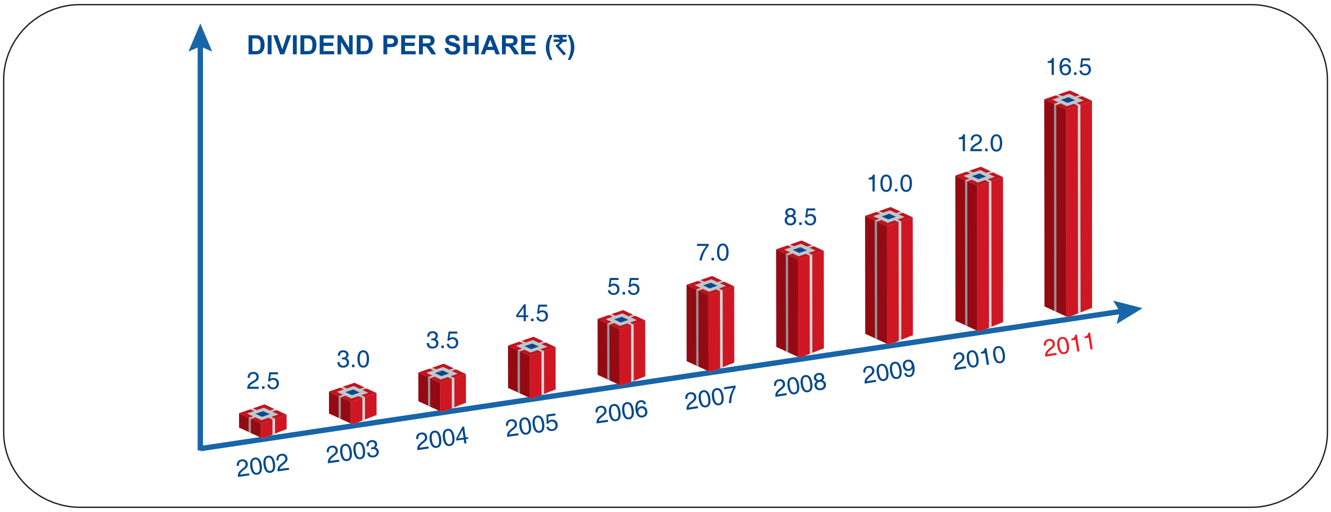
This has helped us grow and achieve leadership while creating and delivering value to our customers, our shareholders, our employees and the community. We like to call this journey 'Leadership with a Purpose'.

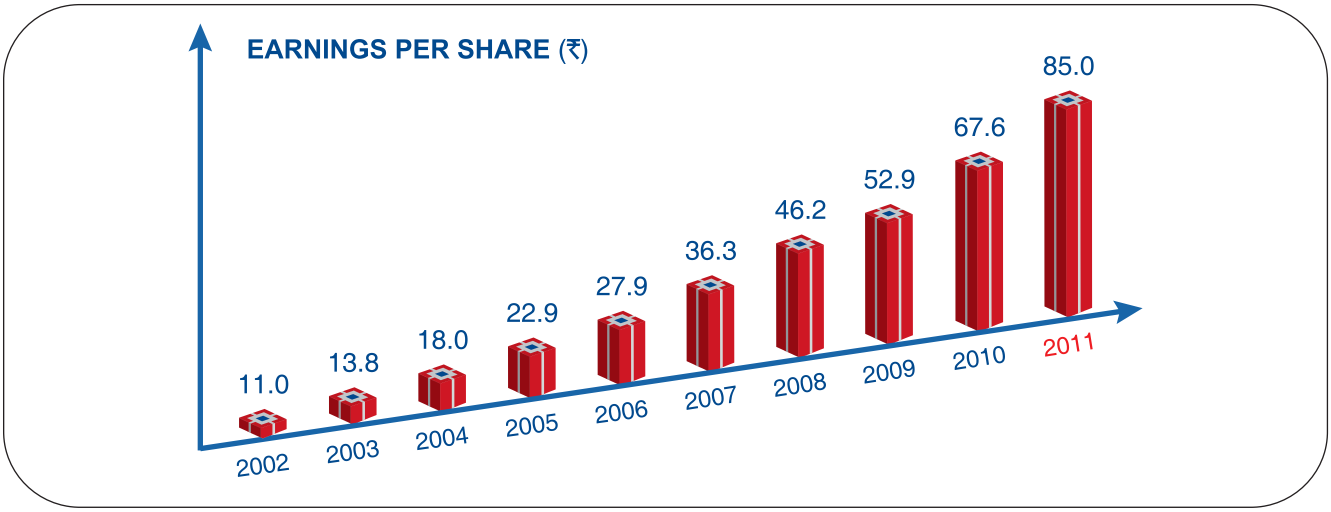
Providing financial services to the under-banked and rural sector is central to this journey. Initiatives under our board-approved Financial Inclusion program are as diverse as funding assistance for the empowerment of small farmers and self help groups to offering Savings Account linked mobile payment facilities in remote villages. These efforts are supported by products like Tractor Loan, Kisan Gold Card, Loan against Warehousing Receipts and others that help provide the much needed access to short term finance to this segment.

In line with our growth strategy, we have concentrated our energies on expanding our network further, to increase our presence in semi-urban, rural, under-banked areas in the country and in some overseas locations as well. Today over 30% of our branches are located in rural and under-banked areas.

Our relentless commitment to improve distribution and accessibility has helped us evolve into an organisation with over 1980 branches and 5400 ATMs. With state-of-the-art MobileBanking, PhoneBanking and NetBanking services supplementing branches and ATMs, customers can transact with the Bank through channels of their choice, at their convenience. Be it an urban metro, a remote town, a home or an office, we are wherever our customers are. Touching their lives with convenient banking solutions, because we understand their world.







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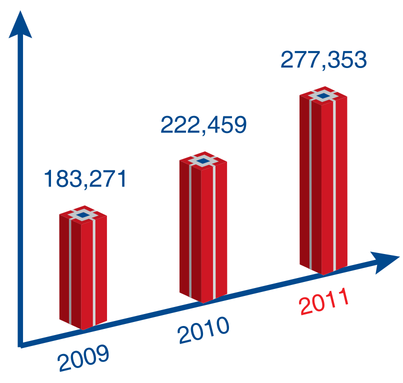
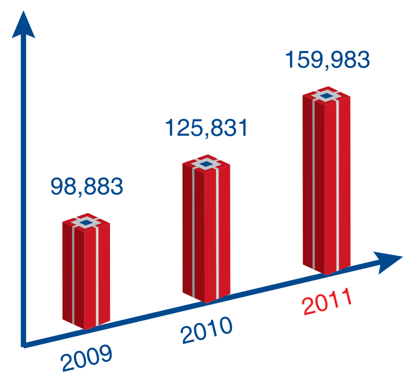
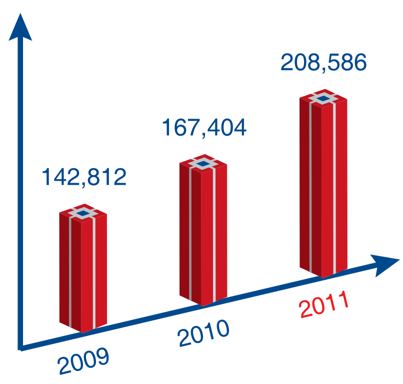
BALANCE SHEET SIZE (₹ Crore)



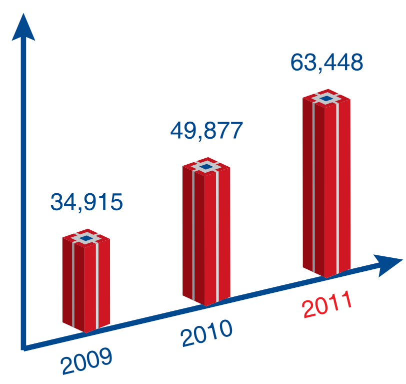
ADVANCES (₹ Crore)



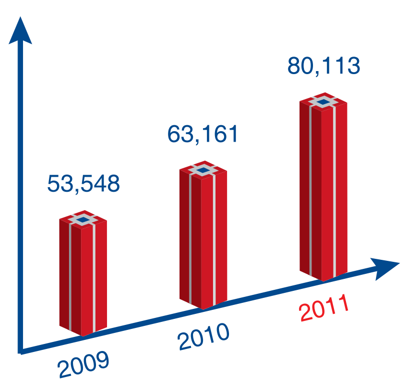
DEPOSITS (₹ Crore)



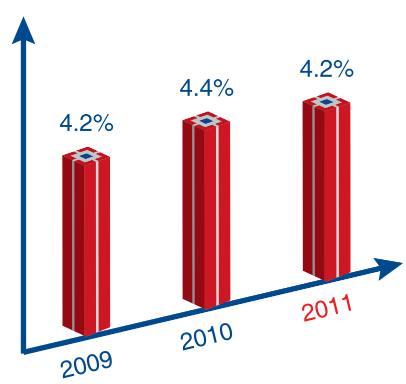
SAVINGS DEPOSITS (₹ Crore)



RETAIL ASSETS* (₹ Crore)

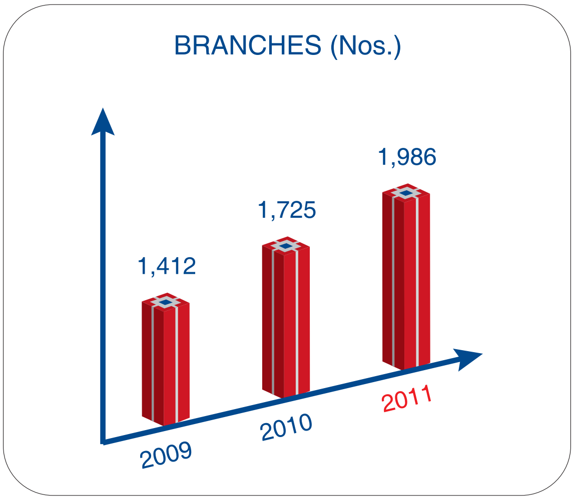


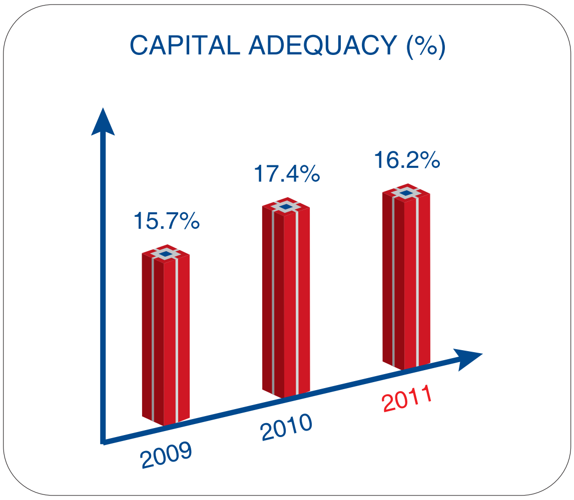
NET INTEREST MARGIN* (%)

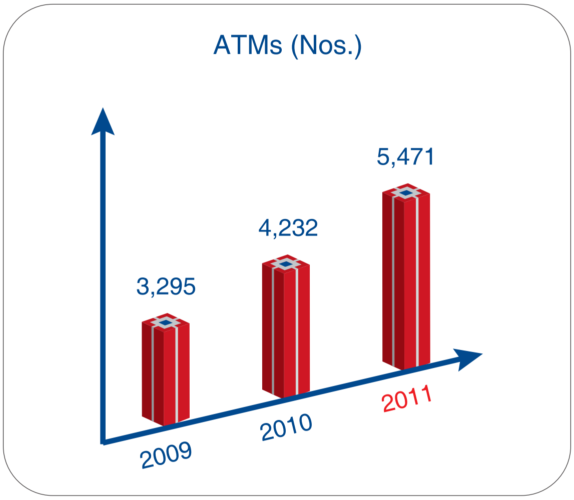


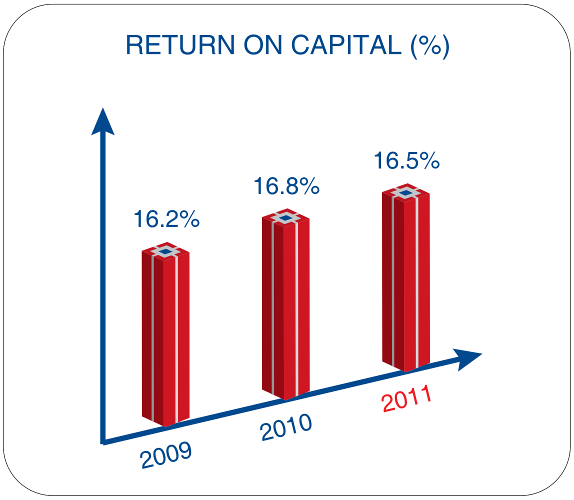
* Change pursuant to reclassification

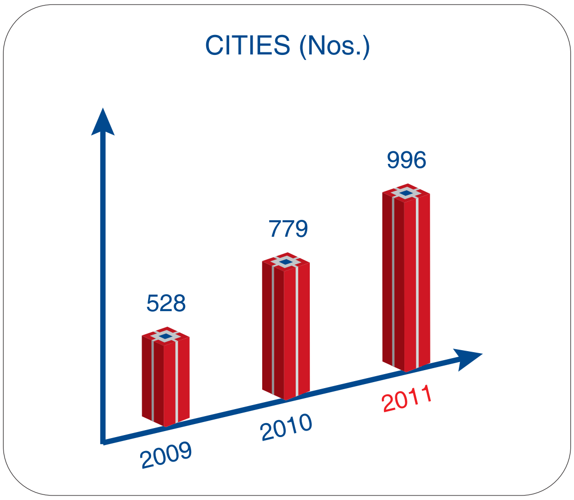
* Denotes the core Net Interest Margin

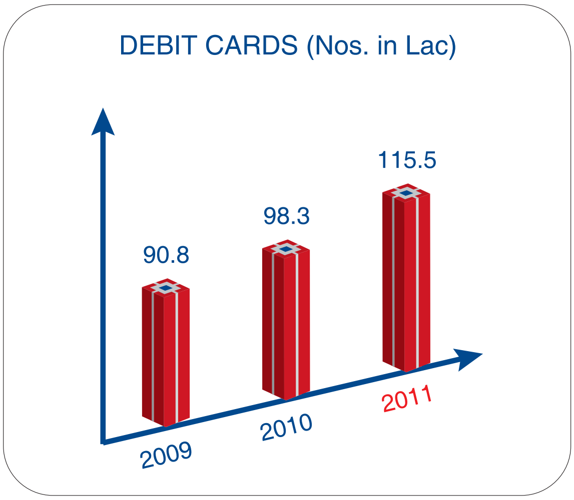












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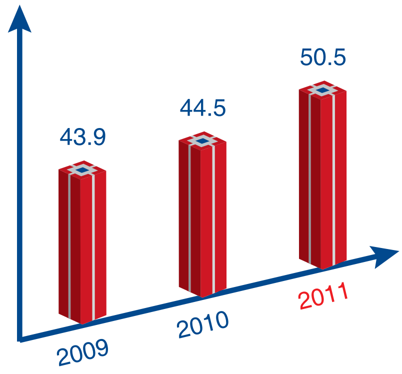
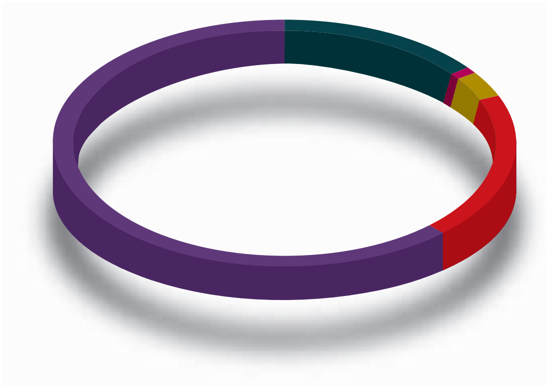
CREDIT CARDS (Nos. in Lac)



RUPEE EARNED

Interest from Advances	62.18%
Interest from Investments*	19.05%
Commission, Exchange & Brokerage	14.82%
FX & Derivative Income	3.24%
Other Interest Income	0.71%



* Includes loss on sale / revaluation of investments of ₹ 53 crore

RUPEE SPENT

Interest Expense	41.48%
Operating Expense	31.62%
Provisions	8.43%
Tax	8.36%
Transfer to Reserve	6.15%
Dividend & Tax on Dividend	3.96%

Financial Highlights

	2001-2002	2002-2003	2003-2004
Interest Income	168,118	196,317	245,571
Interest Expense	107,374	119,196	121,105
Net Interest Income	**60,744**	**77,121**	**124,466**
Other Income	33,590	46,555	48,003
Net Revenues	**94,334**	**123,676**	**172,469**
Operating Costs	41,795	57,705	81,000
Operating Result	**52,539**	**65,971**	**91,469**
Provisions and Contingencies	10,001	8,886	19,573
Loan Loss Provisions	8,577	8,839	17,828
Others	1,424	47	1,745
Profit Before Tax	**42,538**	**57,085**	**71,896**
Provision for Taxation	12,834	18,325	20,946
Profit After Tax	**29,704**	**38,760**	**50,950**
Funds :			
Deposits	1,765,381	2,237,607	3,040,886
Subordinated Debt	20,000	20,000	60,000
Stockholders' Equity	194,228	224,483	269,188
Working Funds	2,378,738	3,042,408	4,230,699
Loans	681,372	1,175,486	1,774,451
Investments	1,200,402	1,338,808	1,925,679
Key Ratios :			
Earnings per share (₹)	11.01	13.75	17.95
Return on Average Networth	18.30%	18.10%	20.14%
Tier 1 Capital Ratio	10.81%	9.49%	8.03%
Total Capital Ratio	13.93%	11.12%	11.66%
Dividend per share (₹)	2.50	3.00	3.50
Dividend payout ratio	23.68%	24.72%	22.15%
Book value per share as at March 31 (₹)	69.00	79.60	94.52
Market price per share as at March 31 (₹)*	236.60	234.55	378.75
Price to Earnings Ratio	21.50	17.06	21.10

₹ 10 Lac = ₹ 1 Million ₹ 1 Crore = ₹ 10 Million * Source : NSE ** Change pursuant to reclassification *** Proposed

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2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	(₹ lac) 2010-2011
290,543	423,018	664,793	1,011,500	1,633,226	1,617,272 **	1,992,821
131,556	192,950	317,945	488,712	891,110	778,630	938,508
158,987	**230,068**	**346,848**	**522,788**	**742,116**	**838,642**	**1,054,313**
65,134	112,398	151,623	228,315	329,060	398,311 **	433,515
224,121	**342,466**	**498,471**	**751,103**	**1,071,176**	**1,236,953**	**1,487,828**
108,540	169,109	242,080	374,562	553,281	593,980 **	715,291
115,581	**173,357**	**256,391**	**376,541**	**517,895**	**642,973**	**772,537**
17,687	48,006	92,516	148,478	187,971	214,059	190,671
17,622	47,976	86,101	121,603	172,628	193,893	76,302
65	30	6,415	26,875	15,343	20,166	114,369
97,894	**125,351**	**163,875**	**228,063**	**329,924**	**428,914**	**581,866**
31,338	38,273	49,730	69,045	105,431	134,044	189,226
66,556	**87,078**	**114,145**	**159,018**	**224,493**	**294,870**	**392,640**
3,635,425	5,579,682	6,829,794	10,076,860	14,281,158	16,740,444	20,858,641
50,000	170,200	328,260	324,910	873,858	635,310	739,305
451,985	529,953	643,315	1,149,723	1,464,633	2,151,958	2,537,635
5,142,900	7,350,639	9,123,561	13,317,660	18,327,077	22,245,857	27,735,259
2,556,630	3,506,126	4,694,478	6,342,690	9,888,305	12,583,059	15,998,267
1,934,981	2,839,396	3,056,480	4,939,354	5,881,755	5,860,762	7,092,937
22.92	27.92	36.29	46.22	52.85	67.56	85.02
20.44%	17.47%	19.40%	16.05%	16.12%	16.80%	16.52%
9.60%	8.55%	8.58%	10.30%	10.58%	13.26%	12.23%
12.16%	11.41%	13.08%	13.60%	15.69%	17.44%	16.22%
4.50	5.50	7.00	8.50	10.00	12.00	16.50 ***
24.00%	22.55%	22.92%	22.17%	22.17%	21.72%	22.72%
145.86	169.24	201.42	324.39	344.31	470.12	545.46
573.64	774.25	954.15	1,331.25	973.40	1,933.50	2,345.85
25.03	27.74	26.29	28.80	18.42	28.62	27.59

BOARD OF DIRECTORS

Mr. C. M. Vasudev, Chairman

Mrs. Renu Karnad (upto 16.07.2010 & re-appointed on 27.01.2011)

Mr. Ashim Samanta

Dr. Pandit Palande

Mr. Partho Datta

Mr. Bobby Parikh

Mr. Anami N Roy

Mr. Jagdish Capoor (upto 05.07.2010)

Mr. Gautam Divan (upto 21.07.2010)

Mr. Arvind Pande (upto 14.01.2011)

Mr. Keki Mistry (upto 26.03.2011)

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

Mr. Navin Puri

Mr. Pralay Mondal

Mr. Rahul Bhagat

Mr. Sashi Jagdishan

EXECUTIVE VICE PRESIDENT (LEGAL) & COMPANY SECRETARY

Mr. Sanjay Dongre

STATUTORY AUDITORS

BSR & 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

17th ANNUAL GENERAL MEETING

Date	:	July 6, 2011
Day	:	Wednesday
Time	:	2.30 p.m.
Place	:	Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020
Book Closure for AGM	:	4th June, 2011 to 10th June, 2011 (both days inclusive)

Contents

To the Members,

Your Directors have great pleasure in presenting the Seventeenth Annual Report on the business and operations of your Bank together with the audited accounts for the year ended March 31, 2011.

FINANCIAL PERFORMANCE

(₹ in crore)

	For the year ended	
	March 31, 2011	March 31, 2010
Deposits and Other Borrowings	222,980.5	180,320.1
Advances	159,982.7	125,830.6
Total Income	24,263.4	20,155.8 *
Profit before Depreciation and Tax	6,316.1	4,683.5
Net Profit	3,926.4	2,948.7
Profit brought forward	4,532.8	3,455.6
Total Profit available for Appropriation	8,459.2	6,404.3
Appropriations :		
Transfer to Statutory Reserve	981.6	737.2
Transfer to General Reserve	392.6	294.9
Transfer to Capital Reserve	0.4	199.5
Transfer to / (from) Investment Fluctuation Reserve	15.6	(1.5)
Proposed Dividend	767.6	549.3
Tax Including Surcharge and Education Cess on Dividend	124.5	91.2
Dividend (including tax/cess thereon) pertaining to previous year paid during the year	2.7	0.9
Balance carried over to Balance Sheet	6,174.2	4,532.8

** Change pursuant to reclassification*

The Bank posted total income and net profit of ₹ 24,263.4 crore and ₹ 3,926.4 crore respectively for the financial year ended March 31, 2011 as against ₹ 20,155.8 crore and ₹ 2,948.7 crore 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 overall performance during this financial year, your directors are pleased to recommend a dividend of ₹ 16.50 per share for the financial year ended March 31, 2011, as against ₹ 12 per share for the year ended March 31, 2010. 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, 2011. Some of them are :

- Asian Banker 2011
  - Strongest Bank in the Asia Pacific region
- Bloomberg UTV's Financial Leadership Awards 2011
  - Best Bank
- Outlook Money 2010 Awards
  - Best Bank
- Businessworld Best Bank Awards 2010
  - Best Bank (Large)
- NDTV Business Leadership Awards 2010
  - Best Private Sector Bank
- IDRBT Technology 2009 Awards
  - Best IT Infrastructure
  - Best use of IT within the Bank

- Dun & Bradstreet Banking Awards 2010
  - Overall Best Bank
  - Best Private Sector Bank
  - Best Private Sector Bank in SME Financing
- Celent's 2010 Banking Innovation Award
  - Model Bank Award
- Global Finance Awards
  - Best Trade Finance Provider in India for 2010
- The Asset Triple A Awards
  - Best Cash Management Bank in India
- IDC FIIA Awards 2011
  - Excellence in Customer Experience
- The Banker and PWM 2010 Global Private Banking Awards
  - Best Private Bank in India
- IBA Banking Technology Awards 2010
  - Technology Bank of the Year
  - Best Online Bank
  - Best Customer Initiative
  - Best Use of Business Intelligence
  - Best Risk Management System
- Forbes Asia
  - Fab 50 Companies – 5th Year in a Row
  - MIS Asia IT Excellence Award 2010
  - Best Bottom-Line IT Category
- FE-EVI Green Business Leadership Award
  - Best Performer in the Banking Category
- Avaya Global Connect 2010
  - Customer Responsiveness Award – Banking and Financial Services Category

RATINGS

Instrument	Rating	Rating Agency	Comments
Fixed Deposit Program	CARE AAA (FD)	CARE[1]	Represents instruments considered to be 'of the best credit quality, offering highest safety for timely servicing of debt obligations, and carry minimal credit risk'
Certificate of Deposit	F1 + (Ind)	FITCH[2]	Indicates the strongest capacity for timely payment of financial commitments relative to other issuers or issues in the country
	PR 1+	CARE	Represents strong capacity for timely payment of short-term debt obligations and carry lowest credit risk. The + sign indicates relatively better credit characteristics within this category
Long term unsecured, subordinated (Tier II) bonds	CARE AAA	CARE	Represents instruments considered to be 'of the best credit quality, offering highest safety for timely servicing of debt obligations, and carry minimal credit 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 credit quality, offering highest safety for timely servicing of debt obligations, and carry minimal credit 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 credit quality, offering highest safety for timely servicing of debt obligations, and carry minimal credit 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
Governance and Value Creation	GVC Level 1	CRISIL	Represents the highest capability with regard to corporate governance and value creation for all stakeholders

[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)

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ISSUANCE OF EQUITY SHARES

During the year under review, 74.8 lac shares were allotted to the employees of your Bank pursuant to the exercise of options under the Employee Stock Option Schemes of the Bank. These include the shares allotted under the Employee Stock Option Schemes of the erstwhile Centurion Bank of Punjab.

The Board of Directors of your Bank considered and approved the sub-division (split) of one equity share of your Bank having a nominal value of ₹ 10 each into five equity shares of nominal value of ₹ 2 each. The record date for the same shall be determined subsequently. The sub-division of shares will be subject to approval of the shareholders and any other statutory and regulatory approvals, as applicable. The stock split has been recommended with a view to make the stock more affordable from the retail investors' perspective and thereby encourage greater participation from the retail segment.

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 16.2%, well above the regulatory minimum of 9.0%. Of this, Tier I CAR was 12.2%.

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 with a focus to emerge as a full-fledged financial services provider offering a bouquet of financial services along with the core broking product. The company continued to strengthen its distribution franchise and as on March 31, 2011 had a network of 150 branches across the country catering to the needs of its customers. During the year under review, the company's total income amounted to ₹ 260.5 crore as against ₹ 235.3 crore in the previous year. The operations resulted in a net profit after tax of ₹ 77.2 crore.

HDBFS is a non-deposit taking non-bank finance company ('NBFC'), the customer segments being addressed by HDBFS are typically underserviced by the larger commercial banks, and thus create a profitable niche for the company to operate. Apart from lending to individuals, the company grants loans to small and medium business enterprises and micro small and medium enterprises. The principle businesses of HDBFS are as follows :

- Loans - The company offers a range of loans in the unsecured and secured loans space that fulfill the financial needs of its target segment.
- Insurance Services - HDBFS is a corporate agent for HDFC Standard Life Insurance Company and sells standalone insurance products as well as products such as Loan Cover and Asset Cover.
- Collections - BPO Services - The Company runs 6 call centers with a capacity of over 1,500 seats. These centers cover collection requirements at over 100 towns through its calling and field teams. Currently the company has a contract with your Bank for collection services.

As on March 31, 2011 HDBFS had 100 branches in 65 cities in order to distribute its products and services. During the financial year ended March 31, 2011 the company's total income increased by over 80% to ₹ 179.4 crore as compared to ₹ 97.6 crore in the previous year. During the same period the company's net profit was ₹ 16.1 crore as compared to ₹ 9.9 crore in the previous year. During the year under review the loan disbursements made by HDBFS increased to ₹ 1,208 crore as compared to ₹ 525 crore in the previous year.

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, 2011.

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 a strong revival last year, the domestic growth cycle remained robust, extending and consolidating the recovery set forth in the fiscal year ended March 31, 2011. While emerging headwinds from tightening monetary conditions and a scale back in fiscal stimulus measures (put in place during the global credit crisis of the calendar year 2008) led to some moderation in industrial growth, service sector growth and agricultural performance were strong and picked up the slack from industry. This is likely to have pushed the headline GDP growth in the year ended March 31, 2011 to 8.6% from 8.0% in the previous year.

Stimulus driven government spending has dissipated as a major driver of growth and private demand has successfully taken over. Structural factors such as strong rural demand, low product penetration and favorable demographics have remained key supports for private consumption. While government consumption growth is likely to have eased substantially from 16.4% in the fiscal year ended March 31, 2010 to 2.6% in fiscal year ended March 31, 2011, private consumption has remained strong growing by 8.2% in the financial year ended March 31, 2011 as against 7.3% a year ago.

However, even as domestic consumption growth has remained robust, investment demand has somewhat disappointed with infrastructure project execution by the government remaining tardy and the corporate capital expenditure cycle remaining subdued. Investments are likely to have grown by 8.2% in the fiscal year ended March 31, 2011 against 12.2% a year ago and this has impinged on industrial performance. Growth in capital goods has fallen from 29.0% in the first half of the fiscal year ended March 31, 2011 to -1.3% in the second half pulling industrial growth lower from 10.3% in the first half of the financial year to 6.3% for the full year.

The service sector has however remained strong with services such as finance, insurance, trade, transportation and communication performing well and taking overall service sector growth to 9.6% against 10.0% a year ago, despite a visible slowdown in government related services such as

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community, personal and social services. Further, a good monsoon season has meant that agricultural production has recovered from last year's drought. Total food grain production is expected to grow by a strong 8.3% while agricultural growth is likely to have been close to 5.4% against 0.4% a year ago. This, along with income support schemes by the government such as the Mahatma Gandhi National Rural Employment Scheme (MGNREGS) have meant that the rural economy has performed well and has been an active participant in domestic growth dynamics.

While the rural sector has added to the robustness of the domestic growth cycle it has also contributed to the stickiness in inflationary pressures. Strong agricultural growth has meant that food inflation has cooled from 21% in June, 2010 to 9.2% in March, 2011 but the pace of decline has been diluted by demand-supply mismatches in specific categories such as protein-based food items (milk, eggs, meat, fish) and fruits and vegetables - an indication of rising rural incomes and the change in dietary patterns this entails. This has been exacerbated by supply chain problems and an inefficient food distribution system. As a result, while WPI inflation has fallen from a peak of 11.0 % in April, 2010 it has been slower to ease than initially anticipated settling in the 8.5-9.0% range in the fourth quarter of the fiscal year ended March 31, 2011 and averaging a rate of 9.4% in the full fiscal year.

Domestic inflationary pressures however, are no longer driven by food prices alone and inflation has become more broad-based over the past year. Firm international commodity prices, especially items such as crude oil, as well as the return of pricing power amongst domestic manufacturing firms amidst firm demand have pushed manufactured goods inflation higher. Further, 'core' inflation or manufactured goods inflation net of food price effects has been rising steadily. While headline inflation eased from 9.0% in October, 2010 to 8.3% in February, 2011, core inflation has picked up from 5.0% to 6.0%.

Monetary policy has, as a result, become more restrictive over the past year with the RBI changing policy focus from calibrating the exit from an accommodative stance to tackling inflation more aggressively. Policy rates (repo and reverse repo rate) have been hiked by 225-275 basis points over the last year but the effective tightening in rates has been far higher. Structural pressures on banking system liquidity from subdued deposit growth such as leakages from the deposit base towards currency in circulation have meant that the monetary transmission mechanism has been quick. Additionally, frictional liquidity stress from tardy government spending has also kept liquidity under pressure swinging the system from a surplus of over ₹ 1,00,000 crore in March, 2010 (as measured by the Liquidity Adjustment Facility (LAF) reverse repo window) to an average deficit of a similar magnitude in March, 2011 (as measured by the LAF repo window). A heavy government borrowing target of ₹ 4,37,000 crore has only exaggerated the pressure on the system.

As a result, the effective policy rate has shifted from the reverse repo rate (rate consistent with surplus liquidity) to the repo rate (rate consistent with deficit liquidity) involving incremental tightening of 100-150 basis points over and above the policy rate hikes over the year. While short-term interest rates such as the overnight MIBOR has moved higher by close to 300 basis points, the yield on the benchmark 10-yr G-sec has increased by 15-20 basis points. Liquidity pressure has meant that the yield curve has flattened with the spread between the 10-yr G-sec and the 1-yr G-sec yields moving from 280 basis points to 50 basis points.

Lending rates have moved higher by an average of 100-150 basis points as funding conditions have come under strain. However, credit growth has been robust despite interest rate increases and has gathered pace over the year moving from 16.0% in March, 2010 to 23.0% in March, 2011. While infrastructure has continued to dominate credit growth in the past year, credit off-take has been relatively more broad-based with retail credit disbursements such as vehicle loans and housing loans as well as funding to services such as trade and Non Banking Financial Companies gathering ground. Credit growth towards infrastructure continued to grow at last year's level of around 40%, growth in personal loans accelerated sharply from 4% to 16% while the growth in service sector credit picked up from 15% to 24%.

Deposit rates have also been hiked by an average of 150-200 basis points and while this has helped deposit growth move higher from a low of 14.0% in June, 2010 to 16.9% in March, 2011, deposit mobilization has been weak in the last year. Net foreign inflows into the country have been subdued and have been a major factor constraining money supply and deposit growth. Capital inflows into the country have been strong in the past year and are likely to have been USD 66 billion against USD 54 billion a year ago on the back of strong portfolio flows (both debt and equity), heavy external commercial borrowings and strong trade credit. However, the bulk of these inflows have been absorbed in financing a large current account deficit. The current account gap over the last financial year is likely to be close to 2.5-2.8% of GDP or USD 48 billion leaving net foreign inflows into the country at close to USD 16.4 billion - just slightly higher than net inflows of USD 13.4 billion in the previous year.

That said, there have been some offsets in recent months. A recovery in export growth and a turn in invisibles (private transfers and service exports) as well as a normalization in import growth in line with moderating industrial momentum in the third quarter of the last fiscal year has meant that the current account gap has reduced from 4.3% of GDP in the second quarter of the last year to 2% in the third quarter. While the drag on foreign inflows during the last year is still expected to be a long term concern, the pressure on external balances has relatively eased in the near term.

Reflecting the improvement in global growth conditions driven by fiscal and monetary stimulus measures, export growth in the last quarter of the fiscal year ended March 31, 2011 was a strong 42.0%. Growth was driven by categories such as engineering goods, chemicals, gems and jewellery and electronic goods, this has been a vital support to the domestic industry amidst flagging investment momentum. Import growth slowed down from 32.8% in the first half of the last financial year to 10.0% in the second half, inflows from invisibles picked up pace in the third quarter of the fiscal year ended March 31, 2011 growing by 17.0% on the year against a decline of 2.6% Y-o-Y in the first half of the same year. The risk however is that firm global commodity prices could push import growth higher going ahead and the likelihood of further improvement in external balances is somewhat limited.

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

Macroeconomic Risks and Concerns

While the balance of risks in the last financial year were largely external, rising domestic interest rates as well as firm inflationary pressures have meant that domestic factors have now emerged as points of concern for growth in the current fiscal year. Further, the withdrawal of monetary and fiscal stimulus measures last year has meant that the domestic growth cycle is likely to be far more vulnerable to external shocks going ahead.

Even as food inflation is likely to stabilize, firm international commodity prices are likely to keep manufactured goods inflation strong. Rising global oil prices remain a foremost risk to inflation and India's fiscal and current account deficits this year. With uncertainty surrounding the political crisis in the Middle East and North Africa (MENA) region oil prices are unlikely to move to lower levels in a hurry. The price of crude (as measured by the India crude oil basket) has already spiked up by 40% on the year to USD 108 per barrel and the expectation is that the average price of crude oil is unlikely to fall below the USD 95-100 per barrel mark. It is anticipated that inflation is likely to average close to 8.5% in the fiscal year ended March 31, 2012 just slightly lower than the average inflation rate of 9.4% in the past year, this is likely to see the Reserve Bank of India (RBI) hike its repo and reverse repo rate by a total of 100-125 basis points this year. The risk however is that further escalation in oil prices and a faster than expected build up of inflation could push the central bank to tighten interest rates to a level that could impinge on private investment and leveraged consumer spending and constrain future growth.

The government has indicated its resolve to tame its imbalances and is targeting a fiscal deficit of 4.6% of GDP in the current year against 5.1% last year. It will be a challenge to achieve this target should key outlays such as oil, fertilizer and food subsidy payments turn out to be higher than budgeted. There is an additional risk that moderating industrial growth could dampen government revenues below budgeted levels. This could entail a larger government draft on the market and the banking system posing an upside risk to interest rates.

While the fundamentals of the Indian economy remain strong, the domestic equity markets and for that matter fund flows into the domestic financial system on the whole 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.

The single largest external risk that could impact inflows into the country stems from the normalization in global liquidity and monetary conditions. The great wall of liquidity provided by accommodative monetary conditions in major developed economies like the United States of America, Japan, United Kingdom and the Euro-area have been crucial in driving yield seeking flows to risky assets and emerging markets such as India. Inflation concerns however are gradually building up and with global commodity prices likely to remain firm it is unlikely that the magnitude of liquidity pumped into the global financial system over the last two years will continue.

However the risks to external balances are not only limited to capital inflows. The likelihood of firm commodity prices as well as escalating oil prices means that the current account deficit could come under stress. With foreign exchange reserves of USD 305 billion in March, 2011 pressure on external liquidity and solvency in this event is unlikely to pose a serious threat to external stability in the near-term. However, there are implications for both exchange rate volatility as well as domestic liquidity. A large current account deficit is likely to trim net foreign inflows into the country placing undue depreciation pressure on the rupee and impacting domestic liquidity.

Stress on domestic funding conditions is likely to get exacerbated by an oil price shock and this is likely to make for a challenging operating environment for the banking system. Offsets could come from open market operations by the RBI which bought back government securities of nearly ₹ 70,000 crore in the last fiscal year but the strain on system liquidity could sustain.

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.

Outlook

Further withdrawal of stimulus measures-both fiscal and monetary, are likely to moderate headline GDP growth in the year ahead and the expectation is that growth is likely to soften slightly from 8.6% in the last year to 8.0%. Additional monetary tightening in the current fiscal year could curtail private investment and leveraged consumer spending from entirely picking up the slack from fiscal compression and a cut back in government spending. However, this is unlikely to detract from structural positives and the premium attached to India as a rapidly growing economy. World output is likely to grow by 3.5% in 2011 and despite the configuration of external and domestic risks looming over the horizon, India is likely to continue to outperform the global economy by a large margin. Pressures are likely to be cyclical and key structural supports from a growing rural economy, favorable demographics and low product penetration are likely to continue to keep private consumption strong. Structural positives are likely to therefore offset downside risks to growth and keep India an attractive investment destination next year.

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 and compliance. The objective is to continue building sound customer franchises across distinct businesses so as to be a preferred provider of banking services for its 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 :

- Develop innovative products and services that attract its targeted customers and address inefficiencies in the Indian financial sector;

- 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 scaleable systems to deliver more products to more customers and to control operating costs;
- Maintain high standards for asset quality through disciplined credit risk management;
- 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 of your Bank during the fiscal year ended March 31, 2011 remained healthy with total net revenues (net interest income plus other income) increasing by 20.3% to ₹ 14,878.3 crore from ₹ 12,369.5 crore 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 25.7% primarily due to acceleration in loan growth to 27.1% coupled with a stable net interest margin (NIM) of 4.3% for the year ending March 31, 2011.

From April 01, 2010 the RBI mandated that interest payable on savings deposits be calculated on daily average balances, this resulted in an increase in savings deposit costs by approximately 70-80 basis points. Further, due to tight liquidity conditions that were prevalent in the monetary system during the second half of the fiscal year ended March 31 2011, your Bank witnessed an increase of over 200 basis points in its retail term deposit rates during this period. Your Bank has however maintained steady NIMs which are amongst the highest within its peer group by managing the yields across its various customer and product segments in line with its cost of funds.

Other income grew 8.8% over that in the previous year to ₹ 4,335.2 crore during the financial year ended March 31, 2011. This growth was driven primarily by an increase in fees and commissions earned and income from foreign exchange and derivatives, offset in part by a loss on sale / revaluation of investments of ₹ 52.6 crore as compared to a gain of ₹ 345.1 crore in the previous financial year. In the fiscal year ended March 31, 2011, commission income increased by 19.7% to ₹ 3,596.7 crore with the primary drivers being commissions from the distribution of third party insurance and mutual funds, fees on debit and credit cards, transactional charges and fees on deposit accounts and processing fees on retail assets. The banking industry witnessed regulatory changes that resulted in the capping of earnings from the distribution of insurance products, however the increase in your Bank's sales volumes partly made up for the reduction in unit commissions, as a result the growth in income from the distribution of third party products remained a healthy 28.0%. Foreign exchange and derivatives revenues grew by 26.2% from ₹ 623.2 crore in the previous financial year to ₹ 786.3 crore in the fiscal year ended March 31, 2011.

Operating (non-interest) expenses grew in line with net revenues and increased from ₹ 5,939.8 crore in the previous financial year to ₹ 7,152.9 crore in the year under consideration. During the year your Bank opened 261 new branches and over 1,200 ATMs which resulted in higher infrastructure and staffing expenses. In spite of that, the ratio of operating cost to net revenues (excluding bonds gains) for your Bank improved to 47.9% during the fiscal year ended March 31, 2011, from 49.4% in the previous year.

Total loan loss provisions including specific provisions for non-performing assets and floating provisions decreased from ₹ 1,988.9 crore to ₹ 1,433.0 crore for the financial year ended March 31, 2011, on account of healthy asset quality across customer and product segments. Your Bank's provisioning policies for specific loan loss provisions remain higher than regulatory requirements, the coverage ratio based on specific provisions alone without including write-offs technical or otherwise was 82.5% and that including general and floating provisions was well over 100% as on March 31, 2011. Your Bank has made contingent provisions on account of contingencies towards the loans that it has extended to micro finance institutions, in view of the credit concerns arising out of the disruptions in that sector. 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 however, continued to maintain the general provisions that were already created. As a result of the above, the requirement for general asset provisions was lower than what the Bank held on its books as on March 31, 2011 and the Bank did not have to make any additional general asset provisions on account of the increase in its loan book.

Your Bank's profit after tax increased by 33.2% from ₹ 2,948.5 crore in the previous financial year to ₹ 3,926.4 crore in the year ended March 31, 2011. Return on average net worth was 16.5% while the basic earnings per share increased from ₹ 67.56 to ₹ 85.02 per equity share.

As at March 31, 2011, your Bank's total balance sheet size was ₹ 277,353 crore an increase of 24.7% over ₹ 222,458 crore as at March 31, 2010. Total Deposits increased 24.6% from ₹ 167,404 crore as on March 31, 2010 to ₹ 208,586 crore as on March 31, 2011. Savings account deposits grew by 27.2% to ₹ 63,448 crore while current account deposits at ₹ 46,460 crore witnessed an increase of 24.8% as compared to those on March 31, 2010. Adjusting current account deposits for one offs at year end amounting to ₹ 3,700 crore the growth was 14.9%. The proportion of core current and savings deposits (CASA) to total deposits continued to be healthy at 51% as on March 31, 2011. During the financial year under review, gross advances grew by 26.8% to ₹ 161,359 crore, while system loan growth was approximately 21%. Your Bank's loan growth was driven by an increase of 26.8% in retail advances to ₹ 80,113 crore, and an increase of 26.7% in wholesale advances to ₹ 81,246 crore. The Bank had a market share of 3.7% in total system deposits and 4.2% in total system advances. The Bank's Credit Deposit (CD) Ratio was 76.7% as on March 31, 2011. Adjusted for overseas funding by its international operations, primarily funded from term borrowings, the CD Ratio was lower at 74.5%.

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

Your Bank caters to various customer segments with a wide range of products and services. The 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, loan against gold jewellery etc.), credit cards, debit cards, depository (custody services), investment advisory, bill payments and several transactional services. Apart from its own products, the Bank distributes third party financial products such as mutual funds and life and general insurance.

The growth in your Bank's retail banking business was robust during the financial year ended March 31, 2011. The Bank's total retail deposits grew by over 23.3% to ₹ 139,961 crore in the financial year ended March 31, 2011, driven by retail savings balances which grew much faster at 28.0% during the same period. The Bank's retail assets grew by 26.8% to ₹ 80,113 crore during the financial year ended March 31, 2011 driven primarily by a growth in mortgages, business banking, commercial vehicle loans and auto loans.

Branch Banking

This year your Bank expanded its distribution network from 1,725 branches in 779 cities as on March 31, 2010 to 1,986 branches in 996 Indian cities on March 31, 2011. The Bank's ATMs increased from 4,232 to 5,471 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 over 70% 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 21.9 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 17%. 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 14%. The Bank also made strong inroads in its internet banking channel with around 60% of its registered customers now using net banking facilities for their banking requirements. Your bank now offers phone banking in 996 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 over 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 good 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 5 million cards in force as at March 2011. 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 120,000.

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 through its branches. HDFC Limited approves and disburses the loans, which are booked in their books, with the Bank receiving a sourcing fee for these loans. HDFC Limited offers the Bank an option to purchase up to 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 and 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 ₹ 700 crore of mortgages every month in the financial year ended March 31, 2011, an increase from the ₹ 550 crore per month that it originated in the previous year. During the year the Bank also purchased from HDFC Ltd. under the "loan assignment" route approximately ₹ 4,300 crores of AAA credit enhanced home loans most of 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. Third party distribution income contributes approximately 25% of total fee income.

The Bank's data warehouse, Customer Relationship Management (CRM) and analytics solutions have helped it target existing and potential customers in a cost effective manner and offer them products appropriate to their profile and needs. Apart from reducing costs of acquisition, this has also led to deepening of customer relationships and greater efficiency in fraud control and collections resulting in lower credit losses. The Bank is committed to investing in advanced technology in this area which will provide cutting edge in the Bank's product and service offerings.

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 segments 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.

The business from this segment registered a healthy growth in the financial year ended March 31, 2011. The Bank's wholesale deposits grew by around 27.4%, while wholesale advances showed a growth of over 26.7% 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 medium tenor term lending, however working capital loans and short tenor term 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, 2011, 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 ₹ 30 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 and also strived for healthy growth in the sub-targets such as weaker sections, direct agriculture and the micro and SME segments.

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, a branch in Hong Kong and two representative offices in UAE and Kenya. The branches offer the Bank's suite of banking services including treasury and trade finance products to its corporate clients. Your Bank has built up an asset book over USD 1 billion through its overseas branches. 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' demonstrated hedging needs. During the financial year ended March 31, 2011, revenues from foreign exchange and derivative transactions grew by 26.2% to ₹ 786.3 crore. 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.

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 templatized 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.

Implementation of a risk management engine for internet transactions has reduced the phishing and man in the middle attacks significantly. 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 was one of the few banks in the country to have put in place a team dedicated to improve service quality through the Lean and Six Sigma methodologies with a focus on right origination, cost effective and error free operations and effective complaint resolution. The Bank continued driving improvements in Service Quality (SQ) initiatives encompassing all customer touch points namely branches, ATMs, phone banking, net banking, e-mail service as well as back office support functions impacting customer service through a dedicated Quality Initiatives Group (QIG) team. Some of the key elements covered by the QIG team are workplace management, etiquette and courtesy, lobby management, complaints management, management of turn-around times, overall customer service and compliance with the Bank's internal processes as well as regulatory compliance. The group also runs programs such as 'voice of the customer' and 'voice of the employee' for effective complaint resolution and process improvement. Various departments of the Bank are empowered to deliver superior customer experience through improvements in products, processes and people skills. To this effect, your Bank has designed and implemented customized Lean Sigma Project Management (LSPM) methodology that incorporates the Lean philosophy into the Six Sigma framework to deliver faster and sustainable results clubbed with customer delight and improved profitability. The Bank also takes advantage of various information technology platforms to improve products, processes and services. Your Bank does not believe in designing a product and fitting it into the customers' needs rather it designs products to meet customer needs. The Bank has always ensured that its products and services are delivered through processes which are in line with the prevalent regulatory framework and has adequate controls to safe-guard against possible misuse.

Your Bank has taken various steps to improve the effectiveness of its grievance re-dressal mechanism across its delivery channels. Some key measures taken up by the Bank include a three layered grievance re-dressal mechanism, bank-wide online complaint resolution system, root cause remediation, customer service committees at the branch level and at the corporate headquarters level with representation from customers. The levels of customer service are periodically reviewed by the board of directors of the Bank.

Apart from the above, your Bank continued with the ongoing service quality initiatives which include the audit of services as well as mystery shopping at various customer touch points to capture and improve customer experiences. Your Bank has also set up a robust training mechanism; both on the online platform as well as using conventional class room sessions, to enable its employees improve the quality of customer service.

Risk Management and 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 the 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 monitored largely on a portfolio basis, across various products and customer segments. During the financial year ended March 31, 2008 the Bank obtained an ISO 9001:2008 certification of its retail asset underwriting. Last year, the second surveillance audit was conducted successfully at key locations and the certification was confirmed with no instances of non-conformity. 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 Policy and 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, 2011, the Bank's ratio of gross non-performing assets (NPAs) to gross advances was 1.05%. Net non-performing assets (gross non-performing assets less specific loan loss provisions, Export Credit Guarantee Corporation (ECGC) claims received and provision in lieu of diminution in the fair value of restructured assets) were 0.2% of customer assets as of March 31, 2011. 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 AND COMPLIANCE

The Bank has Internal Audit and 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 and Compliance Committee of the Board and only a dotted line 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 and Compliance Committee of the Board also reviews the performance of the audit and compliance functions and reviews the effectiveness of controls and compliance with regulatory guidelines.

CORPORATE SOCIAL RESPONSIBILITY

Your Bank views Corporate Social responsibility as its commitment to operate ethically and contributing to economic development while improving the quality of life of its employees as well as that of the local communities and society at large. Pursuing a vision towards the socio-economic empowerment of underprivileged and marginalized sections of society, the Bank reiterates its commitment to support social initiatives with a special focus on education and livelihood support.

The major initiatives that your Bank has taken in this direction over the last few years cover the following areas :

- Education
- Livelihood training and support
- Environmental sustainability
- Employee welfare, health and well being
- Employee engagement

Education Initiatives

School adoption project

This is a public private partnership to ensure that children in municipal schools have access to quality education; the program provides direct learning inputs to slow learners through academic support centers. These centers provide children with access to concept based, child friendly focused teaching methods. Teachers are also assisted with innovative teaching methods and learning material. Your Bank is presently supporting seven schools in Mumbai covering 1,850 children; in addition the Bank is working with 10 schools in Pune on a reading program that covers over 5,000 children.

Special educational sponsorships for the girl child

Girls who are at the risk of dropping out of school on account of affordability and poor academic performance are identified and supported under a special sponsorship program. This program covers their material needs with regard to their education as well as provides them with academic support. Presently, this program covers 1,500 girls in Mumbai, Sheopur and Chattisgarh.

Educational assistance

Under this program your Bank provides education support to children who have dropped out of school with an aim to reintegrate them into the mainstream education channels. Simultaneously, support classes are also conducted in high risk areas to reduce dropouts and increase the level of learning. Over 1,000 children in Mumbai, Bangalore, Hyderabad and Kolkata are being covered through this educational assistance program.

Pre-schools

The Bank has initiated partnerships to operate pre-schools in areas where there is a high concentration of out of school children. These are focused predominantly towards first generation learners, the pre-primaries prepare children for schooling while at the same time counseling their parents on the importance of education. On completion of the pre-school module children are enrolled into school. Your Bank currently reaches out to over 9,000 children in Mumbai, Delhi and Hyderabad under this program.

Financial Literacy

We believe that by inculcating sound economic practices in rural children, we can tangibly demonstrate the power of the savings habit. This financial education program aims to inculcate practices in children that would over time empower them with the right decision making skills in terms of saving money, making financial decisions based on real needs, and differentiate between good and bad spending. Your Bank has tied up with 464 schools in Maharashtra covering over 69,000 children through this program.

Livelihood Training and Support

With the economic upliftment of the underprivileged in mind, the Bank provides support for vocational training to individuals in order to enable them to have regular and sustainable income. Under this program your Bank supports non formal vocational and technical education programs in trades such as welding, plumbing, electrical maintenance, mobile repair, tailoring etc. We also support training courses in making of paper bags, gel candles, wax candles, chef caps and courses on physiotherapy for visually challenged candidates. Further through onsite skills up-gradation courses in basic trades related to the construction industry, we are reaching out to the unorganized sector and have provided training to over 2,650 youth and women.

Your bank has an active lending program wherein it focusses on lending to customers typically below the poverty line for income generation purposes through the formation of self-help groups. The bank believes that this lending should be supported with training programs that nurture the appropriate skill sets as well as the provision of market linkages to the primary markets in order to ensure that the livelihood activities are sustainable.

To this effect your bank conducts capacity building and training sessions that focus on enhancing the skills of the borrowers, some of these in the past have included basket weaving, agarbatti rolling etc. The bank also has in place a program that assists in providing market linkages to the self help groups so that they can sell the products produced at a fair price and in a hassle free manner. In addition to the above the bank provides counselling to all the self help groups that it works with on the benefits of the savings habit, wise investing habits etc.

Environmental Sustainability

Your Bank believes in taking responsibility for the effects of its operations in society and on the environment and this belief embodies its approach to the reduction of carbon emissions. Taking forward this commitment the Bank has undertaken the following projects :

Annual Foot-printing / Calculation of its carbon emissions

The Bank has developed and put in place a template to collate and calculate its carbon emissions on an annual basis. This provides us with our emissions regarding travel, electricity, paper and other utilities, which then enables us to take efforts in specific areas in order for the Bank to reduce the impact of its operations on the environment.

Carbon Disclosure Project

The Bank has been associated with the carbon disclosure project since 2007, adhering to their disclosure practices, each year we have strived to improve the quality of reporting and the number of parameters that go into the disclosure. In the year 2010, your Bank registered as a signatory to the carbon disclosure project.

Carbon Management Awareness

Employees are made aware of the importance of conservation of natural resources and smart resource management techniques through various e-mailers and other communications sent out periodically.

Sustainability Reporting

We have engaged consultants to create an in-house capability for triple bottom line / sustainability reporting, based on the Global Reporting Initiative guidelines. This is a disclosure tool used to communicate important information regarding the organization and its performance across social, environmental, and economic parameters to stakeholders.

Green Initiative

In line with its commitment to green and sustainable development your bank has followed green principles in the construction of its back office premises located in Mumbai. The building core and shell has been designed and implemented in lines with a LEED rating of 'gold'. All materials used in the construction of the interiors of the building conform to green norms for commercial premises. The operations of the premises consume less than one watt per square foot of space. Indoor air quality is monitored through Co2 control and sewage for the building is treated and recycled.

Employee Health, Welfare and Well Being

Your Bank has its people as one of its stated values. Keeping in line with this we ensure equal opportunities, living wages, social security and well being of our employees. Employee development is integral to the bank, which is achieved through a range of training and developmental program and activities.

Employee Participation

The Bank encourages employee participation at all levels to strengthen its corporate social responsibility initiatives as well as inculcate a stronger sense of ownership amongst its employees of each of these initiatives.

Employee Payroll Giving

Employees are provided with an easy and convenient system to donate through the employee payroll giving. The donor enjoys the flexibility of choice with regards to the amount that they wish to donate and the cause that they wish to support. The Bank adds a matching amount to the contribution to endorse its support to the cause chosen by the employees.

Employee Volunteering

Employees are an integral part of the Bank's social initiatives, they are encouraged to participate in philanthropy work involving their time and skills in many possible ways. Employees can choose NGO partners they would like to work with and the manner in which they would like to dedicate their time and skill. Your Bank's employees have increasingly participated in summer camps; conducted english-speaking classes; collected paper waste, assisted in academic support programs, donated blood and so on.

With its focus on creating self-reliance and promoting education in the interiors of the country, your Bank has been able to make meaningful differences a small group of individuals through its many programs. Going forward we would like to look at CSR not as a stand-alone function but as an ideology that is interwoven into every aspect of your Bank's operations.

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 results in economically uplifting its customers. The Banks financial inclusion initiatives have been integrated across its various businesses, across product groups. By March 31, 2014 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 a number of its branches in rural and under-banked 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 and remittances etc. The Bank also leverages some of these branches as hubs for other inclusion initiatives such as direct linkages to self help groups and to promote mutual guarantee micro-loans, POS terminals and information technology enabled kiosks, as well as other ICT initiatives such as mobile banking in these locations. The Bank covers over 4,000 villages in the country through various distribution set ups, these include branches and business correspondents. Over half of the above villages are those having a population of less than 2,000 that have typically been financially excluded from the formal banking sector.

A number of retail credit products such as two-wheeler loans, car loans, mortgages etc. that are consumption products in urban centers happen to be means of income generation for rural consumers. Apart from loans directly linked to agriculture such as pre and post harvest credit, there are many other credit products that the Bank uses 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) is used for income generating activities. For example, loans for tractors, commercial vehicles, two wheelers etc. supplement the farmer's income by improving productivity and reducing expenses.

No Frills Savings Accounts

A savings account is the primary requirement for the provision of other banking services; the account promotes the habit of saving, provides 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. Your Bank has been empanelled by the unique identification authority of India in 444 districts of the country allowing citizens to open small savings accounts with your Bank in a convenient, hassle free manner at the time of registration for the 'Aadhar'.

Loans to Self Help Groups and Mutual Guarantee Micro loans

Your Bank has been working with various non government organizations (appointing them as business correspondents) in order to cover a wider consumer base than that it could have reached through its branch network. The NGOs 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 self help groups. Over the last one year the Bank has accelerated its direct linkage program to self-help groups, under this program the Bank itself works at the grass root level with women in villages, conducts financial literacy programs, forms groups and then funds these groups for income generation activities. Till date the Bank has lent to over 54,000 self help groups covering approximately 8 lakh households. Your Bank also disburses loans to its rural customers under the mutual guarantee micro loan product. This product works on the principle of group guarantees and provides clean (not backed by any collateral) loans to the borrowers based on a guarantee by other borrowers.

Agriculture and Allied Activities

A large portion of India's un-banked population relies on agriculture as the 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 and 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 over 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 dairy societies and sugarcane co-operatives as business correspondents, 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.

Gold Loans

Gold loans are the simplest and most effective means of unlocking the value of the widest held security in India. The Bank offers loans against gold jewellery to its customers at interest rates that are fair in a quick hassle free manner. A number of these loans are availed by housewives, small entrepreneurs and farmers both for income generation activities as well as for emergency needs. This product provides customers with easy credit as and when they need it without their having to resort to loans disbursed by local money lenders typically at usurious rates of interest.

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 55,752 as of March 31, 2011. 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 as ammended, 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 55,752 employees as on March 31, 2011. 84 employees employed throughout the year were in receipt of remuneration of more than ₹ 60 lacs per annum and 8 employees employed for part of the year were in receipt of remuneration of more than ₹ 5 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 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, 2011 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 frauds and other irregularities; and

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

DIRECTORS

Mr. Ashim Samanta will retire by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

Mr. C. M. Vasudev, who has been a Director of the Bank since October 2006, has been appointed as the Chairman of the Bank with effect from August 26, 2010 with the approval of the Reserve Bank of India for a period of 3 years. The Reserve Bank of India has also granted approval for the remuneration payable to him. The approval of the shareholders is being sought at the ensuing Annual General Meeting for the appoinment of the Chairman and remuneration payable to him.

Mr. Partho Datta, Mr. Bobby Parikh and Mr. Anami N Roy have been appointed as additional directors by the Board during the year and they shall hold office up to the conclusion of the ensuing Annual General Meeting. The Bank has received notices pursuant to Section 257 of the Companies Act, 1956 from some of its shareholders proposing the candidature of Mr. Partho Datta, Mr. Bobby Parikh and Mr. Anami N Roy as Directors of the Bank at the ensuing Annual General Meeting.

Mrs. Renu Karnad retired as a Director of the Bank in July 2010 on completion of a tenure of eight years as permitted under the Banking Regulation Act, 1949. Mrs. Karnad has been re-appointed as an additional director in January 2011 in accordance with the relevant applicable guidelines of the Reserve Bank of India, subject to the approval of the shareholders. The Bank has received a notice pursuant to Section 257 of the Companies Act, 1956 from a shareholder proposing the candidature of Mrs. Karnad as a Director at the ensuing Annual General Meeting.

Mr. Jagdish Capoor retired as the Chairman of the Board with effect from the close of business hours on July 05, 2010. Mr. Gautam Divan retired as a Director of the Bank with effect from July 22, 2010 on attaining the age of 70 as prescribed by the Reserve Bank of India. Mr. Arvind Pande and Mr. Keki Mistry ceased to be directors of the Bank with effect from the close of business hours on January 14, 2011 and March 26, 2011 respectively on completing the permitted tenure of eight years as Directors as per the Banking Regulation Act, 1949.

Your Directors would like to place on record their sincere appreciation of the contributions made by Mr. Jagdish Capoor, Mr. Gautam Divan, Mr. Arvind Pande and Mr. Keki Mistry during their tenure as Directors of the Bank.

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

AUDITORS

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

ACKNOWLEDGEMENT

Your Directors would like to place on record their gratitude for all the guidance and co-operation received from the Reserve Bank of India and other government and regulatory agencies. Your Directors would also like to take this opportunity to express their appreciation 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

C. M. Vasudev
Chairman

Mumbai, April 18, 2011

Annexure to Directors' Report for the year ended March 31, 2011

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 (₹)	Options Granted	Options Vested	Options Exercised & Shares Allotted*	Options Forfeited	Options Lapsed	Total Options in Force as on March 31, 2011
ESOP IV	358.60	-	-	58,600	-	3,500	37,900
ESOP V	366.30	-	-	20,700	-	6,000	6,900
ESOP VI	362.90	-	-	25,400	-	3,600	17,000
ESOP VII	630.60	-	-	625,900	-	1,600	663,700
ESOP VIII	994.85	-	-	717,700	-	10,500	1,130,300
ESOP IX	994.85	-	-	786,200	-	5,600	705,700
ESOP X	1,098.70	-	-	222,000	-	-	248,200
ESOP XI	1,098.70	-	-	437,600	-	-	531,300
ESOP XII	1,098.70	-	-	2,048,400	-	-	2,293,000
ESOP XIII	1,126.45	-	626,500	313,500	-	-	880,500
ESOP XIV	1,446.10	-	5,276,250	1,597,750	69,500	103,250	3,575,250
ESOP XV	1,704.80	-	1,695,250	75,300	120,000	-	1,619,950
ESOP XVI	2,200.80	6,593,500	-	-	20,000	-	6,573,500
eCBoP Key ESOP	116.00	-	-	-	-	-	64,816
eCBoP 2004 - Scheme 1	565.50	-	-	521	-	39	868
eCBoP 2004 - Scheme 2	442.25	-	-	6,303	-	-	8,238
eCBoP 2004 - Scheme 3	442.25	-	-	1,104	-	-	1,415
eCBoP 2004 - Scheme 4	442.25	-	-	893	-	-	3,917
eCBoP 2004 - Scheme 5	536.50	-	-	33,094	-	-	69,116
eCBoP 2004 - Scheme 6	536.50	-	-	2,441	-	173	12,506
eCBoP 2004 - Scheme 7	593.05	-	-	41,457	-	-	98,430
eCBoP 2004 - Scheme 8	859.85	-	-	52,767	-	1,295	58,066
eCBoP 2007 - Scheme 1	1,162.90	-	-	306,699	-	60,149	409,782
eCBoP 2007 - Scheme 2	1,258.60	-	-	108,083	-	52,757	148,851
Total		**6,593,500**	**7,598,000**	**7,482,412**	**209,500**	**248,463**	**19,159,205**

** 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 ₹ 7,48 lacs towards share capital and ₹ 820,68 lacs towards share premium on account of 7,482,412 stock options exercised and allotted during the year under review.
Pricing Formula for ESOS XVI	Closing market price on the stock exchange where there is highest trading volume on the immediately preceding working day of the date of grant.

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Other details are as under (Contd) :

Details of options granted to :	Name	Options Granted
i. Directors & Senior managerial personnel	Aditya Puri	90,000
	Paresh Sukthankar	60,000
	Harish Engineer	60,000
	Rahul Bhagat	40,000
	Kaizad Bharucha	40,000
	Abhay Aima	40,000
	Anil Jaggia	40,000
	Sashi Jagdishan	40,000
	Rajan Ananthanarayan	40,000
	Pralay Mondal	40,000
	Navin Puri	40,000
	Ashish Parthasarthy	40,000
	Jimmy Tata	40,000
	Bhavesh Zaveri	40,000
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	
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 ₹ 84.03	
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 ₹ 334.2 crores. Consequently profit after tax would have been lower by ₹ 223.2 crores and the basic EPS of the Bank would have been ₹ 80.19 per share (lower by ₹ 4.83 per share) and the Diluted EPS would have been ₹ 79.25 per share (lower by ₹ 4.78 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 ₹ 1,106.8 and the weighted average fair value is ₹ 389.2	
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,	7.53% to 7.62%	
ii. Expected life,	1-6 years.	
iii. Expected volatility,	30%	
iv. Expected dividends, and	0.55%	
v. The price of the underlying share in market at the time of option grant	The per share market price was ₹ 2,200.80 at the time of grant of options under ESOS XVI	

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Auditors' Report

To the Members of HDFC Bank Limited

We have audited the attached Balance Sheet of **HDFC Bank Limited** ('the Bank') as at 31 March 2011 and also the Profit and Loss Account and the Cash Flow Statement for the year then ended, 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 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 statements 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(1), (2) and (3C) 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 our audit and have 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; and

c) the returns received from the offices and branches of the Bank 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 dealt with by this report comply with the accounting principles generally accepted in India including Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent they 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 and returns;

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 information and explanation 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 written representations received from the directors, as on 31 March 2011, and taken on record by the Board of Directors, we report that none of the director is disqualified as on 31 March 2011 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 financial statements 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 banking companies and give a true and fair view in conformity with accounting principles generally accepted in India:

a) in the case of the Balance Sheet, of the state of affairs of the Bank as at 31 March 2011;

b) in the case of the Profit and Loss Account, of the profit of the Bank for the year ended on that date; and

c) in the case of the Cash Flow Statement, of the cash flows of the Bank for the year ended on that date.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No: 101248W

Akeel Master
Partner
Membership No: 046768

Mumbai
18 April, 2011

Balance Sheet

As at March 31, 2011

₹ in '000

	Schedule	As at 31-Mar-11	As at 31-Mar-10
CAPITAL AND LIABILITIES			
Capital	1	**4,652,257**	4,577,433
Reserves and Surplus	2	**249,111,291**	210,618,369
Employees' Stock Options (Grants) Outstanding		**29,135**	29,135
Deposits	3	**2,085,864,054**	1,674,044,394
Borrowings	4	**143,940,610**	129,156,925
Other Liabilities and Provisions	5	**289,928,565**	206,159,441
	Total	**2,773,525,912**	2,224,585,697
ASSETS			
Cash and Balances with Reserve Bank of India	6	**251,008,158**	154,832,841
Balances with Banks and Money at Call and Short notice	7	**45,680,191**	144,591,147
Investments	8	**709,293,656**	586,076,161
Advances	9	**1,599,826,654**	1,258,305,939
Fixed Assets	10	**21,706,480**	21,228,114
Other Assets	11	**146,010,773**	59,551,495
	Total	**2,773,525,912**	2,224,585,697
Contingent Liabilities	12	**5,751,224,839**	4,790,515,044
Bills for Collection		**134,284,924**	81,248,646
Significant Accounting Policies and Notes to Accounts	17 & 18		

The schedules referred to above form an integral part of the Balance Sheet.

As per our report of even date.

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

Akeel Master
Partner
Membership No.: 046768

Mumbai, 18 April, 2011

For and on behalf of the Board

C. M. Vasudev
Chairman

Aditya Puri
Managing Director

Sanjay Dongre
Executive Vice President (Legal) & Company Secretary

Harish Engineer
Executive Director

Paresh Sukthankar
Executive Director

A. N. Roy
Ashim Samanta
Bobby Parikh
Partho Datta
Renu Karnad
Directors

Profit and Loss Account

For the year ended March 31, 2011

₹ in '000

		Schedule	Year Ended 31-Mar-11	Year Ended 31-Mar-10
I.	**INCOME**			
	Interest earned	13	**199,282,122**	161,727,194
	Other income	14	**43,351,527**	39,831,088
		Total	**242,633,649**	201,558,282
II.	**EXPENDITURE**			
	Interest expended	15	**93,850,839**	77,862,988
	Operating expenses	16	**71,529,141**	59,398,003
	Provisions and contingencies		**37,989,660**	34,810,282
		Total	**203,369,640**	172,071,273
III.	**PROFIT**			
	Net Profit for the Year		**39,264,009**	29,487,009
	Profit brought forward		**45,327,948**	34,555,658
		Total	**84,591,957**	64,042,667
IV.	**APPROPRIATIONS**			
	Transfer to Statutory Reserve		**9,816,002**	7,371,752
	Proposed dividend		**7,676,224**	5,492,919
	Tax (including cess) on dividend		**1,245,275**	912,305
	Dividend (including tax / cess thereon) pertaining to previous year paid during the year		**26,484**	9,343
	Transfer to General Reserve		**3,926,401**	2,948,701
	Transfer to Capital Reserve		**3,568**	1,994,599
	Transfer to / (from) Investment Reserve Account		**155,587**	(14,900)
	Balance carried over to Balance Sheet		**61,742,416**	45,327,948
		Total	**84,591,957**	64,042,667
V.	**EARNINGS PER EQUITY SHARE (Face value ₹ 10 per share)**		₹	₹
	Basic		**85.02**	67.56
	Diluted		**84.03**	66.87
	Significant Accounting Policies and Notes to Accounts	17 & 18		
	The schedules referred to above form an integral part of the Profit & Loss Account.			

As per our report of even date.

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

Akeel Master
Partner
Membership No.: 046768

Mumbai, 18 April, 2011

For and on behalf of the Board

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Ashim Samanta
Bobby Parikh
Partho Datta
Renu Karnad
Directors

For the year ended March 31, 2011

₹ in '000

Particulars	Year Ended 31-Mar-11	Year Ended 31-Mar-10
Cash flows from operating activities		
Net profit before income tax	**58,186,567**	**42,891,365**
Adjustments for :		
Depreciation on fixed assets	4,974,057	3,943,917
(Profit) / Loss on revaluation of investments	(310,616)	30,082
Amortisation of premia on Held to Maturity investments	2,268,463	4,408,528
(Profit) / Loss on sale of fixed assets	8,153	(40,242)
Provision for Non Performing Assets	7,630,184	19,389,292
Floating Provisions	6,700,000	500,000
Provision for wealth tax	6,000	5,500
Contingency provisions	4,730,918	1,511,134
	84,193,726	**72,639,576**
Adjustments for :		
(Increase) / Decrease in Investments	(119,275,342)	(2,339,283)
(Increase) / Decrease in Advances	(349,150,899)	(289,364,758)
Increase / (Decrease) in Borrowings (excluding Subordinate debt, Perpetual debt and Upper Tier II instruments)	4,384,185	38,185,551
Increase / (Decrease) in Deposits	411,819,660	245,928,594
(Increase) / Decrease in Other assets	(82,711,986)	2,019,737
Increase / (Decrease) in Other liabilities and provisions	69,739,220	40,854,639
	18,998,564	**107,924,056**
Direct taxes paid (net of refunds)	(22,756,830)	(14,025,156)
Net cash flow from / (used in) operating activities	**(3,758,266)**	**93,898,900**
Cash flows from investing activities		
Purchase of fixed assets	(5,418,214)	(5,637,118)
Proceeds from sale of fixed assets	90,829	121,996
Investment in subsidiareis and / or joint ventures	(5,900,000)	-
Net cash used in investing activities	**(11,227,385)**	**(5,515,122)**

Cash Flow Statement

For the year ended March 31, 2011

₹ in '000

Particulars	Year Ended 31-Mar-11	Year Ended 31-Mar-10
Cash flows from financing activities		
Money received on exercise of stock options by employees	8,281,642	5,559,685
Proceeds from issue of equity shares	-	36,080,586
Proceeds from issue of Upper & Lower Tier II capital Instruments	11,050,000	-
Redemption of subordinated debt	(620,000)	(665,000)
Dividend paid during the year	(5,519,403)	(4,263,184)
Tax on Dividend	(912,305)	(722,940)
Net cash generated from financing activities	**12,279,934**	**35,989,147**
Effect of Exchange Fluctuation on Translation reserve	**(29,922)**	**(15,104)**
Net Increase / (Decrease) in cash and cash equivalents	**(2,735,639)**	**124,357,821**
Cash and cash equivalents as at April 1st	**299,423,988**	**175,066,167**
Cash and cash equivalents as at March 31st	**296,688,349**	**299,423,988**

As per our report of even date.

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

Akeel Master
Partner
Membership No.: 046768

Mumbai, 18 April, 2011

For and on behalf of the Board

C. M. Vasudev
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Partho Datta
Renu Karnad
Directors

HDFC BANK
We understand your world

As at March 31, 2011

₹ in '000

		As at 31-Mar-11	As at 31-Mar-10
SCHEDULE 1 - CAPITAL			
Authorised Capital			
55,00,00,000 (31 March, 2010 : 55,00,00,000) Equity Shares of ₹ 10/- each		**5,500,000**	5,500,000
Issued, Subscribed and Paid-up Capital			
46,52,25,684 (31 March, 2010 : 45,77,43,272) Equity Shares of ₹ 10/- each		**4,652,257**	4,577,433
	Total	**4,652,257**	4,577,433
SCHEDULE 2 - RESERVES AND SURPLUS			
I. Statutory Reserve			
Opening Balance		**30,359,043**	22,987,291
Additions during the year		**9,816,002**	7,371,752
	Total	**40,175,045**	30,359,043
II. General Reserve			
Opening Balance		**10,309,224**	7,360,523
Additions during the year		**3,926,401**	2,948,701
	Total	**14,235,625**	10,309,224
III. Balance in Profit and Loss Account		**61,742,416**	45,327,948
IV. Share Premium Account			
Opening Balance		**110,789,552**	65,437,981
Additions during the year		**8,206,818**	45,351,571
	Total	**118,996,370**	110,789,552
V. Amalgamation Reserve			
Opening Balance		**10,635,564**	10,635,564
Additions during the year		**-**	-
	Total	**10,635,564**	10,635,564
VI. Capital Reserve			
Opening Balance		**2,951,109**	956,510
Additions during the year		**3,568**	1,994,599
	Total	**2,954,677**	2,951,109
VII. Investment Reserve Account			
Opening Balance		**261,350**	276,250
Additions during the year		**155,620**	33,300
Deductions during the year		**(33)**	(48,200)
	Total	**416,937**	261,350
VIII. Foreign Currency Translation Account			
Opening Balance		**(15,421)**	(317)
Additions during the year		**(29,922)**	(15,104)
	Total	**(45,343)**	(15,421)
	Total	**249,111,291**	210,618,369

As at March 31, 2011

₹ in '000

		As at 31-Mar-11	As at 31-Mar-10
SCHEDULE 3 - DEPOSITS			
A. I. Demand Deposits			
(i) From Banks		**10,184,754**	10,554,618
(ii) From Others		**454,420,134**	361,716,358
	Total	**464,604,888**	372,270,976
II. Savings Bank Deposits		**634,477,904**	498,767,849
III. Term Deposits			
(i) From Banks		**14,267,601**	13,824,354
(ii) From Others		**972,513,661**	789,181,215
	Total	**986,781,262**	803,005,569
	Total	**2,085,864,054**	1,674,044,394
B. I. Deposits of Branches in India		**2,083,220,954**	1,673,402,678
II. Deposits of Branches outside India		**2,643,100**	641,716
	Total	**2,085,864,054**	1,674,044,394
SCHEDULE 4 - BORROWINGS			
I. Borrowings in India			
(i) Reserve Bank of India		**1,200,000**	-
(ii) Other Banks		**7,050,564**	14,253,336
(iii) Other Institutions and agencies		**9,270,356**	21,048,986
(iv) Upper and Lower Tier II capital and Innovative Perpetual Debts		**69,471,000**	59,041,000
	Total	**86,991,920**	94,343,322
II. Borrowings outside India*		**56,948,690**	34,813,603
	Total	**143,940,610**	129,156,925

**Includes Upper Tier II debt of ₹ 445,95 lacs (previous year : ₹ 449,00 lacs)*
Secured borrowings included in I & II above : ₹ Nil (previous year : ₹ Nil)

		As at 31-Mar-11	As at 31-Mar-10
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS			
I. Bills Payable		**56,361,491**	76,731,844
II. Interest Accrued		**27,936,880**	19,968,349
III. Others *(including provisions)*		**189,105,808**	95,451,137
IV. Contingent Provisions against standard assets		**7,602,887**	7,602,887
V. Proposed Dividend *(including tax on dividend)*		**8,921,499**	6,405,224
	Total	**289,928,565**	206,159,441

As at March 31, 2011

₹ in '000

		As at 31-Mar-11	As at 31-Mar-10
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA			
I. Cash in hand *(including foreign currency notes)*		**29,979,543**	24,352,560
II. Balances with Reserve Bank of India			
(a) In current accounts		**220,028,615**	129,480,281
(b) In other accounts		**1,000,000**	1,000,000
	Total	**221,028,615**	130,480,281
	Total	**251,008,158**	154,832,841
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE			
I. **In India**			
(i) Balances with Banks :			
(a) In current accounts		**2,297,452**	3,132,856
(b) In other deposit accounts		**9,748,134**	3,959,118
	Total	**12,045,586**	7,091,974
(ii) Money at call and short notice :			
(a) With banks		**10,700,000**	5,150,000
(b) With other institutions		**1,250,000**	98,354,000
	Total	**11,950,000**	103,504,000
	Total	**23,995,586**	110,595,974
II. **Outside India**			
(i) In current accounts		**4,637,720**	3,062,216
(ii) In deposit accounts		**2,452,725**	-
(iii) Money at call and short notice		**14,594,160**	30,932,957
	Total	**21,684,605**	33,995,173
	Total	**45,680,191**	144,591,147
SCHEDULE 8 - INVESTMENTS			
A. **Investments in India in**			
(i) Government securities		**536,512,756**	510,499,288
(ii) Other approved securities		**4,906**	4,972
(iii) Shares		**934,931**	1,035,278
(iv) Debentures and Bonds		**5,347,672**	11,392,914
(v) Subsidiaries / Joint Ventures		**7,450,991**	1,550,991
(vi) Others (Units, CDs / CPs, PTCs, Security Receipts and NABARD Deposits)		**158,158,091**	61,120,668
	Total	**708,409,347**	585,604,111
B. **Investments outside India in**			
Other Investments			
(a) Shares		**6,033**	6,033
(b) Debentures and Bonds		**878,276**	466,017
	Total	**884,309**	472,050
	Total	**709,293,656**	586,076,161

₹ in '000

				As at 31-Mar-10	As at 31-Mar-09
	(i)	**Gross Value of Investments**			
		(a) In India		**708,833,996**	586,188,289
		(b) Outside India		**884,309**	472,050
			Total	**709,718,305**	586,660,339
	(ii)	**Provision for Depreciation**			
		(a) In India		**424,649**	584,178
		(b) Outside India		**-**	-
			Total	**424,649**	584,178
	(iii)	**Net Value of Investments**			
		(a) In India		**708,409,347**	585,604,111
		(b) Outside India		**884,309**	472,050
			Total	**709,293,656**	586,076,161

SCHEDULE 9 - ADVANCES

A	(i)	Bills purchased and discounted		**97,111,818**	63,614,705
	(ii)	Cash Credits, Overdrafts and Loans repayable on demand		**331,779,112**	239,852,615
	(iii)	Term loans		**1,170,935,724**	954,838,619
			Total	**1,599,826,654**	1,258,305,939
B	(i)	Secured by tangible assets*		**1,174,928,949**	892,327,958
	(ii)	Covered by Bank / Government Guarantees		**33,137,271**	29,462,230
	(iii)	Unsecured		**391,760,434**	336,515,751
			Total	**1,599,826,654**	1,258,305,939
		** Including advances against Book Debts*			
C.	I.	Advances in India			
		(i) Priority Sector		**547,812,252**	441,575,680
		(ii) Public Sector		**54,001,024**	52,634,745
		(iii) Banks		**286,035**	6,229,141
		(iv) Others		**951,191,921**	738,082,100
			Total Advances in India	**1,553,291,232**	1,238,521,666
	II.	Advances Outside India			
		(i) Due from Banks		**13,809,946**	-
		(ii) Due from Others			
		(a) Bills Purchased and discounted		**1,074,676**	454,412
		(b) Syndicated Loans		**10,579,336**	-
		(c) Others		**21,071,464**	19,329,861
			Total Advances Outside India	**46,535,422**	19,784,273
			Total Advances	**1,599,826,654**	1,258,305,939

(Advances are net of provisions)

HDFC BANK
We understand your world

As at March 31, 2011

₹ in '000

		As at 31-Mar-11	As at 31-Mar-10
SCHEDULE 10 - FIXED ASSETS			
A. Premises (including Land)			
Gross Block			
At cost on 31 March of the preceding year		**9,797,080**	7,160,665
Additions during the year		**667,766**	2,735,762
Deductions during the year		**(191,882)**	(99,347)
	Total	**10,272,964**	9,797,080
Depreciation			
As at 31 March of the preceding year		**1,777,823**	1,482,660
Charge for the year		**397,220**	338,370
On deductions during the year		**(68,521)**	(43,207)
	Total	**2,106,522**	1,777,823
Net Block		**8,166,442**	8,019,257
B. Other Fixed Assets (including furniture and fixtures)			
Gross Block			
At cost on 31 March of the preceding year		**32,735,743**	27,792,009
Additions during the year		**5,317,816**	5,607,003
Deductions during the year		**(431,357)**	(663,269)
	Total	**37,622,202**	32,735,743
Depreciation			
As at 31 March of the preceding year		**19,605,108**	16,480,946
Charge for the year		**4,837,275**	3,605,576
On deductions during the year		**(360,219)**	(481,414)
	Total	**24,082,164**	19,605,108
Net Block		**13,540,038**	13,130,635
C. Assets on Lease (Plant and Machinery)			
Gross Block			
At cost on 31 March of the preceding year		**4,546,923**	4,613,605
Additions during the year		**-**	-
Deductions during the year		**-**	(66,682)
	Total	**4,546,923**	4,546,923

As at March 31, 2011

₹ in '000

		As at 31-Mar-11	As at 31-Mar-10
Depreciation			
As at 31 March of the preceding year		**4,026,245**	4,092,927
Charge for the year		**78,222**	-
On deductions during the year		**-**	(66,682)
	Total	**4,104,467**	4,026,245
Lease Adjustment Account			
As at 31 March of the preceding year		**442,456**	442,456
Charge for the year		**-**	-
	Total	**442,456**	442,456
Unamortised cost of assets on lease		**-**	78,222
	Total	**21,706,480**	21,228,114

SCHEDULE 11 - OTHER ASSETS

			As at 31-Mar-11	As at 31-Mar-10
I.	Interest accrued		**22,919,250**	14,317,388
II.	Advance tax / tax deducted at source (net of provisions)		**10,005,305**	9,918,159
III.	Stationery and stamps		**221,712**	254,552
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		**3,482,838**	4,110,247
VII.	Others*		**109,375,734**	29,145,215
		Total	**146,010,773**	59,551,495

Includes deferred tax asset (net) of ₹ 1,188,71 lacs (previous year :₹ 843,51 lacs)

SCHEDULE 12 - CONTINGENT LIABILITIES

			As at 31-Mar-11	As at 31-Mar-10
I.	Claims against the bank not acknowledged as debts - Taxation		**12,191,400**	5,903,698
II.	Claims against the bank not acknowledged as debts - Others		**1,317,087**	88,810
III.	Liability on account of outstanding forward exchange contracts		**3,014,172,486**	2,281,083,550
IV.	Liability on account of outstanding derivative contracts		**2,439,713,427**	2,230,978,616
V.	Guarantees given on behalf of constituents - in India		**113,026,963**	94,818,797
VI.	Acceptances, endorsements and other obligations		**154,406,109**	128,152,628
VII.	Other items for which the Bank is contingently liable		**16,397,367**	49,488,945
		Total	**5,751,224,839**	4,790,515,044

For the year ended March 31, 2011

₹ in '000

		Year Ended 31-Mar-11	Year Ended 31-Mar-10
SCHEDULE 13 - INTEREST EARNED			
I. Interest / discount on advances / bills		**150,850,114**	120,982,785
II. Income from investments		**46,754,416**	39,811,060
III. Interest on balance with RBI and other inter-bank funds		**1,480,831**	809,588
IV. Others		**196,761**	123,761
	Total	**199,282,122**	161,727,194
SCHEDULE 14 - OTHER INCOME			
I. Commission, exchange and brokerage		**35,967,188**	30,059,032
II. Profit / (Loss) on sale of investments (net)		**(836,846)**	3,480,775
III. Profit / (Loss) on revaluation of investments (net)		**310,616**	(30,082)
IV. Profit / (Loss) on sale of building and other assets (net)		**(8,153)**	40,242
V. Profit on exchange transactions (net)		**9,208,434**	6,102,097
VI. Income earned by way of dividends from subsidiaries / companies and / or joint ventures abroad / in India		**4,468**	1,806
VII. Miscellaneous income		**(1,294,180)**	177,218
	Total	**43,351,527**	39,831,088
SCHEDULE 15 - INTEREST EXPENDED			
I. Interest on Deposits		**80,283,096**	69,977,123
II. Interest on RBI / Inter-bank borrowings		**13,364,445**	7,455,177
III. Other interest		**203,298**	430,688
	Total	**93,850,839**	77,862,988
SCHEDULE 16 - OPERATING EXPENSES			
I. Payments to and provisions for employees		**28,360,445**	22,891,755
II. Rent, taxes and lighting		**6,262,969**	5,610,460
III. Printing and stationery		**2,227,794**	1,645,410
IV. Advertisement and publicity		**1,589,462**	831,177
V. Depreciation on bank's property		**4,974,057**	3,943,917
VI. Directors' fees, allowances and expenses		**4,676**	4,453
VII Auditors' fees and expenses		**10,218**	10,314
VIII. Law charges		**315,037**	323,084
IX. Postage, telegram, telephone etc.		**3,001,915**	3,258,797
X. Repairs and maintenance		**5,084,702**	4,537,974
XI. Insurance		**1,987,777**	1,610,602
XII. Other expenditure*		**17,710,089**	14,730,060
	Total	**71,529,141**	59,398,003

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

For the year ended March 31, 2011

SCHEDULE 17 - SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2011.

A BACKGROUND

HDFC Bank Limited (‘HDFC Bank’ or ‘the Bank’), 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 has overseas branch operations in Bahrain and Hong Kong.

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 in India (‘GAAP’), 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 in conformity with GAAP 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 expenses 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 periods.

C PRINCIPAL ACCOUNTING POLICIES

1 Investments

Classification :

In accordance with the RBI guidelines on investment classification and valuation, 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.

The Bank follows ‘Settlement Date’ accounting for recording purchase and sale of transactions in securities except in case of equity shares where ‘Trade Date’ accounting is followed.

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 the 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 from Profit and Loss Account 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.

Traded investments are valued based on the trades / quotes on the recognized stock exchanges, price list of RBI or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivatives Association ('FIMMDA'), periodically.

The market value of unquoted government securities which are in the nature of Statutory Liquidity Ratio ('SLR') securities included in the AFS and HFT categories is as per the Yield-to-Maturity ('YTM') rates published by FIMMDA. The valuation of other unquoted fixed income securities (viz. State Government securities, Other approved securities, Bonds and Debentures) wherever linked to the YTM rates, is computed with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for government securities published by FIMMDA. Special Bonds such as Oil Bonds, Fertiliser Bonds etc. which are directly issued by Government of India ('GOI') that do not carry SLR status are also valued by applying the mark up above the corresponding yield on GOI securities. Unquoted equity shares are valued at the break-up value, if the latest balance sheet is available or at ₹ 1 as per the RBI guidelines. Units of mutual funds are valued at the latest repurchase price / net asset value declared by the mutual fund. Treasury Bills, Commercial Papers and Certificate of Deposits being discounted instruments, are valued at carrying cost, except for Treasury Bills classified under Held for Trading category.

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 the 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 accordance with the RBI guidelines under reference RBI/2009-2010/356 IDMD/4135/11.08.43/2009-10 dated March 23, 2010, effective April 1, 2010 Repo and Reverse Repo transactions in government securities and corporate debt securities (excluding transactions conducted under Liquidity Adjustment Facility ('LAF') with RBI) are reflected as borrowing and lending transactions respectively. These transactions were hitherto recorded under investments as sales and purchases respectively. Borrowing cost on repo transactions is accounted as interest expense and revenue on reverse repo transactions is accounted as interest income.

In respect of repo transactions under LAF with RBI, 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 lent to RBI are debited to investment account and reversed on maturity of the transaction. Revenues thereon are accounted as interest income.

2 Advances

Classification :

Advances are classified as performing and non-performing based on the RBI guidelines and are stated net of bills rediscounted, specific provisions, interest in suspense for non-performing advances, claims received from Export Credit Guarantee Corporation, provisions for funded interest term loan classified as NPA and provisions in lieu of diminution in the fair value of restructured assets. Floating provisions have been included under Schedule 5 - "Other Liabilities" which were hitherto netted from Advances. Interest on non-performing advances is transferred to an interest suspense account and not recognised in the Profit and Loss Account until received.

Provisioning :

Specific loan loss provisions in respect of non-performing advances 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 Schedule 5 - “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 of an account is done at a borrower level.

Further to the provisions required to be held according to the asset classification status, provisions are held 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.

In addition to the above, the Bank on prudential basis makes provisions on advances or exposures which are not NPAs, but have reasons to believe on the basis of the extant environment or specific information, the possible slippage of a specific advance or a group of advances or exposures or potential exposures. These are classified as contingent provisions and included under Schedule 5 - “Other Liabilities”.

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 acts as a servicing agent for receivable pools securitised-out.

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.

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 PTCs. The Bank amortizes any profit / premium arising on account of sale of receivables through the direct assignment route over the tenure of the loans 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.

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 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 equipments 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
- Assets at residences of executives of the Bank at 25% per annum
- Items (excluding staff assets) costing less than ₹ 5,000 and point of sale terminals 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 unamortized depreciable amount is 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.

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) are translated at the weekly average closing rates and non-integral foreign operations (foreign branches) 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 as notified by FEDAI and at interpolated rates for contracts of interim maturities. The contracts for longer maturities i.e. greater than one year are revalued using MIFOR and USD LIBOR rates for USD-INR currency pair. For other currency pairs, the forward points (as published by FEDAI) are extrapolated. 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 forward exchange contract is amortized as expense or income over the life of the contract.

Currency futures contracts are daily marked to market using daily settlement price on a trading day, which is the closing price of the respective futures contracts on that day. While the daily settlement price is computed on the basis of the last half an hour weighted average price of such contract, the final settlement price is taken as the RBI reference rate on the last trading day of the futures contract or as may be specified by the relevant authority from time to time. All open positions are marked to market based on the settlement price and the resultant marked to market profit / loss is daily settled with the exchange.

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

7 Derivative Contracts

The Bank recognizes all derivative contracts (other than those designated as hedges) at the fair value, on the date 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.

8 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.

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

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

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 effective 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.

Guarantee commission, commission on Letter of Credit, annual locker rent fees and annual fees for credit cards are recognised on a straight line basis over the period of contract. Other fees and commission income is recognised when due, except in cases where the Bank is uncertain of ultimate collection.

9 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 employee 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. Compensation cost, if any is amortised over the vesting period.

Gratuity

The Bank provides for gratuity to all employees. The benefit is in the form of lump sum 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. 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 as per the requirement of AS-15 (Revised 2005), Employee Benefits, 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 and 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 erstwhile Centurion Bank of Punjab ('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 ₹ 6,500/- per month to the Pension Scheme administered by the Regional Provident Fund Commissioner ('RPFC') The balance amount is contributed to a fund set up by the Bank and administered by a board of trustees. The Bank has no liability for future provident fund benefits other than its contribution. 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 in this respect by the Actuary Society of India, the Bank's consulting actuary has expressed an inability to reliably measure the provident fund liabilities. Accordingly the Bank is unable to exhibit the related information.

The overseas branches makes contributions to the relevant government scheme calculated as a percentage of the employees' salaries. The Bank's obligations are limited to these contributions, which are expensed when due, as such contribution is in the 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 Indian Banks' Association ('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 the 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 Provident Fund, 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.

10 Debit and Credit Cards Reward Points

The Bank estimates the probable redemption of debit and 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 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.

12 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 ICAI.

13 Income Tax

Income tax expense comprises current tax provision (i.e. the amount of tax for the period determined in accordance with the Income Tax Act, 1961 and the rules framed there under) 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 substantively 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.

14 Earnings Per Share

The Bank reports basic and diluted earnings per equity share in accordance with AS-20, Earnings Per Share, issued by the ICAI. Basic earnings per equity share has been computed by dividing net profit for the year attributable to equity shareholders 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 is 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.

15 Segment Information - Basis of preparation

The segmental classification 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 Bank operates in the following segments :

(a) Treasury

The treasury segment primarily consists of net interest earnings from the Bank's investments portfolio, money market borrowing and lending, gains or losses on investment operations and 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 corporates, emerging corporates, 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 classified as Tier I or Tier II capital, Employee Stock Options (Grants) Outstanding 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.

16 Accounting for Provisions, Contingent Liabilities and Contingent Assets

In accordance with AS-29, Provisions, Contingent Liabilities and Contingent Assets, issued by the ICAI, 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.

17 Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

SCHEDULE 18 – NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2011

1. Capital Infusion

During the year ended March 31, 2010, the Bank allotted 2,62,00,220 equity shares of ₹ 10 each at a premium of ₹ 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, during the year ended March 31, 2010, equity share capital of the Bank increased by ₹ 26,20 lacs and share premium by ₹ 3,982,77 lacs.

2 Capital Adequacy

The Bank's Capital to Risk-weighted Asset Ratio ('Capital Adequacy Ratio') is calculated in accordance with the RBI's 'Prudential Guidelines on Capital Adequacy and Market Discipline - Implementation of the New Capital Adequacy Framework' ('Basel II'). 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 risk, with a minimum Tier I capital ratio of 6%. Further, the minimum capital maintained by the Bank as on March 31, 2011 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) 80% 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 :

(₹ lacs)

Particulars	As per Basel I Framework		As per Basel II Framework	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
Tier I capital	23,770,41	20,548,85	23,718,35	20,548,85
Tier II capital	7,743,81	6,491,94	7,743,81	6,491,94
Total capital	31,514,22	27,040,79	31,462,16	27,040,79
Risk weighted assets	205,720,62	164,332,77	193,960,26	154,983,01
Minimum capital required	18,514,86	14,789,95	17,456,42	13,948,47
Capital Adequacy Ratios				
Tier 1	11.56%	12.50%	12.23%	13.26%
Tier 2	3.76%	3.95%	3.99%	4.18%
Total	15.32%	16.45%	16.22%	17.44%

(₹ lacs)

Particulars	March 31, 2011	March 31, 2010
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	1,105,00	-
Amount raised by issue of Lower Tier II Instruments during the year	-	-

The Bank's capital funds as on March 31, 2011 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 in 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 framework 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 are considered as eligible financial collateral.
- Restructured assets attract a risk weight of 125% under the Basel II framework compared to 100% under Basel I.
- Operational Risk is subject to a capital charge under the Basel II framework.
- Under the Basel II framework, capital is subjected to a charge for valuation adjustment for illiquid position of derivative and non derivative portfolio.

3 Earnings Per Equity Share

Basic and Diluted earnings per equity share have been calculated based on the net profit after taxation of ₹ 3,926,39 lacs (previous year : ₹ 2,948,70 lacs) and the weighted average number of equity shares outstanding during the year amounting to ₹ 46,18,06,978 (previous year : ₹ 43,64,39,573).

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

Particulars	For the year ended (₹)	
	March 31, 2011	March 31, 2010
Nominal value per share	10.00	10.00
Basic earnings per share	85.02	67.56
Effect of potential equity shares (per share)	(0.99)	(0.69)
Diluted earnings per share	84.03	66.87

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 by dividing net profit after taxation by 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, 2011	March 31, 2010
Weighted average number of equity shares used in computing basic earnings per equity share	46,18,06,978	43,64,39,573
Effect of potential equity shares outstanding	54,55,117	45,07,362
Weighted average number of equity shares used in computing diluted earnings per equity share	46,72,62,095	44,09,46,935

4 Reserves and Surplus

Draw Down from Reserves

There has been no draw down from Reserves during the year ended March 31, 2011 and the year ended March 31, 2010.

General Reserve

The Bank has made an appropriation of ₹ 392,64 lacs (previous year : ₹ 294,87 lacs) out of profits for the year ended March 31, 2011 to General Reserve pursuant to Companies (Transfer of Profits to Reserves) Rules, 1975.

Investment Reserve Account

During the year, the Bank has transferred ₹ 15,56 lacs (net) from Profit and Loss Account to Investment Reserve Account. In the previous year, the Bank transferred ₹ 1,49 lacs (net) from Investment Reserve Account to the Profit and Loss Account.

5 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, Plan "D" in June 2007 and Plan "E" in June 2010. Under the terms of each of these Plans, the Bank may issue Equity Stock Options ('ESOPs') 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 Limited during the 60 days preceding the date of grant of options.

Plans B, C, D and E 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, Plan D and Plan E 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 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 eCBoP 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 and directors 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, 2011

Particulars	Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	2,05,06,080	1,184.63
Granted during the year	65,93,500	2,200.80
Exercised during the year	74,82,412	1,106.81
Forfeited / lapsed during the year	4,57,963	1,436.29
Options outstanding, end of year	1,91,59,205	1,558.72
Options Exercisable	1,25,85,705	1,223.36

For the year ended March 31, 2011

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

Particulars	Options	Weighted average exercise price (₹)
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

Following summarises the information about stock options outstanding as at March 31, 2011

Plan	Range of exercise price	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average exercise price (₹)
Plan A	₹ 366.30	6,900	0.99	366.30
Plan B	₹ 358.60 to ₹ 1,098.70	14,33,400	1.82	988.51
Plan C	₹ 630.60 to ₹ 1,098.70	19,00,700	1.61	896.69
Plan D	₹ 1,098.70 to ₹ 1,704.80	83,68,700	3.03	1,367.36
Plan E	₹ 2,200.80	65,73,500	4.97	2,200.80
Key ESOP - 2004	₹ 116.00	64,816	2.04	116.00
General ESOP - 2004	₹ 442.25 to ₹ 859.85	2,52,556	2.57	627.92
General ESOP - 2007	₹ 1,162.90 to ₹ 1,258.60	5,58,633	2.94	1,188.40

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 (₹)
Plan A	₹ 366.30	33,600	1.59	366.30
Plan B	₹ 358.60 to ₹ 1,098.70	24,74,700	2.79	977.12
Plan C	₹ 630.60 to ₹ 1,098.70	37,57,600	2.58	896.46
Plan D	₹ 1,098.70 to ₹ 1,704.80	1,26,96,400	3.89	1,334.24
Key ESOP - 2004	₹ 116.00	64,816	3.04	116.00
General ESOP - 2004	₹ 442.25 to ₹ 859.85	3,92,643	3.59	643.84
General ESOP - 2007	₹ 1,162.90 to ₹ 1,258.60	10,86,321	3.97	1,190.18

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, 2011 are :

Particulars	March 31, 2011	March 31, 2010
Dividend yield	0.55%	0.6% to 0.7%
Expected volatility	30%	44.68% to 49.86%
Risk- free interest rate	7.53% to 7.62%	4.8% to 7.7%
Expected life of the option	1 to 6 years	1 to 5 years

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 :

(₹ lacs)

Particulars	March 31, 2011	March 31, 2010
Net Profit (as reported)	3,926,39	2,948,70
Add : Stock-based employee compensation expense included in net income	-	-
Less : Stock based compensation expense determined under fair value based method (proforma)	223,21	164,62
Net Profit (proforma)	3,703,18	2,787,08
	(₹)	(₹)
Basic earnings per share (as reported)	85.02	67.56
Basic earnings per share (proforma)	80.19	63.79
Diluted earnings per share (as reported)	84.03	66.87
Diluted earnings per share (proforma)	79.25	63.14

6 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, 2011 are ₹ 3,331,20 lacs (previous year : ₹ 3,393,20 lacs), ₹ 3,861,85 lacs (previous year : ₹ 2,759,90 lacs) and ₹ 200,00 lacs (previous year : ₹ 200,00 lacs) respectively.

During the year ended March 31, 2011, the Bank raised subordinated debt qualifying for Tier II capital amounting to ₹ 1,105,00 lacs (previous year : Nil).

The details of the bonds raised during the year ended March 31, 2011 are given below :

Particulars	Date of Allotment	Coupon Rate (%)	Tenure	Amount (₹ lacs)
Upper Tier II Bonds	July 7, 2010	8.70%[1]	15 Years[2]	1,105,00

Note :

(1) Coupon rate of 8.70% per annum payable for first 10 years and stepped-up coupon rate of 9.20% 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 July 7, 2020 at par with the prior approval of RBI.

Based on the balance term to maturity as at March 31, 2011, 94% 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.

7 Other Liabilities

Other liabilities includes contingent provisions towards standard assets of ₹ 760,29 lacs (previous year : ₹ 760,29 lacs). In line with the RBI circular, provision for standard assets has been made @ 0.40% except for Direct advances to Agriculture and SME sectors where provision is made @ 0.25%, for advances to Commercial Real Estate sector where provision is made @ 1% and for housing loans offered at a comparatively lower rate of interest in the first few years, after which rates are reset at higher rates where provision is made @ 2%. The provisions held by the Bank over and above that required under the revised norms have not been reversed in accordance with these norms.

As per the recommendatory provisions of AS-31, Financial Instruments : Presentation, the Bank has grossed up unrealised gain on Foreign Exchange and Derivative Contracts under Other Assets and unrealised loss on Foreign Exchange and Derivative Contracts under Other Liabilities as on March 31, 2011, which hitherto was reported on net basis as Other Assets or Other Liabilities. Accordingly, Other Liabilities as on March 31, 2011 includes unrealised loss on Foreign Exchange and Derivative Contracts of ₹ 7,369,45 lacs.

8 Investments

- **Value of investments** (₹ lacs)

Particulars	**March 31, 2011**	**March 31, 2010**
Gross value of investments		
- In India	70,883,40	58,618,83
- Outside India	88,43	47,21
Provisions for Depreciation on Investments		
- In India	42,46	58,42
- Outside India	-	-
Net Value of Investments		
- In India	70,840,94	58,560,41
- Outside India	88,43	47,21

- **Movement in provisions held towards depreciation on investments** (₹ lacs)

Particulars	**March 31, 2011**	**March 31, 2010**
Opening balance	58,42	55,41
Add : Provision made during the year (*)	15,11	9,73
Less : Write-off, write back of excess provision during the year	31,07	6,72
Closing balance	42,46	58,42

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

- Repo Transactions

✓ Details of repo / reverse repo deals (in face value terms) done during the year ended March 31, 2011 **(₹ lacs)**

Particulars	**Minimum outstanding during the year**	**Maximum outstanding during the year**	**Daily average outstanding during the year**	**Outstanding as at March 31, 2011**
Securities sold under repo :				
i. Corporate debt securities	-	-	-	-
ii. Government securities	-	1,700,00	16,36	-
Securities purchased under reverse repo :				
i. Corporate debt securities	-	-	-	-
ii. Government securities	-	1,970,00	10,85	-

The above excludes deals done under LAF with the RBI.

✓ Details of repo/reverse repo deals (in book value terms) done during the year ended March 31, 2010 **(₹ lacs)**

Particulars	**Minimum outstanding during the year**	**Maximum outstanding during the year**	**Daily average outstanding during the year**	**Outstanding 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 LAF with the RBI.

For the year ended March 31, 2011

- Non-SLR Investment Portfolio

✓ Issuer-wise composition of Non-SLR Investments as at March 31, 2011 (₹ lacs)

No.	Issuer	Amount	Extent of private placement	Extent of "below investment grade" securities	Extent of "unrated securities"*	Extent of "unlisted securities"
1	Public sector undertakings	90,05	40,00	-	-	-
2	Financial institutions	9,268,44	9,268,44	-	9,258,43	9,268,44
3	Banks	5,111,68	4,860,96	-	-	-
4	Private corporate	1,505,77	1,503,59	-	66,63	72,06
5	Subsidiaries / Joint ventures	745,10	745,10	-	-	745,10
6	Others	573,91	573,91	-	-	573,91
7	Provision held towards depreciation	(17,34)	-	-	-	-
	Total	**17,277,60**	**16,992,00**	**-**	**9,325,06**	**10,659,51**

* Excludes investments in equity shares and units

✓ Issuer-wise composition of Non-SLR Investments as at March 31, 2010 (₹ lacs)

No.	Issuer	Amount	Extent of private placement	Extent of "below investment grade" securities	Extent of "unrated securities"*	Extent of "unlisted securities"
1	Public sector undertakings	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

✓ Non performing Non-SLR investments (₹ lacs)

Particulars	March 31, 2011	March 31, 2010
Opening balance	2,23	2,23
Additions during the year	15,64	-
Reductions during the year	-	-
Closing balance	17,87	2,23
Total provisions held	**17,34**	**2,23**

- **Details of investments category-wise**

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

(₹ lacs)

Particulars	As at March 31, 2011				As at March 31, 2010			
	Held for Trading	Available for Sale	Held to Maturity	Total	Held for Trading	Available for Sale	Held to Maturity	Total
Government securities	103,20	12,410,10	41,137,97	53,651,27	4,002,04	5,558,51	41,489,38	51,049,93
Other approved securities	-	49	-	49	-	50	-	50
Shares	29	93,81	-	94,10	6,86	97,27	-	104,13
Debentures and Bonds	222,88	346,30	53,42	622,60	129,67	946,38	109,84	1,185,89
Subsidiary / joint ventures	-	-	745,10	745,10	-	-	155,10	155,10
Others	2,161,54	13,654,27	-	15,815,81	589,15	5,522,92	-	6,112,07
Total	**2,487,91**	**26,504,97**	**41,936,49**	**70,929,37**	**4,727,72**	**12,125,58**	**41,754,32**	**58,607,62**

- Investments include securities of Face Value (FV) aggregating ₹ 820,00 lacs (previous year : FV ₹ 1,000,25 lacs) which are kept as margin for clearing of securities and of FV ₹ 2,150,00 lacs (previous year : FV ₹ 7,135,00 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 ₹ 6,00 lacs (previous year : FV ₹ 6,00 lacs) which are kept as margin with National Securities Clearing Corporation of India Ltd. ('NSCCIL') and of FV ₹ 5,00 lacs (previous year : FV ₹ 5,00 lacs) which are kept as margin with MCX – SX Clearing Corporation Ltd.
- Investments having FV amounting to ₹ 30,556,80 lacs (previous year : FV ₹ 29,810,78 lacs) are kept as margin with the RBI towards Real Time Gross Settlement (RTGS).
- Other investments include certificate of deposits : ₹ 4,854,46 lacs (previous year : ₹ 589,15 lacs), commercial paper : ₹ 1,161,17 lacs (previous year : ₹ 18,84 lacs), investments in equity mutual fund units : Nil (previous year : ₹100 lacs), security receipts issued by Reconstruction Companies : ₹ 25,04 lacs (previous year : ₹ 8,78 lacs), deposits with NABARD under the RIDF Deposit Scheme : ₹ 6,503,04 lacs (previous year : ₹ 4,197,11 lac, deposits with SIDBI and NHB under the Priority / Weaker Sector Lending Schemes : ₹ 2,755,38 lacs (previous year : ₹ 1,297,19 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 ICAI, and the said accounting standard is thus not applicable. However, pursuant to RBI circular no. DBOD. NO. BP.BC.3/21.04.141/2002, dated July 11, 2002, the Bank has classified these investments as joint ventures.

9 Derivatives

- Forward Rate Agreements / Interest Rate Swaps (₹)

(₹ lacs)

Sr. No.	Particulars	March 31, 2011	March 31, 2010
i)	The total notional principal of swap agreements	197,950,87	195,322,94
ii)	Total losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	1,855,86	1,390,92
iii)	Concentration of credit risk arising from swaps (with banks)	91.11%	92.83%
iv)	Collateral required by the Bank upon entering into Swaps	-	-
v)	The fair value of the swap book	(119,59)	(24,38)

The nature and terms of IRS (₹) as on March 31, 2011 are set out below

Nature	Nos.	Notional Principal (₹ lacs)	Benchmark	Terms
Hedging	1	25,00	INBMK	Fixed Receivable v/s Floating Payable
Trading	4	1,250,00	INCMT	Floating Receivable v/s Fixed Payable
Trading	1	50,00	FIX TO FIX	Fixed Receivable v/s Fixed Payable
Trading	26	950,00	INBMK	Fixed Receivable v/s Floating Payable
Trading	28	1,425,00	INBMK	Floating Receivable v/s Fixed Payable
Trading	1,525	85,988,00	OIS	Fixed Receivable v/s Floating Payable
Trading	1,527	86,901,87	OIS	Floating Receivable v/s Fixed Payable
Trading	322	12,621,00	MIFOR	Fixed Receivable v/s Floating Payable
Trading	255	8,740,00	MIFOR	Floating Receivable v/s Fixed Payable
		197,950,87		

The nature and terms of IRS (₹) as on March 31, 2010 are set out below

Nature	Nos.	Notional Principal (₹ lacs)	Benchmark	Terms
Hedging	9	400,00	INBMK	Fixed Receivable v/s Floating Payable
Hedging	12	375,00	MIFOR	Floating Receivable v/s Fixed Payable
Trading	1	50,00	FIX TO FIX	Fixed Receivable v/s Fixed Payable
Trading	28	1,025,00	INBMK	Fixed Receivable v/s Floating Payable
Trading	30	1,475,00	INBMK	Floating Receivable v/s Fixed Payable
Trading	2	500,00	INCMT	Floating Receivable v/s Fixed Payable
Trading	468	17,077,00	MIFOR	Fixed Receivable v/s Floating Payable
Trading	398	13,050,00	MIFOR	Floating Receivable v/s Fixed Payable
Trading	1	25,00	MIOIS	Floating Receivable v/s Fixed Payable
Trading	1,311	80,530,07	OIS	Fixed Receivable v/s Floating Payable
Trading	1,311	80,815,87	OIS	Floating Receivable v/s Fixed Payable
		195,322,94		

- **Exchange Traded Interest Rate Derivatives** **(₹ lacs)**

Sr. No.	Particulars	March 31, 2011	March 31, 2010
i)	The total notional principal amount of exchange traded interest rate derivatives undertaken during the year, instrument-wise : Nil (previous year : 10Y GS 7)	Nil	10,00
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

HDFC BANK
We understand your world

- **Qualitative Disclosures on Risk Exposure in Derivatives**

Overview of business and processes

Derivatives are financial instruments whose characteristics are derived from 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 derivative transactions undertaken 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 contracts 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 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 standardized contract, traded on an exchange, to buy or sell a certain underlying asset or an instrument at a certain date in the future, at a specified price. 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 transactions 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, tenor 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. Classification of books is made on the basis of the definitions of the trading and banking books as specified in the RBI guidelines Ref. No. DBOD. No. BP.(SC). BC.98/21.04.103/99 dated 7th October 1999. The trading book is managed within the trading limits approved by the RMC.

Hedging policy

For derivative contracts in the banking book designated as hedge, the Bank documents at inception 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 hedge effectiveness. 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 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.

- **Provisioning, Collateral and Credit Risk Mitigation**

The Bank enters into derivative transactions 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 crystalised 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** **(₹ lacs)**

Sr. No.	Particular	Currency derivatives		Interest rate derivatives	
		March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
1	Derivatives (Notional Principal Amount)				
	a) Banking	1,217,21	542,73	25,00	887,25
	b) Trading	38,140,24	39,017,12	204,588,89	201,753,91
2	Marked to Market Positions (*)				
	a) Asset (+)	622,76	135,52	1,895,30	-
	b) Liability (-)	(568,15)	-	(2,083,37)	(164,41)
3	Credit Exposure	1,331,41	1,786,62	3,550,27	3,108,48
4	Likely Impact of one percentage change in interest rate (100*PV01)				
	a) Banking	32	27	83	19,64
	b) Trading	12,66	10,81	130,94	104,50
5	Maximum of 100*PV01 observed during the year				
	a) Banking	56	60	21,11	27,89
	b) Trading	18,05	10,81	135,43	123,61
6	Minimum of 100*PV01 observed during the year				
	a) Banking	11	-	37	19,64
	b) Trading	12,55	3,69	86,77	19,7

(*) As per the recommendatory provisions of AS-31, Financial Instruments : Presentation, Marked to Market position is reported on gross basis as on March 31, 2011, which hitherto was reported on net basis.

✓ The notional principal amount of foreign exchange contracts classified as Hedging and Trading outstanding as on March 31, 2011 amounted to ₹ Nil (previous year : ₹ 1,361,54 lacs) and ₹ 301,417,25 lacs (previous year : ₹ 226,746,81 lacs) respectively.

✓ 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.

For the year ended March 31, 2011

10 Asset Quality

- Movements in NPAs (funded)

(₹ lacs)

Particulars	March 31, 2011	March 31, 2010
(i) Net NPAs to Net Advances (%)	0.19%	0.31%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	1,816,76	1,951,52
(b) Additions (fresh NPAs) during the year	1,423,13	2,610,88
(c) Reductions during the year:	1,545,55	2,745,64
1) Upgradations	2,44	66,21
2) Recoveries (excluding recoveries made from upgraded accounts)	374,59	430,76
3) Write-offs	116,852	2,248,67
(d) Closing balance	1,694,34	1,816,76
(iii) Movement of Net NPAs		
(a) Opening balance	392,05	627,62
(b) Additions during the year	-	-
(c) Reductions during the year	95,64	235,57
(d) Closing balance	296,41	392,05
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	1,424,71	1,323,90
(b) Additions during the year	1,433,16	2,651,26
(c) Write-off / write-back of excess provisions	1,459,94	2,550,45
(d) Closing balance	1,397,93	1,424,71

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

- Sector-wise NPAs

Particulars	Percentage of NPAs to Total Advances in that sector (%)	
	March 31, 2011	March 31, 2010
Agriculture and allied activities	0.54%	0.91%
Industry (Micro & small, Medium and Large)	1.67%	1.46%
Services	1.59%	3.86%
Personal Loans	0.55%	1.11%

- Floating provisions of ₹ 735,03 lacs (previous year : ₹ 65,03 lacs) have been included under Other Liabilities which were hitherto netted from gross NPAs to arrive at net NPAs. Movement in floating provision is given below :

(₹ lacs)

Particulars	March 31, 2011	March 31, 2010
Opening Balance	65,03	15,03
Provisions made during the year	670,00	50,00
Draw down made during the year	-	-
Closing Balance	735,03	65,03

- Details of accounts subjected to restructuring as on March 31, 2011 **(₹ lacs except numbers)**

Particulars of Accounts Restructured		Outstanding as at March 31, 2011		
		CDR Mechanism	**SME Debt Restructuring**	**Others**
Standard advances restructured	No. of Borrowers	4	-	4
	Amount Outstanding	184,34	-	56,01
	Sacrifice (diminution in the fair value)	11,00	-	70
Substandard advances restructured	No. of Borrowers	2	-	3
	Amount Outstanding	44,28	-	25,24
	Sacrifice (diminution in the fair value)	-	-	-
Doubtful advances restructured	No. of Borrowers	4	-	1
	Amount Outstanding	49,35	-	870
	Sacrifice (diminution in the fair value)	-	-	-
Total	No. of Borrowers	10	-	8
	Amount Outstanding	277,97	-	89,95
	Sacrifice (diminution in the fair value)	11,00	-	70

- Details of accounts subjected to restructuring as on March 31, 2010 **(₹ 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 financial assets sold to securitization/reconstruction companies (SC/RC) for asset reconstruction are as under : **(₹ lacs except numbers)**

Particulars	**March 31, 2011**	**March 31, 2010**
No of Accounts	3	5
Aggregate value (net of provisions) of accounts sold to SC/RC	5,53	4,69
Aggregate consideration	18,75	4,69
Additional consideration realised in respect of accounts transferred in earlier years	Nil	Nil
Aggregate gain over net book value	13,22	Nil

- During the years ended March 31, 2011 and March 31, 2010, there were no non-performing financial assets sold, excluding those sold to SC / RC.
- During the years ended March 31, 2011 and March 31, 2010, there were no non-performing financial assets that were purchased by the Bank.

11 Details of exposures to Real Estate and Capital Market sectors, risk category-wise country exposures, single / group borrower exposures, Unsecured Advances and Concentration of Deposits, Advances, Exposures and NPAs :

- **Details of exposure to real estate sector** **(₹ lacs)**

Category	March 31, 2011	March 31, 2010
a) Direct exposure :	**26,572,67**	**20,541,39**
(i) Residential mortgages (*)	19,661,85	12,978,82
(of which housing loans eligible for inclusion in priority sector advances)	(9,791,63)	(7,029,42)
(ii) Commercial real estate	6,454,23	6,945,38
(iii) Investments in mortgage backed securities (MBS) and other securitised exposures :		
a. Residential	456,59	617,20
b. Commercial real estate	-	-
b) Indirect exposure :	**3,704,50**	**4,751,69**
Fund based and non-fund based exposures on National Housing Bank (NHB) and housing finance companies (HFCs)	3,704,50	4,751,69
Total real estate exposure	**30,277,17**	**25,293,08**

(*) includes loans purchased under the direct loan assignment route.

Of the above, exposure to real estate developers is 0.6% (previous year : 0.4%) of total advances.

- **Details of capital market exposure** **(₹ lacs)**

Sr. No.	Particulars	March 31, 2011	March 31, 2010
(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	55,78	77,72
(ii)	Advances against shares, bonds, debentures or other securities or on clean basis to individuals for investment in shares (including IPO's / ESOPS), convertible bonds, convertible debentures and units of equity oriented mutual funds	95,26	93,23
(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	1,317,65	1,098,77
(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	111,99	29,26
(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	4,425,73	4,301,85
(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)	14,17	24,93
	Total Exposure to Capital Market	**6,020,58**	**5,685,75**

Exposure is higher of limits sanctioned or the amount outstanding as at the year end.

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For the year ended March 31, 2011

- **Details of Risk Category wise Country Exposure** (₹ lacs)

Risk Category	March 31, 2011		March 31, 2010	
	Exposure (Net)	Provision held	Exposure (Net)	Provision held
Insignificant	4,143,66	-	4,178,40	-
Low	1,597,36	-	2,585,65	-
Moderately low	190,57	-	58,41	-
Moderate	216	-	22	-
Moderately high	1,178	-	31	-
High	-	-	-	-
Very High	-	-	-	-
Total	**5,945,53**	-	**6,822,99**	-

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

  During the years ended March 31, 2011 and March 31, 2010, the Bank's credit exposure to single borrowers and group borrowers were within the limits prescribed by RBI.

- **Unsecured Advances**

  During the years ended March 31, 2011 and March 31, 2010, 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** (₹ lacs)

Particulars	March 31, 2011	March 31, 2010
Total Deposits of twenty largest depositors	18,299,45	14,086,27
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	8.8%	8.4%

b) **Concentration of Advances** (₹ lacs)

Particulars	March 31, 2011	March 31, 2010
Total Advances to twenty largest borrowers	43,687,61	29,249,02
Percentage of Advances of twenty largest borrowers to Total Advances of the Bank	16.1%	14.4%

Advances comprise credit exposure (funded and non-funded credit limits) including derivative transactions computed as per Current Exposure Method in accordance with RBI guidelines under reference DBOD. No. Dir. BC.14/13.03.00/2010-11 dated July 1, 2010. Total Advances to twenty largest borrowers includes "Banks" as on March 31, 2011.

c) **Concentration of Exposures** (₹ lacs)

Particulars	March 31, 2011	March 31, 2010
Total Exposure to twenty largest borrowers / customers	49,449,11	32,964,47
Percentage of Exposure of twenty largest borrowers / customers to Total Exposure of the Bank on borrowers / customers	17.1%	15.7%

Advances comprise credit exposure (funded and non-funded credit limits) including derivative transactions and investment exposure in accordance with RBI guidelines under reference DBOD. No. Dir.BC.14/13.03.00/2010-11 dated July 1, 2010. Total Exposure to twenty largest borrowers includes "Banks" as on March 31, 2011.

d) **Concentration of NPAs** (₹ lacs)

Particulars	March 31, 2011	March 31, 2010
Total Exposure to top four NPA accounts (Funded)	305,03	256,80

For the year ended March 31, 2011

12 Other Fixed Assets (including furniture and fixtures)

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

(₹ lacs)

Particulars	March 31, 2011	March 31, 2010
Cost		
As at March 31 of the previous year	610,57	537,18
Additions during the year	95,80	95,42
Deductions during the year	4	22,03
Total	**706,33**	**610,57**
Depreciation		
As at March 31 of the previous year	360,29	293,25
Charge for the year	96,56	78,85
On deductions during the year	4	11,81
Total	**456,81**	**360,29**
Net value as at March 31 of the current year	**249,52**	**250,28**

13 Other Assets

- Other Assets include deferred tax asset (net) of ₹ 1,188,71 lacs (previous year : ₹ 843,51 lacs). The break-up of the same is as follows :

(₹ lacs)

Particulars	March 31, 2011	March 31, 2010
Deferred tax asset arising out of :		
Loan loss provisions	689,62	552,25
Employee Benefits	56,23	43,45
Others	519,04	346,13
Total	**1,264,89**	**941,83**
Deferred tax liability arising out of :		
Depreciation	(76,18)	(98,32)
Total	**(76,18)**	**(98,32)**
Deferred tax asset (net)	**1,188,71**	**843,51**

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

Particulars	March 31, 2011	March 31, 2010
Unrealised gain on Foreign Exchange and Derivative Contracts (*)	7,582,70	544,76
Deferred Tax Assets	1,188,71	843,51
Deposits & amounts paid in advance	839,15	713,23
Accounts Receivable	580,45	521,39
Margin for LAF with RBI	300,00	-
Bullion outstanding	414,99	196,95
Residuary Items	31,57	94,68
Total	**10,937,57**	**2,914,52**

(*) As per the recommendatory provisions of AS-31, Financial Instruments : Presentation, the Bank has grossed up unrealised gain on Foreign Exchange and Derivative Contracts under Other Assets and unrealised loss on Foreign Exchange and Derivative Contracts under Other Liabilities as on March 31, 2011, which hitherto was reported on net basis as Other Assets or Other Liabilities.

14. Maturity Pattern of Key Assets and Liabilities

Assets and liabilities are classified in the maturity buckets as per the guidelines issued by the RBI.

(₹ lacs)

As at March 31, 2011	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	3,080,57	2,889,19	2,111,27	5,366,03	21,684,86	15,214,51	19,494,88	64,413,55	11,953,86	13,773,95	159,982,67
Investments	3,296,51	3,236,65	1,232,92	2,233,43	5,202,50	4,136,80	4,249,40	28,325,87	7,360,94	11,654,35	70,929,37
Deposits	4,501,20	9,834,41	4,382,69	4,805,50	19,598,83	10,480,73	7,605,39	105,687,27	21,444,69	20,245,70	208,586,41
Borrowings	78,42	844,34	458,74	1,269,18	1,696,61	2,267,45	297,30	89,19	1,616,00	5,776,83	14,394,06
Foreign Currency Assets	855,98	1,600,67	365,19	1,209,00	2,952,22	2,214,70	1,611,04	2,012,04	735,31	130,48	1,368,663
Foreign Currency Liabilities	405,41	234,08	496,96	526,87	1,884,29	2,456,87	1,089,12	1,659,17	111,02	445,98	9,309,77

(₹ 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

15 Provision, Contingent Liabilities and Contingent Assets

Given below are movements in provisions and a brief description of the nature of contingent liabilities recognised by the Bank.

a) Movement in provision for credit card and debit card reward points (₹ lacs)

Particulars	March 31, 2011	March 31, 2010
Opening provision for reward points	34,00	33,57
Provision for reward points made during the year	47,07	17,78
Utilisation / Write back of provision for reward points	(18,37)	(8,83)
Effect of change in rate for accrual of reward points	1,78	(1,33)
Effect of change in cost of reward points	(5,15)	(7,19)
Closing provision for reward points	59,33	34,00

Figures for March 31, 2010 does not include provision for debit card reward points

b) Movement in provision for legal and other contingencies (₹ lacs)

Particulars	March 31, 2011	March 31, 2010
Opening provision	271,28	60,29
Movement during the year (net)	45,32	210,99
Closing provision	316,60	271,28

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c) **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, based on the facts of the case and the provisions of Income Tax Act, 1961.
2.	Claims against the Bank 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, foward 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 includes : 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

16 Business Ratios / Information

Particulars	March 31, 2011	March 31, 2010
Interest income as a percentage to working funds[1]	8.04%	8.39%
Net interest income as a percentage to working funds	4.25%	4.35%
Non-interest income as a percentage to working funds	1.75%	2.07%
Operating profit[2] as a percentage to working funds	3.12%	3.33%
Return on assets (average)	1.58%	1.53%
Business[3] per employee (₹ lacs)	6,53	5,90
Profit per employee[4] (₹ lacs)	7.37	5.98
Percentage of net non performing assets[5] to customer assets[6]	0.18%	0.31%
Percentage of net non performing assets to net advances[7]	0.19%	0.31%
Gross non performing assets to gross advances	1.05%	1.43%
Provision Coverage Ratio[8]	82.51%	78.42%

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.

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5. Net NPAs are non-performing assets net of interest in suspense, specific loan loss provisions, floating provisions (as on March 31, 2010), ECGC claims received, provisions for funded interest term loans classified as NPAs and provisions in lieu of diminution in the fair value of restructured assets classified as NPAs.
6. Customer assets include net advances, credit substitutes like debentures, commercial papers 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 (as on March 31, 2010), interest in suspense, ECGC claims received, provision for funded interest term loans classified as NPA and provisions in lieu of diminution in the fair value of restructured assets.
8. Provision coverage ratio is based on specific loan loss provisions and floating provisions (as on March 31, 2010), and does not include assets written off.

17 Interest Income

Interest income under the sub-head Income from Investments includes dividend received during the year ended March 31, 2011 on units of mutual funds, equity and preference shares amounting to ₹ 188,32 lacs (previous year : ₹ 434,86 lacs).

18 Earnings from Standard Assets Securitised-out / Assets sold

During the years ended March 31, 2011 and March 31, 2010, there were no standard assets securitised-out / sold by the Bank.

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, 2011 was ₹ 446,21 lacs (previous year : ₹ 457,69 lacs), liquidity enhancement was ₹ 16,65 lacs (previous year : ₹ 16,58 lacs) and third party liquidity facility undrawn was ₹ Nil (previous year : ₹ 13,24 lacs). Outstanding servicing liability was ₹ 62 lacs (previous year : ₹ 1,07 lacs).

19 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 ₹ 713,25 lacs (previous year : ₹ 566,01 lacs) in respect of the bancassurance business undertaken by the Bank during the year.
- **Miscellaneous Income**

  Miscellaneous income includes profit / (loss) of ₹ (134,50) lacs (previous year : ₹ 13,02 lacs) pertaining to derivative transactions.

20 Other Expenditure

Other expenditure includes expenses on collections and recoveries amounting to ₹ 320,74 lacs (previous year : ₹ 391,08 lacs) and outsourcing fees amounting to ₹ 419,38 lacs (previous year : ₹ 366,91 lacs) exceeding 1% of the total income of the Bank.

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

(₹ lacs)

Particulars	March 31, 2011	March 31, 2010
Provision for Income Tax		
- Current	2,237,46	1,365,67
- Deferred	(345,20)	(25,23)
Provision for Wealth tax	60	55
Provision for NPAs	763,02	1,938,93
Provision for Standard Assets	-	-
Other Provisions and Contingencies*	1,143,09	201,11
Total	**3,798,97**	**3,481,03**

* *Includes Contingent provisions for tax, legal and other contingencies ₹ 474,90 lacs (previous year : ₹ 136,09 lacs), Floating Provisions ₹ 670,00 lacs (previous year : ₹ 50,00 lacs), (write-back) / provisions for securitised-out assets ₹ 2,59 lacs (previous year : ₹ (0.12) lacs) and (write-back) / provision for restructured assets ₹ (4,40) lacs (previous year : ₹ 15,03 lacs).*

For the year ended March 31, 2011

22 Employee Benefits

Gratuity **(₹ Lacs)**

Particulars	March 31, 2011	March 31, 2010
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	99,20	72,57
Interest cost	7,80	5,89
Current service cost	26,95	20,99
Benefits paid	(8,17)	(4,92)
Actuarial (gain) / loss on obligation :		
Experience adjustment	9,56	(5,02)
Assumption change	74	9,69
Present value of obligation as at March 31	**136,08**	**99,20**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	51,74	45,38
Expected return on plan assets	2,36	3,88
Contributions	20,06	-
Benefits paid	(8,17)	(4,92)
Actuarial gain / (loss) on plan assets :		
Experience adjustment	1	7,40
Assumption change	-	-
Fair value of plan assets as at March 31	**66,00**	**51,74**
Amount recognised in Balance sheet		
Fair value of plan assets as at March 31	66,00	51,74
Present value of obligation as at March 31	(136,08)	(99,20)
Asset / (Liability) as at March 31	**(70,08)**	**(47,46)**
Expenses recognised in Profit and Loss Account		
Interest Cost	7,80	5,89
Current Service cost	26,95	20,99
Expected return on plan assets	(2,35)	(3,88)
Net Actuarial (gain) / loss recognised in the year	10,29	(2,73)
Net Cost	**42,69**	**20,27**
Actual return on plan assets	2,37	11,29
Estimated contribution for the next year	17,21	12,60
Assumptions		
Discount rate	8.2% per annum	8.4% per annum
Expected return on plan assets	8.0% per annum	8.0% per annum
Salary escalation rate	8.5% per annum	8.5% per annum

For the year ended March 31, 2011

Pension (₹ Lacs)

Particulars	March 31, 2011	March 31, 2010
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	40,70	34,60
Interest cost	3,05	2,73
Current service cost	1,76	1,21
Benefits paid	(6,99)	(4,28)
Actuarial (gain) / loss on obligation :		
Experience adjustment	18,50	2,12
Assumption change	36	4,32
Present value of obligation as at March 31	**57,38**	**40,70**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	38,78	36,90
Expected return on plan assets	3,28	3,03
Contributions	5,43	46
Benefits paid	(6,99)	(4,27)
Actuarial gain / (loss) on plan assets :		
Experience adjustment	2,85	2,78
Assumption change	-	(12)
Fair value of plan assets as at March 31	**43,35**	**38,78**
Amount recognised in Balance sheet		
Fair value of plan assets as at March 31	43,35	38,78
Present value of obligation as at March 31	(57,38)	(40,70)
Asset / (Liability) as at March 31	**(14,03)**	**(1,92)**
Expenses recognised in Profit and Loss Account		
Interest Cost	3,05	2,73
Current Service cost	1,76	1,21
Expected return on plan assets	(3,28)	(3,03)
Net Actuarial (gain) / loss recognised in the year	16,01	3,78
Net Cost	**17,54**	**4,69**
Actual return on plan assets	6,13	5,69
Estimated contribution for the next year	35	2,00
Assumptions		
Discount rate	8.2% per annum	8.4% per annum
Expected return on plan assets	8.0% per annum	8.0% per annum
Salary escalation rate	8.5% per annum	8.5% per annum

Expected rate of return on investments is determined based on the assessment made by the Bank 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 ₹ 92,88 lacs (previous year : ₹ 81,57 lacs) to the provident fund and ₹ 25,86 lacs (previous year : ₹ 22,97 lacs) to the superannuation plan.

Compensated Absences

The actuarial liability of compensated absences of accumulated privileged and sick leaves of the employees of the Bank as of March 31, 2011 is given below : (₹ Lacs)

Particulars	March 31, 2011	March 31, 2010
Privileged leave	131,86	92,90
Sick leave	26,36	22,82
Total actuarial liability	158,22	115,72
Assumptions		
Discount rate	8.2% per annum	8.4% per annum
Salary escalation rate	8.5% per annum	8.5% per annum

23 **Segment Reporting**

Segment Reporting for the year ended March 31, 2011 is given below : (₹ Lacs)

S. No.	Particulars	Treasury	Retail Banking	Wholesale Banking	Other Banking Operations	Total
1	Segment Revenue	5,391,16	19,505,03	11,612,89	2,483,69	38,992,77
2	Less : Inter Segment Revenue					14,729,41
3	Income from Operations (1) - (2)					24,263,36
4	Segment Results	96,12	3,014,57	242,331	1,018,36	6,552,36
5	Unallocated Expenses					733,71
6	Income Tax expense (including deferred tax)					1,892,26
7	Net Profit (4) - (5) - (6)					3,926,39
8	Segment Assets	90,324,22	88,065,88	85,074,76	5,293,65	268,758,51
9	Unallocated Assets					8,594,08
10	Total Assets (8) + (9)					277,352,59
11	Segment Liabilities	15,305,13	147,061,74	75,414,37	502,68	238,283,92
12	Unallocated Liabilities					13,692,31
13	Total Liabilities (11) + (12)					251,976,23
14	Capital Employed (8) - (11)	75,019,09	(58,995,86)	9,660,39	4,790,97	30,474,59
15	Unallocated (9) - (12)					(5,098,23)
16	Total (14) + (15)					25,376,36
17	Capital Expenditure	60,73	423,87	90,04	23,92	598,56
18	Depreciation	53,98	324,36	87,52	31,55	497,41

Segment Reporting for the year ended March 31, 2010 is given below : (₹ Lacs)

S. No.	Particulars	Treasury	Retail Banking	Wholesale Banking	Other Banking Operations	Total
1	Segment Revenue	4,622,82	15,737,04	8,162,04	2,319,93	30,841,83
2	Less : Inter Segment Revenue					10,686,00
3	Income from Operations (1) - (2)					20,155,83
4	Segment Results	673,48	1,596,80	1,978,62	601,91	4,850,81
5	Unallocated Expenses					561,67
6	Income Tax expense (including deferred tax)					1,340,44
7	Net Profit (4) - (5) - (6)					2,948,70
8	Segment Assets	77,521,86	71,207,92	65,962,48	4,265,72	218,957,98
9	Unallocated Assets					3,500,59
10	Total Assets (8) + (9)					222,458,57
11	Segment Liabilities	13,577,10	118,762,94	61,942,45	406,19	194,688,68
12	Unallocated Liabilities					6,250,30
13	Total Liabilities (11) + (12)					200,938,98
14	Capital Employed (8) - (11)	63,944,76	(47,555,02)	4,020,03	3,859,53	24,269,30
15	Unallocated (9) - (12)					(2,749,71)
16	Total (14) + (15)					21,519,59
17	Capital Expenditure	90,51	562,61	131,22	49,94	834,28
18	Depreciation	38,09	266,22	65,93	24,15	394,39

24 Related Party Disclosures

As per AS-18, Related Party Disclosure, issued by the ICAI, the Bank's related parties are disclosed below :

Promoter

Housing Development Finance Corporation Limited

Enterprises under common control of the promoter

HDFC Asset Management Company Limited

HDFC Standard Life Insurance Company Limited

HDFC Developers Limited

HDFC Holdings Limited

HDFC Investments Limited

HDFC Trustee Company Limited

GRUH Finance Limited

HDFC Realty Limited

HDFC Ergo General Insurance Company Limited

HDFC Venture Capital Limited

HDFC Ventures Trustee Company Limited

HDFC Sales Private Limited

HDFC Property Ventures Limited

HDFC Asset Management Company (Singapore) Pte. Limited

Griha Investments

Credila Financial Services Private Limited

HDFC Investments Trust Limited

Subsidiaries

HDFC Securities Limited

HDB Financial Services Limited

Associates

Atlas Documentary Facilitators Company Private Limited

HBL Global Private Limited

Centillion Solutions and Services Private Limited

International Asset Reconstruction Company Private Limited

Key Management Personnel

Aditya Puri, Managing Director

Paresh Sukthankar, Director

Harish Engineer, Director

Related Parties to Key Management Personnel

Salisbury Investments Private Limited, Anita Puri, Amit Puri, Amrita Puri, Adishwar Puri, Aarti Sood, Sangeeta Sukthankar, Dattatraya Sukthankar, Shubhada Sukthankar, Akshay Sukthankar, Ankita Sukthankar, Madhavi Lad, Sudha Engineer, Shreematiben Engineer, Nikhil Engineer, Uma Engineer, Mahesh Engineer.

In accordance with paragraph 5 of AS 18, the Bank has not disclosed certain transactions with Key Management Personnel and relatives of Key Management Personnel as they are in the nature of banker-customer relationship.

The significant transactions between the Bank and related parties for year ended March 31, 2011 are given below. A specific related party transaction is disclosed as a significant related party transaction wherever it exceeds 10% of all related party transactions in that category :

- Rendering of Services : HDFC Standard Life Insurance Company Limited ₹ 669,64 lacs (previous year : ₹ 533,60 lacs), HDFC Limited ₹ 96,47 lacs (previous year : ₹ 77,10 lacs)
- Receiving of Services : HBL Global Private Limited ₹ 290,19 lacs (previous year : ₹ 211,54 lacs); Atlas Documentary Facilitators Company Private Limited ₹ 266,66 lacs (previous year : ₹ 244,50 lacs)

For the year ended March 31, 2011

The Bank's related party balances and transactions for the year ended March 31, 2011 are summarized as follows : (₹ lacs)

Items / Related Party	Promoter	Enterprises under Common Control of the Promoter	Subsidiaries	Associates	Key Management Personnel	Total
Deposits	1,619,82	192,42	271,02	45,59	7,21	2,136,06
	(1,619,82)	(320,00)	(271,02)	(53,26)	(12,88)	(2,276,98)
Placement of Deposits	15	34	9.76	30,60	2,22	43,07
	(15)	(34)	(9,76)	(32,55)	(2,22)	(45,02)
Advances	-	-	411,37	-	73	412,10
	-	-	(411,37)	-	(73)	(412,10)
Purchase of fixed assets	-	-	66	10	-	76
Interest paid	4,88	1,00	2,40	2,08	18	10,54
Interest received	-	-	22,94	-	4	22,98
Rendering of Services	96,47	794,50	12,04	20,98	-	923,99
Receiving of Services	17,48	31,29	46,27	559,02	60	654,66
Equity / Other Investments	-	-	713,76	40,15	-	753,91
	-	-	(713,76)	(42,64)	-	(756,40)
Dividend paid	94,37	36,00	-	-	-	130,37
Dividend received on equity investment	-	-	44	-	-	44
Accounts Receivable	8,29	53,14	17	-	-	61,60
	(9,59)	(122,56)	(1,99)	(4,30)	-	(138,44)
Accounts Payable	-	-	7,63	38,52	-	46,15
	-	-	(11,74)	(63,21)	-	(74,95)
Guarantees given	-	-	7,00	-	-	7.00
	-	-	(13,00)	-	-	(13,00)
Management Contracts	-	-	-	-	13,26	13,26
Loans Purchased	4,378,97	-	-	-	-	4,378,97
Financial Assets sold to securitization / reconstruction company	-	-	-	10,75	-	10,75

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each quarter-end.

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, 2011 is ₹ 250,00 lacs (previous year : ₹ 970,12 lacs). The contingent credit exposure pertaining to these contracts computed in line with the extant RBI guidelines on exposure norms is ₹ 11,08 lacs (previous year : ₹ 15,36 lacs).

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

Items / Related Party	Promoter	Enterprises under Common Control of the Promoter	Subsidiaries	Associates	Key Management Personnel	Total
Deposits	2,428,79	229,12	109,18	41,05	6,17	2,814,31
	(2,428,79)	(229,12)	(157,53)	(41,05)	(6,74)	(2,863,23)
Placement of Deposits	15	43	6,01	34,46	2,22	43,27
	(17)	(1,02)	(6,01)	(34,46)	(2,22)	(43,89)
Advances	-	-	200,00	4,38	73	205,11
	-	-	(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	548,33
Amount received on Equity Share Warrants Issued	3,608,06	-	-	-	-	3,608,06
Equity / Other Investments	-	-	123,76	44,19	-	167,95
	-	-	(123,76)	(45,90)	-	(169,66)
Dividend paid	52,44	30,00	-	-	-	82,44
Dividend received on equity investment	-	-	18	9	-	27
Accounts Receivable	12,93	97,00	-	-	-	109,93
	(12,93)	(97,00)	(3,57)	(7,11)	-	(120,61)
Accounts Payable	15	-	2,89	27,93	-	30,97
	(15)	-	(8,12)	(35,63)	-	(43,90)
Guarantees given	-	-	18,00	-	-	18,00
	-	-	(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

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each quarter-end.

For the year ended March 31, 2011

25 Leases

Operating leases primarily comprise office premises, staff residences and ATMs, which are renewable at the option of the Bank. The details of maturity profile of future operating lease payments are given below :

(₹ lacs)

Period	March 31, 2011	March 31, 2010
Not later than one year	437,89	374,32
Later than one year and not later than five years	1,475,80	1,299,31
Later than five years	631,40	645,60
Total	**2,545,09**	**2,319,23**
The total of minimum lease payments recognized in the Profit and Loss Account for the year	463,07	406,66
Total of future minimum sub-lease payments expected to be received under non - cancellable subleases	74,28	92,41
Sub-lease payments recognized in the Profit and Loss Account for the year	18,13	13,93

During the current year, the Bank has entered into an operating lease agreement with a counterparty for leasing certain assets. The future lease payment for this lease is linked to volume of usage of the leased assets and accordingly, the future minimum lease payments cannot be estimated at this stage.

The Bank has sub-leased certain of its properties taken on lease. There are no provisions relating to contingent rent.

The terms of renewal and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreements.

26 Penalties levied by the RBI

No penalty requiring disclosure in public domain was levied on the Bank during the financial years ended March 31, 2011 and March 31, 2010.

27 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.

28 Disclosure for customer complaints / unimplemented awards of Banking Ombudsman

Customer complaints

Particulars	March 31, 2011	March 31, 2010
(a) No. of complaints pending at the beginning of the year	1,900	2,480
(b) No. of complaints received during the year	157,857	2,83,253
(c) No. of complaints redressed during the year	158,633	2,83,833
(d) No. of complaints pending at the end of the year	1,124	1,900

Unimplemented awards of Banking Ombudsmen

Particulars	March 31, 2011	March 31, 2010
(a) No. of unimplemented awards at the beginning of the year	0	4
(b) No. of awards passed by the Banking Ombudsmen during the year	7	9
(c) No. of awards implemented during the year	7	13
(d) No. of unimplemented awards at the end of the year	0	0

For the year ended March 31, 2011

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

The Bank has not issued any Letter of Comfort during the years ended March 31, 2011 and March 31, 2010.

30 Changes in Accounting Practice

Effective April 1, 2010, the Bank has classified fees paid of ₹ 226,32 lacs (previous year : ₹ 175,32 lacs) relating to transactions done by the Bank's customers on other banks' ATMs, which hitherto were netted from fees and commissions, under operating expenses. Figures for the previous year have been regrouped / reclassified to conform to current year's classification.

31 Change in Accounting Estimates

Useful Life of Fixed Assets

During the year, the Bank revised the estimated useful life of point of sale machines and certain information technology servers. Depreciation on these assets is charged prospectively over the revised useful life of the asset. Consequently, profit after tax for the year was lower by ₹ 39,05 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.

33 Overseas Assets, NPAs and Revenue (₹ lacs)

Particulars	March 31, 2011	March 31, 2010
Total Assets	5,207,59	2,089,95
Total NPAs	Nil	Nil
Total Revenue	102,90	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

C. M. Vasudev
Chairman

Aditya Puri
Managing Director

Sanjay Dongre
Executive Vice President (Legal) & Company Secretary

Harish Engineer
Executive Director

Paresh Sukthankar
Executive Director

A. N. Roy
Ashim Samanta
Bobby Parikh
Partho Datta
Renu Karnad
Directors

Mumbai, 18 April, 2011

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

(In terms of the direction u/s 212(8) of the Companies Act, 1956 issued by the Ministry of Corporate Affairs vide General Circular no. 2/2011 dated February 8, 2011

(As on/for the year ended March 31, 2011) **(₹ lacs)**

Name of the subsidiary	**HDFC Securities Ltd.**	**HDB Financial Services Ltd.**
Capital	1,507	41,026
Reserves and Surplus	23,451	30,901
Total Assets (excluding investments)	49,158	146,229
Total Liabilities (excluding capital and reserves)	24,285	77,652
Investments	84	3,350
Turnover (total income)	26,051	17,936
Profit before taxation	11,591	2,458
Provision for taxation	3,875	852
Profit after taxation	7,716	1,606
Proposed Dividend including tax thereon	105	-

HDFC securities

HDFC Securities Limited is an A1+1 (ICRA) rated brokerage firm that offers integrated solutions for both retail and institutional investors. Moreover, with a wide network of 150 branches across 100 cities, HDFC Securities Limited is now the country's leading brokerage house in the retail segment.

As one of the leading financial intermediaries in the market, it supports the investment needs of various customers through a wide range of products and services such as:

- Seamless movement of funds and shares through linked Savings, Demat and Trading Accounts.
- A full range of products including Equity, Derivatives, IPO's, ETF's, NCD's, Bonds, Currency Derivatives, Online Mutual Funds, DIY Systematic Investment Plans, Corporate Fixed Deposits and Insurance.
- Specialised customer service cells that handle affluent and super-affluent customers including NRI's.

HDFC Securities Limited has specialised research teams for both retail and institutional markets. These are supported by a choice of transaction platforms including mobile, tele-brokers, online and Relationship Managers in branches.

HDB FINANCIAL SERVICES

HDB Financial Services (HDBFS) is a leading Non Banking Financial Company (NBFC) that caters to the growing needs of an increasingly affluent middle market.

A strong, well capitalised business, it enjoys CARE AAA rating for long-term bank facilities and PR1+ rating for short-term debt and commercial papers.

HDBFS operates in two lines of businesses – Lending and Collections BPO.

Lending for both personal and business purposes, with operations in over 100 branches and across 70 cities. The products it offers include:

- Unsecured loans and various asset backed loans
- Commercial vehicle loans
- Life Insurance and General Insurance

The Collections BPO line of business, currently has 6 call centers with more than 1500 work-stations, making 13 lac customer calls every month, across over 100 towns.

For Basel II – Pillar 3 Disclosures,
Consolidated Financials and
Corporate Governance

refer to

HDFC Bank Annual Report (Part 2) file

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 Limited and HDB Financial Services Limited) which together constitute the group in line with Reserve Bank of India (RBI) guidelines on preparation of consolidated prudential reports issued vide circular DBOD. No. BP.BC.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.
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.
Centillion Solutions & Services (P) Limited (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.

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, 2011.

d) As of March 31, 2011, the Bank does not have investment in any insurance entity.

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 RBI.

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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.

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 : **(₹ lacs)**

Particulars	**March 31, 2011**	**March 31, 2010**
Paid-up share capital	465,23	457,74
Reserves	25,054,02	21,111,10
Innovative Perpetual Debt	200,00	200,00
Gross Tier I	25,719,25	21,768,84
Deductions :		
Deferred Tax Asset	(1,189,29)	(844,16)
Securitisation exposures*	(223,18)	(240,75)
Market Risk Charge on account of valuation adjustment for illiquid positions of derivatives and non derivative portfolio.	(52,06)	-
Total Deductions	(1,464,53)	(1,084,91)
Total Tier I capital (net of deductions)	**24,254,72**	**20,683,93**

** Principally comprises credit enhancements*

c) The details of Tier II capital of the Bank are given below : **(₹ lacs)**

Particulars	**March 31, 2011**	**March 31, 2010**
Upper Tier II capital	3,861,85	2,759,90
Lower Tier II capital	2,925,00	3,248,24
Provision for Standard assets	763,45	760,29
Floating Provision	735,03	-
Investment Reserve Account	41,69	26,14
Securitisation exposures*	(223,18)	(240,75)
Total Tier II capital (net of deductions)	**8,103,84**	**6,553,82**

** Principally comprises credit enhancements*

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

Particulars	**March 31, 2011**	**March 31, 2010**
Total amount outstanding	3,861,85	2,759,90
Of which amounts raised during the year	1,105,00	-
Amount eligible to be reckoned as capital funds	3,861,85	2,759,90

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

Particulars	**March 31, 2011**	**March 31, 2010**
Total amount outstanding	3,331,20	3,393,20
Of which amounts raised during the year	-	-
Amount eligible to be reckoned as capital funds	2,925,00	3,248,24

f) Other deductions from capital : Nil (previous year : Nil).

g) The total eligible capital of the Bank outstanding as of March 31, 2011 amounts to ₹ 32,358,56 lacs (previous year : ₹ 27,237,75 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 risks 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). The Bank's ICAAP 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
- Intraday Risk
- Credit Concentration Risk
- Business Risk
- Strategic Risk
- Compliance Risk
- Reputation Risk
- Technology Risk

The Bank has also implemented a Board approved Stress Testing Framework which forms an integral part of the Bank's ICAAP for the purpose of Capital Planning. Stress Testing involves the use of various techniques to assess the Bank's potential vulnerability to extreme but plausible ("stressed") business conditions. Typically, this relates, among other things, to the impact on the Bank's profitability and capital adequacy. Stress Tests are conducted on a quarterly basis on the banks on and off balance sheet exposures to test the impact of Credit, Market and Liquidity risk and Interest Rate Risk in the Banking book (IRRBB). The stress test results are put up to the Risk Policy & Monitoring Committee on a half yearly basis and to the Board annually, for their review and guidance recommendations. The Bank periodically assesses and refines its stress tests in an effort to ensure that the stress scenarios capture material risks as well as reflect possible extreme market moves that could arise as a result of market conditions. The stress tests are used in conjunction with the Bank's business plans for the purpose of capital planning in the ICAAP.

b) Capital requirements for credit risk : (₹ lacs)

Particulars	March 31, 2011	March 31, 2010
Portfolios subject to Standardised approach	14,338,09	11,546,56
Securitisation Exposures	924,00	734,01
Total	**15,262,09**	**12,280,57**

c) Capital requirements for market risk :

Standardised duration approach : (₹ lacs)

Particulars	March 31, 2011	March 31, 2010
Interest rate risk	863,87	486,63
Foreign Exchange risk (including gold)	27,00	27,00
Equity risk	37,25	27,12
Market Risk Charge on account of valuation adjustment for illiquid positions of derivative and non derivative portfolio	-	48,52
Total	**928,12**	**589,27**

d) Capital requirements for operational risk : (₹ lacs)

Particulars	March 31, 2011	March 31, 2010
Basic indicator approach	1,514,23	1,175,01

e) Total and Tier I capital ratio :

Particulars	Standalone		Consolidated	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
Tier I capital ratio	12.23%	13.26%	12.33%	13.28%
Total capital ratio	16.22%	17.44%	16.45%	17.48%

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 Policy & Monitoring Committee (RPMC), 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. RPMC 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 risk, approving individual credit exposures and monitoring 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 customers 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 where credit appraisals of fresh exposures are guided by statistical models, and are managed on the basis 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 for 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 templated 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 & Procedures 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 Policy & Monitoring Committee sets concentration ceilings and the Credit and Market Risk Group monitors 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 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 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) The installment of principal or interest thereon remains overdue for two crop seasons for short duration crops.

v) The installment of principal or interest thereon remains overdue for one crop season for long duration crops.

vi) Any amount to be received remains overdue for a period of more than 90 days in respect of other accounts.

vii) 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.

viii) 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 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 bank 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 : **(₹ lacs)**

Category	**March 31, 2011**	**March 31, 2010**
Fund based*	174,757,06	134,357,30
Non-fund based**	26,743,31	22,297,14
Total	**201,500,37**	**156,654,44**

** Fund based exposures comprise investments and loans & advances including bills re-discounted.*
*** Non-fund based exposures comprise guarantees, acceptances, endorsements and letters of credit.*

c) Geographic distribution of exposures : (₹ lacs)

Category	March 31, 2011		March 31, 2010	
	Fund Based	Non-fund Based	Fund Based	Non-fund Based
Domestic	170,015,69	26,664,56	132,332,27	22,263,23
Overseas	4,741,37	78,75	2,025,03	33,91
Total	**174,757,06**	**26,743,31**	**134,357,30**	**22,297,14**

d) Industry-wise distribution of exposures : (₹ lacs)

Industry	March 31, 2011	
	Fund Based	Non-fund Based
Agriculture and Allied Activities	4,902,43	67,71
Automobile & Auto Ancillary	7,921,25	1,409,86
Banks and Financial Institutions	13,156,42	362,32
Capital Market Intermediaries	2,161,36	1,728,33
Cement & Cement Products	785,92	503,76
Chemical and Chemical Products	883,60	297,48
Coal & Petroleum Products	2,677,05	3,783,47
Infrastructure (Construction and Development)	1,495,51	804,76
Consumer Durables	452,92	166,21
Drugs and Pharmaceuticals	1,188,02	255,73
Engineering	2,384,64	2,814,56
Fertilisers & Pesticides	3,415,75	500,57
FMCG & Personal Care	627,72	73,87
Food and Beverage	3,445,80	368,66
Gems and Jewellery	1,471,49	22,56
Housing Finance Companies	3,121,90	-
Information Technology	880,99	336,06
Iron and Steel	3,920,33	2,328,07
Mining and Minerals	796,30	399,90
NBFC / Financial Intermediaries	5,946,90	38,60
Non-ferrous Metals and Products	1,012,22	3,017,90
Paper, Printing and Stationery	608,57	206,76

(₹ lacs)

Industry	March 31, 2011	
	Fund Based	Non-fund Based
Power	3,664,68	639,57
Real Estate & Property Services*	3,585,11	438,46
Retail Assets**	73,914,48	834,44
Road Transport***	9,111,26	142,11
Services	3,240,91	708,55
Telecom	2,135,99	908,13
Textiles & Garments	1,742,97	520,67
Wholesale and Retail Trade	10,715,22	2,154,63
Other Industries****	3,389,35	909,61
Total	**174,757,06**	**26,743,31**

* *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 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.*

** *Comprises 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 metalic mineral products, plastic and plastic products, railways, rubber and rubber products, shipping, tobacco and tobacco products, wood and wood products, airlines and fishing each of which is less than 0.25% of the total exposure.*

e) Residual contractual maturity breakdown of assets :

As on March 31, 2011 (₹ 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	13,164,19	3,538,45	7,766,08	8,104,64	-	3,044,40	35,617,76
15 to 28 days	404,08	180,54	2,233,43	5,367,87	-	2,293,03	10,478,95
29 days to 3 months	859,94	501,66	5,232,50	21,696,30	-	-	28,290,40
3 to 6 months	923,91	196,81	4,136,80	15,243,42	-	-	20,500,94
6 months to 1 year	459,64	244,08	4,249,41	19,570,62	-	-	24,523,75
1 to 3 years	6,516,46	65,70	28,325,86	64,588,51	-	9,478,20	108,974,73
3 to 5 years	1,423,21	-	7,360,95	12,149,45	-	-	20,933,61
Above 5 years	1,349,46	10,15	10,971,64	14,110,61	2,200,94	-	28,642,80
Total	**25,100,89**	**4,737,39**	**70,276,67**	**160,831,42**	**2,200,94**	**14,815,63**	**277,962,94**

* *Excludes exposure under bills re-discounted.*

As on March 31, 2010 **(₹ 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**

* *Excludes exposure under bills re-discounted.*

f) Amount of Gross NPAs : **(₹ lacs)**

NPA Classification	March 31, 2011	March 31, 2010
Sub Standard	743,96	1,064,09
Doubtful*		
- Doubtful 1	360,24	307,91
- Doubtful 2	89,67	20,36
- Doubtful 3	27,86	31,07
Loss	476,75	398,46
Total	**1,698,48**	**1,821,89**

* 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 : **(₹ lacs)**

Particulars	March 31, 2011	March 31, 2010
Gross NPAs	1,698,48	1,821,89
Less : Provisions	1,399,86	1,427,26
Net NPAs	298,62	394,63

h) NPA Ratios :

Particulars	March 31, 2011	March 31, 2010
Gross NPAs as a ratio to gross advances	1.05%	1.43%
Net NPAs as a ratio to net advances	0.19%	0.31%

i) Movement of NPAs (Gross) : **(₹ lacs)**

Particulars	March 31, 2011	March 31, 2010
Opening balance	1,821,89	1,951,53
Additions during the year / on Amalgamation	1,437,75	2,617,54
Reductions	(1,561,16)	(2,747,18)
Closing balance	1,698,48	1,821,89

j) Movement of provisions for NPAs : **(₹ lacs)**

Particulars	March 31, 2011	March 31, 2010
Opening balance	1,427,26	1,323,90
Provisions made during the year / on Amalgamation	1,448,15	2,655,32
Write-off	(1,184,13)	(2,250,20)
Write-back of excess provisions	(291,42)	(301,76)
Closing balance	1,399,86	1,427,26

k) Amount of non-performing investments : **(₹ lacs)**

Particulars	March 31, 2011	March 31, 2010
Gross non-performing investments	17,87	2,23
Provisions held for non-performing investments	(17,34)	(2,23)
Net non-performing investments	53	-

l) Movement of provisions for depreciation on investments : **(₹ lacs)**

Particulars	March 31, 2011	March 31, 2010
Opening balance	58,41	55,41
Provisions made during the year	15,12	9,73
Write-off	-	-
Write-back of excess provisions	(31,07)	(6,73)
Closing balance	42,46	58,41

5. Credit Risk : Portfolios subject to the Standardised Approach (Credit Risk)

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

  1 Credit Analysis and Research Limited (CARE)

  2 Credit Rating Information Services of India Limited (CRISIL)

  3 Fitch India

  4 ICRA Limited (ICRA)

- 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 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 the RBI guidelines on the New Capital Adequacy Framework (NCAF). The Bank has not made any discrimination among ratings assigned by these agencies nor restricted their usage to any particular type of exposure.

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

The Bank has, in accordance with RBI guidelines on the NCAF, transferred Public ratings on to comparable assets in the Banking Book in the following manner :

Issue Specific Ratings

- All long-term and short-term ratings assigned by the credit rating agencies specifically to the Bank's long term and short term exposures respectively are considered by the Bank as Issue specific ratings.
- 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.
- 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 New Capital Adequacy Framework (NCAF). The rating to risk weight mapping furnished below was adopted for domestic corporate exposures, as per RBI guidelines :

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

- In respect of the issue specific short term ratings the following risk weight mapping has been adopted by the Bank, as provided in the NCAF :

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

Where multiple issue specific ratings are assigned to the Bank's exposure by the various credit rating agencies, the risk weight is determined as follows :

(i) 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.

(ii) If there are two ratings accorded by chosen credit rating agencies, which map into different risk weights, the higher risk weight is applied.

(iii) 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 are referred to and the higher of those two risk weights is applied, i.e., the second lowest risk weight.

Inferred Ratings

- The specific rating assigned by a credit rating agency to a debt or issue of a borrower or counterparty (which the bank may or may not have extended / invested in), which the Bank applies to an un-assessed claim of the Bank on such borrower or counterparty is considered by the Bank as Inferred ratings.
- In terms of NCAF guidelines, the Bank uses a long term rating as an Inferred rating for an unassessed long term claim on the borrower, where the following conditions are met

  (i) Where the Bank's claim ranks pari passu or senior to the specific rated debt in all respects

  (ii) The maturity of the Bank's claim is not later than the maturity of the rated claim.

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- The unassessed long term claim is assigned the risk weight corresponding to a Inferred long term rating as given in the table under Issue Specific Ratings.
- For an unassessed short term claim, the Bank uses a long term or short term rating as an Inferred rating, where the Bank's claim ranks pari passu to the specified rated debt.
- Where a long term rating is used as an inferred rating for a short term unassessed claim, the risk weight corresponding to an inferred long term rating as given in the table under Issue Specific Rating is considered by the Bank.
- Where a short term rating is used as an inferred rating for a short term unassessed claim, the risk weight corresponding to an inferred short term rating as given in the table under Issue Specific Rating is considered, however with notch up of the risk weight. Notwithstanding the restriction on using an issue specific short term rating for other short term exposures, an unrated short term claim on a counterparty is given 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 a counterparty attracts a 20% or a 50% risk-weight, the unrated short-term claims to the same counter-party will get a risk weight not lower than 30% or 100% respectively.
- If long term ratings corresponding to different risk weights are applicable for a long term exposure, the highest of the risk weight is considered by the Bank. Similarly, if short term ratings corresponding to different risk weights are applicable for a short term exposure, the highest of the risk weight is considered. However, where both long term and short term corresponding to different risk weights are applicable to a short term exposure, the highest of the risk weight is considered by the Bank for determination of capital charge.
- If a counterparty 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. Similarly, if a counterparty 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.

Issuer Ratings

- Ratings assigned by the credit rating agencies to an entity conveying an opinion on the general creditworthiness of the rated entity are considered as Issuer ratings.
- Where multiple issuer ratings are assigned to an entity by various credit rating agencies, the risk weight for the Bank's claims are as follows
  - (i) 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.
  - (ii) If there are two ratings accorded by chosen credit rating agencies, which map into different risk weights, the higher risk weight is applied.
  - (iii) 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 are referred to and the higher of those two risk weights is applied, i.e., the second lowest risk weight.
- The risk weight assigned to claims on counterparty based on issuer ratings are as those mentioned under Issue Specific Ratings.

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 :

(₹ lacs)

Particulars	March 31, 2011*	March 31, 2010
Below 100% risk weight	83,038,55	64,069,03
100% risk weight	67,929,47	56,858,55
More than 100% risk weight	50,532,35	39,726,86
Deducted	-	-
Total	**201,500,37**	**160,654,44**

** Including exposure under bills re-discounting transactions of ₹ 746,00 lacs (previous year : ₹ 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 : **(₹ lacs)**

Particulars	March 31, 2011	March 31, 2010
Total exposure covered by eligible financial collateral	11,968,12	10,040,78

c) The total exposure for each separately disclosed credit risk portfolio that is covered by guarantees / credit derivatives : **(₹ lacs)**

Particulars	March 31, 2011	March 31, 2010
Total exposure covered by guarantees	1,095,58	166,01

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.

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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 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 PTCs. The Bank amortizes any profit / premium arising on account of sale of receivables through the direct assignment route over the tenure of the loans 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.

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 and direct assignment 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 product team. The Bank has comprehensive and distinct policies, approved by the Board, for securitisation and direct assignment transactions. The policies articulate the requirements that need to be adhered to for all securitisation and direct assignment 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 / purchases loans, 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.
- Periodical monitoring of transactions which show concerning trends and quarterly escalation of concerning pools to credit approvers.

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 Bank also acts as a servicing agent for receivable pools securitised-out.

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, 2011 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

Banking Book

d) The total amount of exposures securitised by the Bank :

i) Total outstanding amount securitised was ₹ 809,66 lacs (previous year : ₹ 1,338,71 lacs).

ii) Deals done during the year :

The Bank has not securitised out any component of its standard asset portfolio during the year ended March 31, 2011.

The amount of impaired / past due assets securitised out were ₹ 18,75 lacs (previous year : ₹ 4,69 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, 2011.

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 :

(₹ lacs)

Exposure Type	March 31, 2011		March 31, 2010	
	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	87,86	-	232,21	-
Commercial vehicle loans	22,25	-	81,40	9
Two Wheeler loans	-	-	-	5
Loans against property	183,71	-	279,53	-
Housing loans	478,79	-	707,36	-
Loans against rent receivables	37,05	-	38,21	-
Total	**809,66**	**-**	**1,338,71**	**14**

i) Aggregate amount of :

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

(₹ lacs)

Particulars	March 31, 2011	March 31, 2010
Commercial vehicle loans	1,413,43	1,518,91
Housing loans	11,069,95	8,141,19
Personal loans	51,36	25,46
Two wheeler loans	3,51	1,05
Mixed Assets*	1,089,27	752,00
Commercial Equipment loans	144,25	91,97
Tractor loans	915,79	523,65
Total	**14,687,56**	**11,054,23**

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

(₹ lacs)

Particulars	March 31, 2011	March 31, 2010
Auto loans	-	3,09
Housing loans	180,32	189,42
Mixed Assets*	265,45	268,42
Commercial Vehicle	44	-
Total	**446,21**	**460,93**

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

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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 :

(₹ lacs)

Risk Weight Bands	Exposure Type	March 31, 2011		March 31, 2010	
		Exposure	Capital Charge	Exposure	Capital Charge
Less than 100%	Housing loans	7,253,63	334,20	4,884,27	225,91
	Commercial vehicle loans	1,413,43	95,41	1,081,06	72,97
	Mixed Assets	1,118,73	75,51	663,35	43,43
	Business loans	-	-	21,18	1,43
	Tractor loans	915,79	61,82	274,48	18,53
	Construction equipment loans	144,25	9,74	91,98	6,21
	Auto loans	-	-	3,15	6
	Personal loans	14,27	96	-	-
At 100%	Housing loans	3,756,64	33,810	3,256,91	29,312
	Commercial vehicle loans	-	-	436,35	39,27
	Tractor loans	-	-	249,17	22,43
	Personal loans	-	-	4,06	37
More than 100%	Housing loans	59,68	6,71	-	-
	Commercial vehicle loans	-	-	1,07	12
	Personal loans	-	-	22	2
	Mixed Assets	7,63	86	89,17	10,03
	Two wheeler loans	3,51	39	1,05	12
	Total	**14,687,56**	**923,70**	**11,057,47**	**734,02**

- 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, 2011 (₹ lacs)

Exposure Type	Exposure deducted entirely from Tier I capital	Credit enhancing I/Os deducted from from total capital	Other exposure deducted from total capital
Commercial vehicle loans	-	-	44
Housing loans	-	-	180,32
Mixed Assets*	-	-	265,45
Total	**-**	**-**	**446,21**

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

As on March 31, 2010 **(₹ lacs)**

Exposure Type	Exposure deducted entirely from Tier I capital	Credit enhancing I/Os deducted from 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.*

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, 2011 : ₹ 15 lacs (previous year : ₹ 18,56 lacs).

l) Aggregate amount of :

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

(₹ lacs)

Exposure Type	March 31, 2011	March 31, 2010
Auto loans	-	4,43
Commercial vehicle loans	-	16,13
Hire purchase receivables	11,57	15,29
Housing loans	456,58	617,20
Two wheeler loans	-	3,40
Mixed Assets	15	18,56
Micro Finance	48,41	-
Total	**516,71**	**675,01**

- 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) : **(₹ lacs)**

Particulars	March 31, 2011	March 31, 2010
Less than 100 %	516,56	651,21
100%	-	-
More than 100%	-	-
Total	**516,56**	**651,21**

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) : **(₹ lacs)**

Particulars	March 31, 2011	March 31, 2010
Less than 100%	20,01	44,19
100%	-	-
More than 100%	-	-
Total	**20,01**	**44,19**

- 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, 2011 **(₹ lacs)**

Exposure Type	Exposure deducted entirely from Tier I capital	Credit enhancing I/Os deducted from from total capital	Other exposure deducted from total capital
Two wheeler loans	-	-	-
Auto loans	-	-	-
Mixed Assets	-	-	15
Total	-	-	**15**

As on March 31, 2010 **(₹ lacs)**

Exposure Type	Exposure deducted entirely from Tier I capital	Credit enhancing I/Os deducted from from total capital	Other exposure 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 the 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 Policy & Monitoring Committee of the Board, inter-alia, evaluates the Bank's 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 derivatives, institutional sales, 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 trigger level, 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 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 : **(₹ lacs)**

Category	**March 31, 2011**	**March 31, 2010**
Interest rate risk	863,87	486,63
Equity position risk	37,25	27,12
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
Total	**928,12**	**589,27**

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 its circulars and 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) initiatives for 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.

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 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 :

a) 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.

b) 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.

c) 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.

d) 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) : **(₹ 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, 2011	**March 31, 2010**	**March 31, 2011**	**March 31, 2010**
INR	276,23	(263,04)	(276,23)	263,04
USD	(137,75)	(145,16)	137,75	145,16
Others	60	7,01	(60)	(7,01)
Total	**139,08**	**(401,19)**	**(139,08)**	**401,19**

- Economic Value Perspective (Impact on Market Value of Equity) : **(₹ 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, 2011	**March 31, 2010**	**March 31, 2011**	**March 31, 2010**
INR	163,03	(69,24)	(163,03)	69,24
USD	(74,49)	(199,25)	74,49	199,25
Others	(25,49)	(22,66)	25,49	22,66
Total	**63,05**	**(291,15)**	**(63,05)**	**291,15**

Auditor's Report on the Consolidated Financial Statements of HDFC Bank Limited, its Subsidiaries and Associates

To The Board of Directors of HDFC Bank Limited

We have audited the attached consolidated Balance Sheet of **HDFC Bank Limited** ('the Bank'), its subsidiaries and associates (collectively known as 'the Group') as at 31 March 2011 and also the consolidated Profit and Loss Account and the consolidated Cash Flow Statement of the Group for the year then ended, both annexed thereto. These 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements and other financial information of the subsidiaries of the Group whose financial statements reflect total assets of ₹ 163,658.9 lacs as at 31 March 2011, total revenues of ₹ 43,987.8 lacs and cash flows of ₹ 22,618.3 lacs for the year then ended. These financial statements have been audited by other auditors, whose reports have been furnished to us and were relied upon by us for our opinion on the consolidated financial statements of the Group.

We have relied on the unaudited financial statements of certain associates of the Bank as at and for the year ended 31 March 2011. The unaudited financial statements have been provided to us by the management of the Bank. Accordingly, the attached consolidated financial results include results of associates whose unaudited financial results reflect total assets of ₹ 16,137.7 lacs as at 31 March 2011, total revenues of ₹ 49,810.6 lacs and cash flows amounting to ₹ 243.7 lacs 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 21, Consolidated Financial Statements and Accounting Standard 23, Accounting for Investments in Associates in Consolidated Financial Statements prescribed by the Companies (Accounting Standards) Rules, 2006.

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(1), (2) and (3C) of the Companies Act, 1956.

Based on our audit and to the best of our information and according to the explanations given to us and on the consideration of reports of other auditors on separate financial statements and on the consideration of the unaudited financial statements and on other relevant financial information of the components, we are of the opinion that the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India and guidelines issued by Reserve Bank of India in relation to preparation of consolidated financial statements :

(a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2011;

(b) in the case of the consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and

(c) in the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No: 101248W

Akeel Master
Partner
Membership No: 046768

Mumbai
18 April, 2011

Consolidated Balance Sheet

As at March 31, 2011

₹ in '000

	Schedule	As at 31-Mar-11	As at 31-Mar-10
CAPITAL AND LIABILITIES			
Capital	1	**4,652,257**	4,577,433
Reserves and Surplus	2	**251,179,116**	211,581,521
Minority Interest	2A	**1,216,620**	758,869
Employees' Stock Options (Grants) Outstanding		**29,135**	29,135
Deposits	3	**2,082,872,136**	1,672,977,827
Borrowings	4	**146,504,393**	131,717,976
Other Liabilities and Provisions	5	**293,175,692**	207,832,114
	Total	**2,779,629,349**	2,229,474,875
ASSETS			
Cash and Balances with Reserve Bank of India	6	**251,008,860**	154,833,109
Balances with Banks and Money at Call and Short notice	7	**47,373,915**	145,948,826
Investments	8	**702,766,667**	585,082,763
Advances	9	**1,608,314,156**	1,261,627,346
Fixed Assets	10	**22,009,412**	21,490,659
Other Assets	11	**148,156,339**	60,492,172
	Total	**2,779,629,349**	2,229,474,875
Contingent Liabilities	12	**5,751,594,661**	4,791,249,976
Bills for Collection		**134,284,924**	81,248,646
Significant Accounting Policies and Notes to Accounts	17 & 18		
The schedules referred to above form an integral part of the Balance Sheet			

As per our report of even date.

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

Akeel Master
Partner
Membership No.: 046768

Mumbai, 18 April, 2011

For and on behalf of the Board

C. M. Vasudev
Chairman

Aditya Puri
Managing Director

Sanjay Dongre
Executive Vice President (Legal) & Company Secretary

Harish Engineer
Executive Director

Paresh Sukthankar
Executive Director

A. N. Roy
Ashim Samanta
Bobby Parikh
Partho Datta
Renu Karnad
Directors

Consolidated Profit and Loss Account

For the year ended March 31, 2011

₹ in '000

	Schedule	Year Ended 31-Mar-11	Year Ended 31-Mar-10
I. INCOME			
Interest earned	13	**200,433,346**	162,327,420
Other income	14	**45,850,454**	42,095,669
	Total	**246,283,800**	204,423,089
II. EXPENDITURE			
Interest expended	15	**94,251,533**	77,976,000
Operating expenses	16	**73,179,451**	60,808,324
Provisions and contingencies		**38,675,885**	35,309,633
	Total	**206,106,869**	174,093,957
III. PROFIT			
Net Profit for the year		**40,176,931**	30,329,132
Less : Minority Interest		**322,397**	325,354
Add : Share in profits of Associates		**70,353**	32,740
Consolidated profit for the year attributable to the Group		**39,924,887**	30,036,518
Balance of profit brought forward		**46,252,340**	34,934,863
	Total	**86,177,227**	64,971,381
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		**9,869,002**	7,371,752
Proposed dividend		**7,679,955**	5,495,995
Tax (including cess) on dividend		**1,246,777**	913,551
Dividend (including tax / cess thereon) pertaining to previous year paid during the year		**26,484**	9,343
Transfer to General Reserve		**3,926,401**	2,948,701
Transfer to Capital Reserve		**3,568**	1,994,599
Transfer to / (from) Investment Reserve Account		**155,587**	(14,900)
Balance carried over to Balance Sheet		**63,269,453**	46,252,340
	Total	**86,177,227**	64,971,381
V. EARNINGS PER EQUITY SHARE (Face value ₹ 10/- per share)		₹	₹
Basic		**86.45**	68.82
Diluted		**85.44**	68.12
Significant Accounting Policies and Notes to Accounts.	17 & 18		

The schedules referred to above form an integral part of the Profit and Loss Account.

As per our report of even date.

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

Akeel Master
Partner
Membership No.: 046768

Mumbai, 18 April, 2011

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Consolidated Cash Flow Statement

For the year ended March 31, 2011

₹ in '000

Particulars	31-Mar-11	31-Mar-10
Cash flows from operating activities		
Net profit before income tax	**59,320,108**	**43,897,391**
Adjustment for :		
Depreciation	5,091,107	4,040,391
(Profit) / Loss on Revaluation of Investments	(310,616)	30,082
Amortisation of premia on Held to Maturity investments	2,268,463	4,408,528
(Profit) / Loss on sale of fixed assets	8,039	(37,959)
Provision for Non Performing Assets	7,811,699	19,430,092
Floating Provisions	6,700,000	500,000
Provision against standard assets	31,600	-
Provision for wealth tax	6,127	5,607
Contingency provision	4,731,238	1,513,061
	85,657,765	**73,787,193**
Adjustments for :		
(Increase) / Decrease in Investments	(119,641,751)	(2,369,914)
(Increase) / Decrease in Advances	(354,498,509)	(291,283,710)
Increase / (Decrease) in Borrowings (excluding subordinated debts, perpetual debt and upper tier II instruments)	4,386,917	39,846,602
Increase / (Decrease) in Deposits	409,894,309	246,529,853
(Increase) / Decrease in Other assets	(83,485,414)	1,421,449
Increase / (Decrease) in Other liabilities and provisions	71,276,394	41,286,510
	13,589,711	**109,217,983**
Direct taxes paid (net of refunds)	(23,191,840)	(14,504,465)
Net cash flow from / (used in) operating activities	**(9,602,129)**	**94,713,518**
Cash flows from investing activities		
Purchase of fixed assets	(5,596,588)	(5,724,557)
Proceeds from sale of fixed assets	91,794	123,774
Net cash used in investing activities	**(5,504,794)**	**(5,600,783)**

Consolidated Cash Flow Statement

For the year ended March 31, 2011

₹ in '000

Particulars	31-Mar-11	31-Mar-10
Cash flows from financing activities		
Increase in Minority Interest	457,751	325,354
Money received on exercise of stock options by employees	8,281,642	5,559,685
Proceeds from issue of equity shares	-	36,080,585
Proceeds from issue of Upper and Lower Tier II capital instruments	11,050,000	-
Redemption of subordinated debt	(620,000)	(665,000)
Dividend paid during the year	(5,519,403)	(4,264,414)
Tax on Dividend	(912,305)	(723,450)
Net cash generated from financing activities	**12,737,685**	**36,312,760**
Effect of Exchange Fluctuation on Translation reserve	**(29,922)**	**(15,104)**
Net increase / (Decrease) in cash and cash equivalents	**(2,399,160)**	**125,410,391**
Cash and cash equivalents as at April 1st	**300,781,935**	**175,371,544**
Cash and cash equivalents as at March 31st	**298,382,775**	**300,781,935**

As per our report of even date.

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

Akeel Master
Partner
Membership No.: 046768

Mumbai, 18 April, 2011

For and on behalf of the Board

C. M. Vasudev
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A. N. Roy
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Bobby Parikh
Partho Datta
Renu Karnad
Directors

As at March 31, 2011

₹ in '000

		As at 31-Mar-11	As at 31-Mar-10
SCHEDULE 1 - CAPITAL			
Authorised Capital			
55,00,00,000 (31 March 2010 : 55,00,00,000) Equity Shares of ₹ 10/- each		**5,500,000**	5,500,000
Issued, Subscribed and Paid-up Capital			
46,52,25,684 (31 March, 2010 : 45,77,43,272) Equity Shares of ₹ 10/- each		**4,652,257**	4,577,433
	Total	**4,652,257**	4,577,433
SCHEDULE 2 - RESERVES AND SURPLUS			
I. Statutory Reserve			
Opening Balance		**30,359,043**	22,987,291
Additions during the year		**9,869,002**	7,371,752
	Total	**40,228,045**	30,359,043
II. General Reserve			
Opening Balance		**10,309,224**	7,360,523
Additions during the year		**3,926,401**	2,948,701
	Total	**14,235,625**	10,309,224
III. Balance in Profit and Loss Account		**63,269,453**	46,252,340
IV. Share Premium Account			
Opening Balance		**110,789,552**	65,437,981
Additions during the year		**8,694,606**	45,351,571
	Total	**119,484,158**	110,789,552
V. Amalgamation Reserve		**10,635,564**	10,635,564
VI. Capital Reserve			
Opening Balance		**2,951,109**	956,510
Additions during the year		**3,568**	1,994,599
	Total	**2,954,677**	2,951,109
VII. Investment Reserve Account			
Opening Balance		**261,350**	276,250
Additions during the year		**155,620**	33,300
Deductions during the year		**(33)**	(48,200)
	Total	**416,937**	261,350
VIII. Foreign Currency Translation Account			
Opening Balance		**(15,421)**	(317)
Additions during the year		**(29,922)**	(15,104)
	Total	**(45,343)**	(15,421)
IX. Capital Reserve on Consolidation (net of goodwill)*		-	38,760
	Total	**251,179,116**	211,581,521

**Includes Capital Reserve, net of Goodwill on account of acquisition : Nil (previous year : ₹ 3,88 lacs)*

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As at March 31, 2011

₹ in '000

		As at 31-Mar-11	As at 31-Mar-10
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)		**940,591**	482,840
	Total	**1,216,620**	758,869
SCHEDULE 3 - DEPOSITS			
A. I. Demand Deposits			
(i) From Banks		**10,184,754**	10,554,618
(ii) From Others		**452,724,016**	360,838,986
	Total	**462,908,770**	371,393,604
II. Savings Bank Deposits		**634,477,904**	498,767,849
III. Term Deposits			
(i) From Banks		**14,267,601**	13,824,354
(ii) From Others		**971,217,861**	788,992,020
	Total	**985,485,462**	802,816,374
	Total	**2,082,872,136**	1,672,977,827
B. I. Deposits of Branches in India		**2,080,229,036**	1,672,336,111
II. Deposits of Branches Outside India		**2,643,100**	641,716
	Total	**2,082,872,136**	1,672,977,827
SCHEDULE 4 - BORROWINGS			
I. Borrowings in India			
(i) Reserve Bank of India		**1,200,000**	-
(ii) Other Banks		**9,614,347**	16,354,387
(iii) Other Institutions and agencies		**9,270,356**	21,508,986
(iv) Upper and Lower Tier II capital and Innovative Perpetual Debt*		**69,471,000**	59,041,000
	Total	**89,555,703**	96,904,373
II. Borrowings outside India		**56,948,690**	34,813,603
	Total	**146,504,393**	131,717,976
** Includes Upper Tier II debt of ₹ 445,95 lacs (previous year : ₹ 449,00 lacs)*			
Secured borrowings included in I & II above : ₹ 25,638 lacs (previous year : ₹ 210,11 lacs)			
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS			
I. Bills Payable		**56,361,491**	76,731,844
II. Interest Accrued		**27,934,178**	19,966,229
III. Others (including provisions)		**192,318,804**	97,121,608
IV. Contingent Provisions against standard assets		**7,634,487**	7,602,887
V. Proposed Dividend (including tax on dividend)		**8,926,732**	6,409,546
	Total	**293,175,692**	207,832,114

As at March 31, 2011

₹ in '000

		As at 31-Mar-11	As at 31-Mar-10
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA			
I. Cash in hand (including foreign currency notes)		**29,980,245**	24,352,828
II. Balances with Reserve Bank of India in :			
(a) current accounts		**220,028,615**	129,480,281
(b) other accounts		**1,000,000**	1,000,000
	Total	**221,028,615**	130,480,281
	Total	**251,008,860**	154,833,109
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE			
I. In India			
(i) Balances with Banks :			
(a) In current accounts		**2,323,701**	3,138,690
(b) In other deposit accounts		**11,415,609**	5,310,963
	Total	**13,739,310**	8,449,653
(ii) Money at call and short notice :			
(a) With banks		**10,700,000**	5,150,000
(b) With other institutions		**1,250,000**	98,354,000
	Total	**11,950,000**	103,504,000
	Total	**25,689,310**	111,953,653
II. Outside India			
(i) In current accounts		**4,637,720**	3,062,216
(ii) In other deposit accounts		**2,452,725**	-
(iii) Money at call and short notice		**14,594,160**	30,932,957
	Total	**21,684,605**	33,995,173
	Total	**47,373,915**	145,948,826
SCHEDULE 8 - INVESTMENTS			
A. Investments in India in			
(i) Government securities		**536,512,756**	510,499,288
(ii) Other approved securities		**4,906**	4,972
(iii) Shares*		**1,100,044**	1,208,280
(iv) Debentures and Bonds		**5,356,072**	11,392,914
(v) Joint Venture*		**450,489**	384,591
(vi) Others (Units, CD/CP, PTC, Security Receipts and NABARD Deposits)		**158,458,091**	61,120,668
	Total	**701,882,358**	584,610,713
** Includes goodwill net of capital reserves, on account of investment in associates, amounting to ₹ 13,77 lacs (previous year : ₹ 15,27 lacs).*			
B. Investments outside India in			
(a) Shares		**6,033**	6,033
(b) Debentures and Bonds		**878,276**	466,017
	Total	**884,309**	472,050
	Total	**702,766,667**	585,082,763

As at March 31, 2011

₹ in '000

		As at 31-Mar-11	As at 31-Mar-10
C. Investments			
(i) Gross Value of Investments			
(a) In India		**702,307,007**	585,194,891
(b) Outside India		**884,309**	472,050
	Total	**703,191,316**	585,666,941
(ii) Provision for Depreciation			
(a) In India		**424,649**	584,178
(b) Outside India		**-**	-
	Total	**424,649**	584,178
(iii) Net Value of Investments			
(a) In India		**701,882,358**	584,610,713
(b) Outside India		**884,309**	472,050
	Total	**702,766,667**	585,082,763

SCHEDULE 9 - ADVANCES

		As at 31-Mar-11	As at 31-Mar-10
A. (i) Bills purchased and discounted		**97,111,818**	63,614,705
(ii) Cash Credits, Overdrafts and Loans repayable on demand		**331,779,112**	239,838,503
(iii) Term loans		**1,179,423,226**	958,174,138
	Total	**1,608,314,156**	1,261,627,346
B. (i) Secured by tangible assets*		**1,180,143,751**	893,122,762
(ii) Covered by Bank / Government Guarantees		**33,137,271**	29,462,230
(iii) Unsecured		**395,033,134**	339,042,354
	Total	**1,608,314,156**	1,261,627,346
** Including advances against Book Debts*			
C. I. Advances in India			
(i) Priority Sector		**553,610,381**	444,112,262
(ii) Public Sector		**54,001,024**	52,634,745
(iii) Banks		**286,035**	6,229,141
(iv) Others		**953,881,294**	738,866,925
	Total	**1,561,778,734**	1,241,843,073
C. II. Advances Outside India			
(i) Due from Banks		**13,809,946**	-
(ii) Due from Others			
a) Bills Purchased and discounted		**1,074,676**	454,412
b) Syndicated Loans		**10,579,336**	-
c) Others		**21,071,464**	19,329,861
	Total	**46,535,422**	19,784,273
	Total	**1,608,314,156**	1,261,627,346

(Advances are net of provisions)

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As at March 31, 2011

₹ in '000

		As at 31-Mar-11	As at 31-Mar-10
SCHEDULE 10 - FIXED ASSET			
A. Premises (including Land)			
Gross Block			
At cost on 31st March of the preceding year		**9,797,080**	7,160,665
Additions during the year		**667,766**	2,735,762
Deductions during the year		**(191,882)**	(99,347)
	Total	**10,272,964**	9,797,080
Depreciation			
As at 31st March of the preceding year		**1,777,823**	1,482,660
Charge for the year		**397,220**	338,370
On deductions during the year		**(68,521)**	(43,207)
	Total	**2,106,522**	1,777,823
Net Block		**8,166,442**	8,019,257
B. Other Fixed Assets (including furniture and fixtures)			
Gross Block			
At cost on 31st March of the preceding year		**33,432,510**	28,422,510
Additions during the year		**5,476,805**	5,714,584
Deductions during the year		**(440,642)**	(704,584)
	Total	**38,468,673**	33,432,510
Depreciation			
As at 31st March of the preceding year		**20,039,330**	16,855,947
Charge for the year		**4,954,325**	3,702,050
On deductions during the year		**(367,952)**	(518,667)
	Total	**24,625,703**	20,039,330
Net Block		**13,842,970**	13,393,180
C. Assets on Lease (Plant and Machinery)			
Gross Block			
At cost on 31st March of the preceding year		**4,546,923**	4,613,605
Deductions during the year		**-**	(66,682)
	Total	**4,546,923**	4,546,923

As at March 31, 2011

₹ in '000

		As at 31-Mar-11	As at 31-Mar-10
Depreciation			
As at 31st March of the preceding year		**4,026,245**	4,092,927
Charge for the year		**78,222**	-
On deductions during the year		**-**	(66,682)
	Total	**4,104,467**	4,026,245
Lease Adjustment Account			
As at 31st March of the preceding year		**442,456**	442,456
Unamortised cost of assets on lease		**-**	78,222
	Total	**22,009,412**	21,490,659

SCHEDULE 11 - OTHER ASSETS

			As at 31-Mar-11	As at 31-Mar-10
I.	Interest accrued		**22,932,409**	14,339,860
II.	Advance tax / Tax deducted at source (net of provisions)		**10,128,582**	9,955,222
III.	Stationery and stamps		**221,712**	254,552
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		**3,424,674**	4,088,368
VII.	Other assets *		**111,443,028**	30,048,236
		Total	**148,156,339**	60,492,172

** Includes deferred tax asset of ₹ 118,930 lacs (previous year : ₹ 844,15 lacs) and Goodwill net of Capital Reserve (₹ 3,88 lacs) on account of acquistion is ₹ 46,11 lacs (previous year : Nil)*

SCHEDULE 12 - CONTINGENT LIABILITIES

			As at 31-Mar-11	As at 31-Mar-10
I.	Claims against the Group not acknowledged as debts - Taxation		**12,192,884**	5,905,182
II.	Claims against the Group not acknowledged as debts - Others		**1,320,294**	89,629
III.	Liability on account of outstanding forward exchange contracts		**3,014,172,486**	2,281,083,550
IV.	Liability on account of outstanding derivative contracts		**2,439,713,427**	2,230,978,616
V.	Guarantees given on behalf of constituents - in India		**113,026,963**	94,818,797
VI.	Acceptances, endorsements and other obligations		**154,406,109**	128,152,628
VII.	Other items for which the Group is contingently liable		**16,762,498**	50,221,574
		Total	**5,751,594,661**	4,791,249,976

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For the year ended March 31, 2011

₹ in '000

		Year Ended 31-Mar-11	Year Ended 31-Mar-10
SCHEDULE 13 - INTEREST EARNED			
I. Interest / discount on advances / bills		**151,880,324**	120,927,523
II. Income from investments		**46,756,481**	39,779,336
III. Interest on balance with RBI and other inter-bank funds		**1,582,683**	870,809
IV. Others		**213,858**	749,752
	Total	**200,433,346**	162,327,420
SCHEDULE 14 - OTHER INCOME			
I. Commission, exchange and brokerage		**38,491,642**	32,351,473
II. Profit / (Loss) on sale of investments (net)		**(836,318)**	3,480,775
III. Profit / (Loss) on revaluation of investments (net)		**310,616**	(30,082)
IV. Profit / (Loss) on sale of building and other assets (net)		**(8,039)**	37,959
V. Profit on exchange transactions (net)		**9,208,434**	6,102,097
VI. Income earned by way of dividends etc. from subsidiaries / companies and / or joint ventures abroad / in India		**4,468**	1,806
VII. Miscellaneous income		**(1,320,349)**	151,641
	Total	**45,850,454**	42,095,669
SCHEDULE 15 - INTEREST EXPENDED			
I. Interest on Deposits		**80,261,798**	69,936,140
II. Interest on RBI / Inter-bank borrowings		**13,786,419**	7,608,391
III. Other interest		**203,316**	431,469
	Total	**94,251,533**	77,976,000
SCHEDULE 16 - OPERATING EXPENSES			
I. Payments to and provisions for employees		**29,771,439**	23,893,140
II. Rent, taxes and lighting		**6,438,193**	5,759,288
III. Printing and stationery		**2,244,858**	1,658,013
IV. Advertisement and publicity		**1,618,618**	860,190
V. Depreciation on property		**5,091,107**	4,040,391
VI. Directors' fees, allowances and expenses		**5,256**	4,729
VII. Auditors' fees and expenses		**12,034**	11,766
VIII. Law charges		**315,037**	323,084
IX. Postage, telegram, telephone etc.		**3,126,813**	3,374,578
X. Repairs and maintenance		**5,154,504**	4,602,209
XI. Insurance		**1,989,839**	1,611,924
XII. Other Expenditure*		**17,411,753**	14,669,012
	Total	**73,179,451**	60,808,324

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

For the year ended March 31, 2011

SCHEDULE 17 - SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2011.

A. BACKGROUND

HDFC Bank Limited ('HDFC Bank' or 'the Bank'), 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 has overseas branch operations in Bahrain and Hong Kong.

B. PRINCIPLES OF CONSOLIDATION

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

The Bank consolidates its subsidiaries in accordance with Accounting Standard ('AS') 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India ('ICAI') on a line-by-line basis by adding together the like items of assets, liabilities, income and expenditure. Capital reserve / Goodwill 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 under equity method of accounting in accordance with AS-23, Accounting for Investments in Associates in Consolidated Financial Statements, issued by the ICAI.

C. BASIS OF PREPARATION

The consolidated 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 in India ('GAAP'), statutory requirements prescribed under the Banking Regulation Act 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, AS issued by the 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 consolidated financial statements in conformity with GAAP 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 periods.

HDB Financial Services Limited is a non-banking financial company and a subsidiary of the Bank. HDFC Securities Limited is a financial services provider along with broking as core product and a subsidiary of the Bank.

During the year ended March 31, 2011, the Bank increased its stake-holding in HDB Financial Services Limited from 95.2% to 97.6%. The Bank paid a price of ₹ 15 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 ₹ 53,41.2 lacs, which have been netted off from capital reserves on consolidation.

Further during the year ended March 31, 2011 HDB Financial Services Limited has issued 200,000,000 equity shares to HDFC Bank on a preferential basis at a rate of ₹ 22 each. The shares were allotted on March 30, 2011. As at March 31, 2011, the stake-holding of the Bank in HDB Financial Services Limited is 97.5%.

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

Name	Relation	Country of Incorporation	Ownership Interest
HDFC Securities Limited	Subsidiary	India	58.7%
HDB Financial Services Limited	Subsidiary	India	97.5%
Atlas Documentary Facilitators Company Private Limited	Associate	India	29.0%
SolutionNET India Private Limited *	Associate	India	Nil
International Asset Reconstruction Company Private Limited	Associate	India	29.4%
Centillion Solutions and Services Private Limited	Associate	India	29.9%
HBL Global Private Limited	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, 2011.

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

D. PRINCIPAL ACCOUNTING POLICIES

1 Investments

HDFC Bank Limited

Classification :

In accordance with the RBI guidelines on investment classification and valuation, 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.

The Bank follows ‘Settlement Date’ accounting for recording purchase and sale of transactions in securities except in case of equity shares where ‘Trade Date’ accounting is followed.

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 the 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 from Profit and Loss Account 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.

Traded investments are valued based on the trades / quotes on the recognized stock exchanges, price list of RBI or prices declared by Primary Dealers Association of India (‘PDAI’) jointly with Fixed Income Money Market and Derivatives Association (‘FIMMDA’), periodically.

The market value of unquoted government securities which are in the nature of Statutory Liquidity Ratio (‘SLR’) securities included in the AFS and HFT categories is as per the Yield-to-Maturity (‘YTM’) rates published by FIMMDA. The valuation of other unquoted fixed income securities (viz. State Government securities, Other approved securities, Bonds and Debentures) wherever linked to the YTM rates, is computed with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for government securities published by FIMMDA. Special Bonds such as Oil Bonds, Fertiliser Bonds etc. which are directly issued by Government of India (‘GOI’) that do not carry SLR status are also valued by applying the mark up above the corresponding yield on GOI securities. Unquoted equity shares are valued at the break-up value, if the latest balance sheet is available or at ₹ 1 as per the RBI guidelines. Units of mutual funds are valued at the latest repurchase price / net asset value declared by the mutual fund. Treasury Bills, Commercial Papers and Certificate of Deposits being discounted instruments, are valued at carrying cost, except for Treasury Bills classified under Held for Trading category.

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 the 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 accordance with the RBI guidelines under reference RBI/2009-2010/356 IDMD/4135/11.08.43/2009-10 dated March 23, 2010, effective April 1, 2010 Repo and Reverse Repo transactions in government securities and corporate debt securities (excluding transactions conducted under Liquidity Adjustment Facility ('LAF') with RBI) are reflected as borrowing and lending transactions respectively. These transactions were hitherto recorded under investments as sales and purchases respectively. Borrowing cost on repo transactions is accounted as interest expense and revenue on reverse repo transactions is accounted as interest income.

In respect of repo transactions under LAF with RBI, 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 lent to RBI are debited to investment account and reversed on maturity of the transaction. Revenues thereon are accounted as interest income.

HDFC Securities Limited

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 Limited

Investments which are long term in nature are stated at cost. Provisions are made only in case of diminution, which is other than temporary, in the value of Investment. Current investments are valued at lower of cost and net realizable value.

2 Advances

HDFC Bank Limited

Classification :

Advances are classified as performing and non-performing based on the RBI guidelines and are stated net of bills rediscounted, specific provisions, interest in suspense for non-performing advances, claims received from Export Credit Guarantee Corporation, provisions for funded interest term loan classified as NPA and provisions in lieu of diminution in the fair value of restructured assets. Floating provisions have been included under Schedule 5 - "Other Liabilities" which were hitherto netted from Advances.

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

Provisioning :

Specific loan loss provisions in respect of non-performing advances 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 Schedule 5 - "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 of an account is done at a borrower level.

Further to the provisions required to be held according to the asset classification status, provisions are held 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.

In addition to the above, the Bank on prudential basis makes provisions on advances or exposures which are not NPAs, but have reasons to believe on the basis of the extant environment or specific information, the possible slippage of a specific advance or a group of advances or exposures or potential exposures. These are classified as contingent provisions and included under Schedule 5 - "Other Liabilities".

HDB Financial Services Limited

Advances are classified into performing and non-performing advances ('NPAs') as per the RBI 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.

3 Securitisation and Transfer of Assets

HDFC Bank Limited

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 acts as a servicing agent for receivable pools securitised-out.

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.

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 PTCs. The Bank amortizes any profit / premium arising on account of sale of receivables through the direct assignment route over the tenure of the loans 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.

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 PTCs and buys loans through the direct assignment route. These are accounted for at the deal value.

4 Fixed Assets and Depreciation

HDFC Bank Limited

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 equipments 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
- Assets at residences of executives of the Bank at 25% per annum
- Items (excluding staff assets) costing less than ₹ 5,000 and point of sale terminals 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 unamortized depreciable amount is charged over the revised remaining useful life of the said asset.

HDFC Securities Limited

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 official 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 ₹ 5,000 are fully depreciated in the year of purchase.

HDB Financial Services Limited

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 as under :

- 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 33.33% per annum
- Software and System development expenditure at 33.33% per annum
- Items costing less than ₹ 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.

6 Transactions involving Foreign Exchange

HDFC Bank Limited

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) are translated at the weekly average closing rates and non-integral foreign operations (foreign branches) 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 as notified by FEDAI and at interpolated rates for contracts of interim maturities. The contracts for longer maturities i.e. greater than one year are revalued using MIFOR and USD LIBOR rates for USD-INR currency pair. For other currency pairs, the forward points (as published by FEDAI) are extrapolated. 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.

Currency futures contracts are daily marked to market using daily settlement price on a trading day, which is the closing price of the respective futures contracts on that day. While the daily settlement price is computed on the basis of the last half an hour weighted average price of such contract, the final settlement price is taken as the RBI reference rate on the last trading day of the futures contract or as may be specified by the relevant authority from time to time. All open positions are marked to market based on the settlement price and the resultant marked to market profit / loss is daily settled with the exchange.

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

7 Derivative Contracts

HDFC Bank Limited

The Bank recognizes all derivative contracts (other than those designated as hedges) at the fair value, on the date 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.

8 Revenue and Expense Recognition

HDFC Bank Limited

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.

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

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

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 effective 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.

Guarantee commission, commission on Letter of Credit, annual locker rent fees and annual fees for credit cards are recognised on a straight line basis over the period of contract. Other fees and commission income is recognised when due, except in cases where the Bank is uncertain of ultimate collection.

HDFC Securities Limited

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 Limited

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.

Income From Dividend recognised in profit & loss account when the right to receive is established.

9 Employee Benefits

HDFC Bank Limited

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. Compensation cost, if any is amortised over the vesting period.

Gratuity

The Bank provides for gratuity to all employees. The benefit is in the form of lump sum 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. 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 as per the requirement of AS-15 (Revised 2005), Employee Benefits 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 and 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 erstwhile Centurion Bank of Punjab ('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 ₹ 6500 per month to the Pension Scheme administered by the Regional Provident Fund Commissioner ('RPFC'). The balance amount is contributed to a fund set up by the Bank and administered by a board of trustees. The Bank has no liability for future provident fund benefits other than its contribution. 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 in this respect by the Actuary Society of India, the Bank's consulting actuary has expressed an inability to reliably measure the provident fund liabilities. Accordingly the Bank is unable to exhibit the related information.

The overseas branches makes contributions to the relevant government scheme calculated as a percentage of the employees' salaries. The Bank's obligations are limited to these contributions, which are expensed when due, as such contribution is in the 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 Indian Banks Association ('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 the 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 Provident Fund, 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 Limited

Provident Fund

The Company's Contribution to Recognised Provident Fund (maintained and managed by the Office of RPFC) 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 ('PUCM'). 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 (Revised 2005) Employee Benefits.

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 Limited

Short Term Employee Benefits

Short term employee benefits are recognise as a expense at the undiscounted amounts in the profit & loss account for the year in which the related services rendered.

Long Term Employee Benefits

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 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.

10 Debit and Credit Cards Reward Points

HDFC Bank Limited

The Bank estimates the probable redemption of debit and 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 Bullion

HDFC Bank Limited

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.

12 Lease Accounting

Group

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 ICAI.

13 Income Tax

Group

Income tax expense comprises current tax provision (i.e. the amount of tax for the period determined in accordance with the Income Tax Act, 1961 and the rules framed there under) 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 substantively 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.

14 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 ICAI. Basic earnings per equity share has been computed by dividing net profit for the year attributable to equity shareholders 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 is 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.

15 Segment Information - Basis of preparation

Group

The segmental classification to the respective segments is in accordance with AS-17, Segment Reporting, issued by the ICAI. 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 from the Bank's investments portfolio, money market borrowing and lending, gains or losses on investment operations and 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 corporates, emerging corporates, 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. This segment also includes Bank's subsidiaries viz. HDFC Securities Limited and HDB Financial Services Limited.

(e) Unallocated

All items which are reckoned at an enterprise level are classified under this segment. This includes capital and reserves, debt classified as Tier I or Tier II capital, Employee Stock Options (Grants) Outstanding 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.

16 Accounting for Provisions, Contingent Liabilities and Contingent Assets

Group

In accordance with AS-29, Provisions, Contingent Liabilities and Contingent Assets, issued by the ICAI, 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.

17 Cash and cash equivalents

Group

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

For the year ended March 31, 2011

SCHEDULE 18 - NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2011.

1. Capital Infusion

During the year ended March 31, 2010, the Bank allotted 2,62,00,220 equity shares of ₹ 10 each at a premium of ₹ 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, during the year ended March 31, 2010, equity share capital of the Bank increased by ₹ 26,20 lacs and share premium by ₹ 3,982,77 lacs.

2. Earnings Per Equity Share

Basic and Diluted earnings per equity share have been calculated based on the net profit after taxation of ₹ 3,992,49 lacs (previous year : ₹ 3,003,65 lacs) and the weighted average number of equity shares outstanding during the year amounting 46,18,06,978 (previous year : 43,64,39,573).

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

Particulars	For the year ended (₹)	
	March 31, 2011	March 31, 2010
Nominal value per share	10.00	10.00
Basic earnings per share	86.45	68.82
Effect of potential equity shares (per share)	(1.01)	(0.70)
Diluted earnings per share	85.44	68.12

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 by dividing net profit after taxation by 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, 2011	March 31, 2010
Weighted average number of equity shares used in computing basic earnings per equity share	46,18,06,978	43,64,39,573
Effect of potential equity shares outstanding	54,55,117	45,07,362
Weighted average number of equity shares used in computing diluted earnings per equity share	46,72,62,095	44,09,46,935

3. Reserves and Surplus

Draw Down from Reserves

There has been no draw down from Reserves during the year ended March 31, 2011 and year ended March 31, 2010.

General Reserve

The Bank has made an appropriation of ₹ 392,64 lacs (previous year : ₹ 294,87 lacs) out of profits for the year ended March 31, 2011 to General Reserve pursuant to Companies (Transfer of Profits to Reserves) Rules, 1975.

Investment Reserve Account

During the year, the Bank has transferred ₹ 15,56 lacs (net) from Profit and Loss Account to Investment Reserve Account. In the previous year, the Bank transferred ₹ 1,49 lacs (net) from Investment Reserve Account to the Profit and Loss Account.

4. 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, Plan "D" in June 2007 and Plan "E" in June 2010. Under the terms of each of these Plans, the Bank may issue Equity Stock Options ('ESOPs') 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 Limited during the 60 days preceding the date of grant of options.

Plans B, C, D and E 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, Plan D and Plan E 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 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 eCBoP 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 and directors 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, 2011

Particulars	Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	2,05,06,080	1,184.63
Granted during the year	65,93,500	2,200.80
Exercised during the year	74,82,412	1,106.81
Forfeited / lapsed during the year	4,57,963	1,436.29
Options outstanding, end of year	1,91,59,205	1,558.72
Options Exercisable	1,25,85,705	1,223.36

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

Particulars	Options	Weighted average exercise price (₹)
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

Following summarises the information about stock options outstanding as at March 31, 2011

Plan	Range of exercise price	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average Exercise Price (₹)
Plan A	₹ 366.30	6,900	0.99	366.30
Plan B	₹ 358.60 to ₹ 1,098.70	14,33,400	1.82	988.51
Plan C	₹ 630.60 to ₹ 1,098.70	19,00,700	1.61	896.69
Plan D	₹ 1,098.70 to ₹ 1,704.80	83,68,700	3.03	1,367.36
Plan E	₹ 2,200.80	65,73,500	4.97	2,200.80
Key ESOP-2004	₹ 116.00	64,816	2.04	116.00
General ESOP-2004	₹ 442.25 to ₹ 859.85	2,52,556	2.57	627.92
General ESOP-2007	₹ 1,162.90 to ₹ 1,258.60	5,58,633	2.94	1,188.40

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 (₹)
Plan A	₹ 366.30	33,600	1.59	366.30
Plan B	₹ 358.60 to ₹ 1,098.70	24,74,700	2.79	977.12
Plan C	₹ 630.60 to ₹ 1,098.70	37,57,600	2.58	896.46
Plan D	₹ 1,098.70 to ₹ 1,704.80	1,26,96,400	3.89	1,334.24
Key ESOP-2004	₹ 116.00	64,816	3.04	116.00
General ESOP-2004	₹ 442.25 to ₹ 859.85	3,92,643	3.59	643.84
General ESOP-2007	₹ 1,162.90 to ₹ 1,258.60	10,86,321	3.97	1,190.18

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, 2011 are :

Particulars	March 31, 2011	March 31, 2010
Dividend yield	0.55%	0.6% to 0.7%
Expected volatility	30%	44.68% to 49.86%
Risk - free interest rate	7.53% to 7.62%	4.8% to 7.7%
Expected life of the option	1 to 6 years	1 to 5 years

Impact of fair value method on net profit and earnings per share ('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 proforma amounts indicated below

(₹ lacs)

Particulars	March 31, 2011	March 31, 2010
Net Profit (as reported)	3,926,39	2,948,70
Add : Stock-based employee compensation expense included in net income	-	-
Less : Stock based compensation expense determined under fair value based method (proforma)	223,21	164,62
Net Profit : (proforma)	3,703,18	2,787,08
	(₹)	(₹)
Basic earnings per share (as reported)	85.02	67.56
Basic earnings per share (proforma)	80.19	63.79
Diluted earnings per share (as reported)	84.03	66.87
Diluted earnings per share (proforma)	79.25	63.14

HDFC Securities Limited

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 ₹ 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, 2011

Particulars	EWT Options	Company Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	2,25,020	5,42,750	131.48
Granted during the year	-	-	-
Exercised during the year	1,09,808	67,700	119.76
Forfeited / lapsed during the year	15,000	32,500	135.00
Options outstanding, end of year	1,00,212	4,42,550	135.00
Options Exercisable	-	88,525	135.00

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 (₹)
Options outstanding, beginning of 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 year	225,020	542,750	131.48
Options Exercisable	33,000	-	53.00

Following summarises the information about stock options outstanding as at March 31, 2011

Plan	Range of exercise price	Number of shares arsing out of options	Weighted average life of unvested options (in years)	Weighted average exercise price (₹)
Company Options	₹ 135.00	442,550	3.14	135.00
EWT Options	₹ 135.00	100,212	0.50	135.00

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

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

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 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. No stock option to the employees is granted during the year ended 31st March, 2011. 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 :

(₹ lacs)

Particulars	March 31, 2011	March 31, 2010
Net Profit (as reported)	77,16	78,18
Add : Stock based compensation expense included in net income	-	-
Less : Stock based compensation expense determined under fair value based method (proforma)	1,98	54
Net Profit (proforma)	75,18	77,64
	(₹)	**(₹)**
Basic and diluted earnings per share (as reported)	51.21	52.12
Basic and diluted earnings per share (proforma)	49.89	51.76

HDB Financial Services Limited

The shareholders of the Company approved stock option schemes ESOS-1 and ESOS-2 in April 2008, ESOS-3 in October 2009 and ESOS-4 in October, 2010. 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.

Shares under ESOS-1 have vested during the year and have been duly exercised.

Schemes ESOS-2, 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 ₹ 10 per share, being the face value of the share. ESOS-4 provide for the issuance of options at the recommendation of the Compensation Committee of the Board at a price of ₹ 17.50 per 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.

For the year ended March 31, 2011

Activity in the options outstanding under the Employee Stock Options Plan as at March 31, 2011

Particulars	Options	Weighted average Exercise Price (₹)
Options outstanding, beginning of year	4,70,000	10.00
Granted during the year	3,38,500	17.50
Exercised during the year	1,25,000	10.00
Forfeited / lapsed during the year	60,000	10.00
Options outstanding, end of year	6,23,500	14.07
Options Exercisable	20,000	10.00

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

Particulars	Options	Weighted average Exercise Price (₹)
Options outstanding, beginning of year	2,65,000	10.00
Granted during the year	205,000	10.00
Exercised during the year	-	-
Forfeited / lapsed during the year	-	-
Options outstanding, end of year	4,70,000	10.00
Options Exercisable	-	-

Following summarises the information about stock options outstanding as at March 31, 2011

Plan	Range of exercise price	Number of shares arising out of options	Weighted average life of options (in years)	Weighted average Exercise Price (₹)
ESOS - 2	₹ 10.00	90,000	3.01	10.00
ESOS - 3	₹ 10.00	1,95,000	3.50	10.00
ESOS - 4	₹ 17.50	3,38,500	3.03	17.50

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 (₹)
ESOS - 1	₹ 10.00	1,25,000	2.50	10.00
ESOS - 2	₹ 10.00	1,40,000	3.01	10.00
ESOS - 3	₹ 10.00	2,05,000	3.50	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-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, 2011 are :

Particulars	March 31, 2011	March 31, 2010
Dividend yield	Nil	Nil
Expected volatility	Nil	Nil
Risk - free interest rate	7.67%	6.81%
Expected life of the option	1 to 5 years	1 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 proforma amounts indicated below :

(₹ lacs)

Particulars	March 31, 2011	March 31, 2010
Net Profit / (Loss) (as reported)	15,81	9,92
Add : Stock-based employee compensation expense included in net income	-	-
Less : Stock based compensation expense determined under fair value based method (proforma)	5	2
Net Profit (proforma)	15,75	9,90
	(₹)	(₹)
Basic earnings per share (as reported)	0.91	0.94
Basic earnings per share (proforma)	0.91	0.94
Diluted earnings per share (as reported)	0.91	0.94
Diluted earnings per share (proforma)	0.91	0.94

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 :

(₹ lacs)

Particulars	March 31, 2011	March 31, 2010
Net Profit (as reported)	3,992,49	3,003,65
Add : Stock-based employee compensation expense included in net income	-	-
Less : Stock based compensation expense determined under fair value based method (proforma)	225,24	165,18
Net Profit (proforma)	3,767,25	2,838,47
	(₹)	(₹)
Basic earnings per share (as reported)	86.45	68.82
Basic earnings per share (proforma)	81.58	65.04
Diluted earnings per share (as reported)	85.44	68.12
Diluted earnings per share (proforma)	80.62	64.37

5. 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.

6. 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, 2011 are ₹ 3,331,20 lacs (previous year : ₹ 3,393,20 lacs), ₹ 3,861,85 lacs (previous year : ₹ 2,759,90 lacs) and ₹ 200,00 lacs (previous year : ₹ 200,00 lacs) respectively.

During the year ended March 31, 2011, the Bank raised subordinated debt qualifying for Tier II capital amounting to ₹ 1,105,00 lacs (previous year : Nil).

The details of the bonds raised during the year ended March 31, 2011 are given below :

Particulars	Date of Allotment	Coupon Rate (%)	Tenure	Amount (₹ Lacs)
Upper Tier II Bonds	July 7, 2010	8.70%[1]	15 Years[2]	1,105,00

Note:

(1) Coupon rate of 8.70% per annum payable for first 10 years and stepped -up coupon rate of 9.20% 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 July 7, 2020 at par with the prior approval of RBI.

Based on the balance term to maturity as at March 31, 2011, 94% 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.

7. Investments

- Investments include securities of Face Value (FV) aggregating ₹ 820,00 lacs (previous year : FV ₹ 1,000,25 lacs) which are kept as margin for clearing of securities and of FV ₹ 2,150,00 lacs (previous year : FV ₹ 7,135,00 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 ₹6,00 lacs (previous year : FV ₹ 6,00 lacs) which are kept as margin with National Securities Clearing Corporation of India Ltd. (NSCCIL) and of FV ₹ 5,00 lacs (previous year : FV ₹ 5,00 lacs) which are kept as margin with MCX - SX Clearing Corporation Ltd.
- Investments having FV amounting to ₹ 30,556,80 lacs (previous year : FV ₹ 29,810,78 lacs) are kept as margin with the RBI towards Real Time Gross Settlement (RTGS).
- Other investments include certificate of deposits : ₹ 4,854,46 lacs (previous year : ₹ 589,15 lacs), commercial paper : ₹ 1,161,17 lacs (previous year : ₹ 18,84 lacs), investments in equity mutual fund units : ₹ 30,00 lacs (previous year : ₹ 100 lacs), security receipts issued by Reconstruction Companies : ₹ 25,04 lacs (previous year : ₹ 8,78 lacs), deposits with NABARD under the RIDF Deposit Scheme : ₹ 6,503,04 lacs (previous year : ₹ 4,197,11 lacs), deposits with SIDBI and NHB under the Priority / Weaker Sector Lending Schemes : ₹ 2,755,38 lacs (previous year : ₹ 1,297,19 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 ICAI , and the said accounting standard is thus not applicable. However, pursuant to RBI circular no. DBOD. NO. BP.BC.3/21.04.141/2002, dated July 11, 2002, the Bank has classified these investments as joint ventures.

8. Other Fixed Assets (including furniture and fixtures)

Other fixed assets includes amount capitalized on software website cost and Bombay stock exchange card. Details regarding the same are as follows :

(₹ lacs)

Particulars		March 31, 2011	March 31, 2010
Cost			
As at March 31 of the previous year		630,81	557,17
Additions during the year		97,71	95,67
Deductions during the year		(53)	(22,03)
	Total	**727,99**	**630,81**
Depreciation			
As at March 31 of the previous year		376,75	307,03
Charge for the year		99,12	81,53
On deductions during the year		(50)	(11,81)
	Total	**475,37**	**376,75**
Net value as at March 31 of the current year		**252,62**	**254,06**

9. Other Assets

- Other Assets include deferred tax asset (net) of ₹ 1,189,30 lacs (previous year : ₹ 844,15 lacs). The break-up of the same is as follows :

(₹ lacs)

Particulars		31-Mar-11	31-Mar-10
Deferred tax asset arising out of			
Loan loss provisions		689,62	552,25
Employee Benefits		56,48	43,60
Others		519,07	346,55
	Total	**1,265,17**	**942,40**
Deferred tax liability arising out of			
Depreciation		(75,87)	(98,25)
	Total	**(75,87)**	**(98,25)**
Deferred tax asset (net)		**1,189,30**	**844,15**

HDB Financial Services Limited has deferred tax asset amounting to ₹ 78 lacs (previous year : ₹ 52 lacs). The Company has not recognised 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 ₹ 2,11 lacs (previous year : ₹ 2,11 lacs) maintained by HDFC Securities Limited with the Stock Exchange.

10. Provision, Contingent Liabilities and Contingent Assets

Given below are movements in provisions and a brief description of the nature of contingent liabilities recognised by the Bank.

a) Movement in provision for credit card and debit card reward points **₹ lacs)**

Particulars	March 31, 2011	March 31, 2010
Opening provision for reward points	34,00	33,57
Provision for reward points made during the year	47,07	17,78
Utilisation / Write back of provision for reward points	(18,37)	(8,83)
Effect of change in rate for accrual of reward points	1,78	(1,33)
Effect of change in cost of reward points	(5,15)	(7,19)
Closing provision for reward points	59,33	34,00

Figures for March 31, 2010 does not include provision for debit card reward points

b) Movement in provision for legal and other contingencies **(₹ lacs)**

Particulars	March 31, 2011	March 31, 2010
Opening provision	271,28	60,29
Movement during the year (net)	45,32	210,99
Closing provision	316,60	271,28

c) 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, based on the facts of the case and the provisions of Income Tax Act, 1961.
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	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

11. 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.

12. The break-up of 'Provisions and contingencies' included in the Profit and Loss Account is given below (₹ Lacs)

Particulars	March 31, 2011	March 31, 2010
Provision for Income Tax - Current	2,284,68	1,412,87
- Deferred	(345,15)	(26,78)
Provision for Wealth tax	61	56
Provision for NPAs	781,17	1,943,01
Provision for Standard Assets	3,16	-
Other Provisions and Contingencies*	1,143,12	201,31
Total	**3,867,59**	**3,530,97**

** Includes Contingent provisions for tax, legal and other contingencies ₹ 474,90 lacs (previous year : ₹ 136,09 lacs), Floating Provisions ₹ 670,00 lacs (previous year : ₹ 50,00 lacs), (write-back) / provisions for securitised-out assets ₹ 2,59 lacs (previous year : ₹ (0.12) lacs) Provision for restructured assets ₹ (4,40) lacs (previous year : ₹ 15,03 lacs) and Provision for Doubtful debts ₹ 3 lacs (previous year : ₹ 19 lacs).*

13. Employee Benefits

Gratuity

(₹ lacs)

Particulars	**March 31, 2011**	**March 31, 2010**
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	**100,10**	**73,19**
Interest cost	7,87	5,95
Current service cost	27,47	21,30
Benefits paid	(8,22)	(4,93)
Actuarial (gain) / loss on obligation :		
Experience adjustment	9,94	(5,05)
Assumption change	47	9,64
Present value of obligation as at March 31	**137,63**	**100,10**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	52,23	45,67
Expected return on plan assets	2,40	3,92
Contributions	20,10	16
Benefits paid	(8,22)	(4,93)
Actuarial gain / (loss) on plan assets :		
Experience adjustment	-	7,42
Assumption change	-	-
Fair value of plan assets as at March 31	**66,51**	**52,24**
Amount recognised in Balance Sheet		
Fair value of plan assets as at March 31	66,51	52,24
Present value of obligation as at March 31	(137,63)	(100,10)
Asset / (Liability) as at March 31	**(71,12)**	**(47,86)**
Expenses recognised in Profit and Loss Account		
Interest Cost	7,87	5,95
Current Service cost	27,47	21,30
Expected return on plan assets	(239)	(3,92)
Net Actuarial (gain) / loss recognised in the year	10,42	(2,82)
Net Cost	43,37	20,51
Actual return on plan assets	2,40	11,33
Estimated contribution for the next year	17,61	12,84
Assumptions (HDFC Bank Limited)		
Discount rate	8.2% per annum	8.4% per annum
Expected return on plan assets	8.0% per annum	8.0% per annum
Salary escalation rate	8.5% per annum	8.5% per annum
Assumptions (HDFC Securities Limited)		
Discount rate	8.50% per annum	8.25% 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	8.2% per annum	8.4% per annum
Expected return on plan assets	8.0% per annum	8.0% per annum
Salary escalation rate		
General	5.0% per annum	5.0% per annum
Others	5.0% per annum	5.0% per annum

Pension (₹ lacs)

Particulars	March 31, 2011	March 31, 2010
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Present value of obligation as at April 1	40,70	34,60
Interest cost	3,05	2,73
Current service cost	1,76	1,21
Benefits paid	(6,99)	(4,28)
Actuarial (gain) / loss on obligation :		
Experience adjustment	18,50	2,12
Assumption change	36	4,32
Present value of obligation as at March 31	**57,38**	**40,70**
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets as at April 1	38,78	36,90
Expected return on plan assets	3,28	3,03
Contributions	5,43	46
Benefits paid	(6,99)	(4,27)
Actuarial gain / (loss) on plan assets :		
Experience adjustment	2,85	2,78
Assumption change	-	(12)
Fair value of plan assets as at March 31	**43,35**	**38,78**
Amount recognised in Balance sheet		
Fair value of plan assets as at March 31	43,35	38,78
Present value of obligation as at March 31	(57,38)	(40,70)
Asset / (Liability) as at March 31	**(14,03)**	**(1,92)**
Expenses recognised in Profit and Loss Account		
Interest Cost	3,05	2,73
Current Service cost	1,76	1,21
Expected return on plan assets	(3,28)	(3,03)
Net Actuarial (gain) / loss recognised in the year	16,01	3,78
Net Cost	**17,54**	**4,69**
Actual return on plan assets	6,13	5,69
Estimated contribution for the next year	35	2,00
Assumptions		
Discount rate	8.2% per annum	8.4% per annum
Expected return on plan assets	8.0% per annum	8.0% per annum
Salary escalation rate	8.5% per annum	8.5% 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 ₹ 95,85 lacs (previous year : ₹ 83,69 lacs) to the provident fund and ₹ 25,86 lacs (previous year : ₹ 22,97 lacs) to the superannuation plan respectively.

Compensated Absences

The actuarial liability of compensated absences of accumulated privileged and sick leaves of the employees of the Group as of March 31, 2011 is given below : **(₹ lacs)**

Particulars	March 31, 2011	March 31, 2010
Privileged leave	133,95	94,04
Sick leave	26,36	22,82
Total actuarial liability	**160,31**	**116,86**
Assumptions (HDFC Bank Limited)		
Discount rate	8.2% per annum	8.4% per annum
Salary escalation rate	8.5% per annum	8.5% per annum
Assumptions (HDFC Securities Limited)		
Discount rate	8.50% per annum	8.25% per annum
Salary escalation rate	5.0% per annum	5.0% per annum
Assumptions (HDB Financial Securities Limited)		
Discount rate	8.2% per annum	8.4% per annum
Salary escalation rate		
General staff	5.0% per annum	5.0% per annum
Others	5.0% per annum	5.0% per annum

14. Segment Reporting

Segment Reporting for the year ended March 31, 2011 is given below : **(₹ lacs)**

S. No.	Particulars	Treasury	Retail Banking	Wholesale Banking	Other Banking Operations	Total
1	Segment Revenue	5,391,16	19,505,03	11,612,89	2,849,94	39,359,02
2	Unallocated Revenue					(1,23)
3	Less : Inter Segment Revenue					14,729,41
4	Income from Operations (1) + (2) - (3)					24,628,38
5	Segment Results	96,12	3,014,57	2,423,31	1,158,15	6,692,15
6	Unallocated Expenses					734,94
7	Income Tax expense (including deferred tax)					1,939,52
8	Net Profit (5) - (6) - (7) (Net Profit before Minority Interest & Earning from Associates)					4,017,69
9	Segment Assets	90,324,22	88,065,88	85,074,76	5,877,28	269,342,14
10	Unallocated Assets					8,620,80
11	Total Assets (9) + (10)					277,962,94
12	Segment Liabilities	15,305,13	147,061,74	75,414,37	1,086,31	238,867,55
13	Unallocated Liabilities					13,719,03
14	Total Liabilities (12) + (13)					252,586,58
15	Capital Employed (9) - (12) (Segment Assets - Segment Liabilities)	75,019,09	(58,995,86)	9,660,39	4,790,97	30,474,59
16	Unallocated (10) - (13)					(5,098,23)
17	Total (15) + (16)					25,376,36
18	Capital Expenditure	60,73	423,87	90,04	39,82	614,46
19	Depreciation	53,98	324,36	87,52	43,25	509,11

Segment Reporting for the year ended March 31, 2010 is given below : **(₹ lacs)**

S. No.	Particulars	Treasury	Retail Banking	Wholesale Banking	Other Banking Operations	Total
1	Segment Revenue	4,622,82	15,737,04	8,162,04	2,610,30	31,132,20
2	Unallocated Revenue					(3,89)
3	Less : Inter Segment Revenue					10,686,00
4	Income from Operations (1) + (2) - (3)					20,442,31
5	Segment Results	673,48	1,596,80	1,978,62	735,68	4,984,58
6	Unallocated Expenses					565,57
7	Income Tax expense (including deferred tax)					1,386,09
8	Net Profit (5) - (6) - (7) (Net Profit before Minority Interest & Earning from Associates)					3,032,92
9	Segment Assets	77,521,86	71,207,92	65,962,48	4,733,72	219,425,98
10	Unallocated Assets					3,521,51
11	Total Assets (9) + (10)					222,947,49
12	Segment Liabilities	13,577,10	118,762,94	61,942,45	874,19	195,156,68
13	Unallocated Liabilities					6,271,22
14	Total Liabilities (12) + (13)					201,427,90
15	Capital Employed (9) - (12) (Segment Assets - SegmentLiabilities)	63,944,76	(47,555,02)	4,020,03	3,859,53	24,269,30
16	Unallocated (10) - (13)					(2,749,71)
17	Total (15) + (16)					21,519,59
18	Capital Expenditure	90,51	562,61	131,22	60,70	845,04
19	Depreciation	38,09	266,22	65,93	33,80	404,04

15. Related Party Disclosures

As per AS-18, Related Party Disclosure, issued by the ICAI, the Bank's related parties are disclosed below :

Promoter

Housing Development Finance Corporation Limited

Enterprises under common control of the promoter

HDFC Asset Management Company Limited

HDFC Standard Life Insurance Company Limited

HDFC Developers Limited

HDFC Holdings Limited

HDFC Investments Limited

HDFC Trustee Company Limited

GRUH Finance Limited

HDFC Realty Limited

HDFC Ergo General Insurance Company Limited

HDFC Venture Capital Limited

HDFC Ventures Trustee Company Limited

HDFC Sales Private Limited

HDFC Property Ventures Limited

HDFC Asset Management Company (Singapore) Pte. Limited

Griha Investments

Credila Financial Services Private Limited

HDFC Investments Trust Limited

Associates

Atlas Documentary Facilitators Company Private Limited

HBL Global Private Limited

Centillion Solutions and Services Private Limited

International Asset Reconstruction Company Private Limited

Key Management Personnel

Aditya Puri, Managing Director

Paresh Sukthankar, Director

Harish Engineer, Director

Related Parties to Key Management Personnel

Salisbury Investments Private Limited, Anita Puri, Amit Puri, Amrita Puri, Adishwar Puri, Aarti Sood, Sangeeta Sukthankar, Dattatraya Sukthankar, Shubhada Sukthankar, Akshay Sukthankar, Ankita Sukthankar, Madhavi Lad, Sudha Engineer, Shreematiben Engineer, Nikhil Engineer, Uma Engineer, Mahesh Engineer

In accordance with paragraph 5 of AS 18, the Bank has not disclosed certain transactions with Key Management Personnel and relatives of Key Management Personnel as they are in the nature of banker-customer relationship.

The significant transactions between the Bank and related parties for year ended March 31, 2011 are given below.

A specific related party transaction is disclosed as a significant related party transaction wherever it exceeds 10% of all related party transactions in that category.

Rendering of Services : HDFC Standard Life Insurance Company Limited ₹ 669,64 lacs (previous year : ₹ 533,60 lacs), HDFC Limited ₹ 96,47 lacs (previous year : ₹ 77,10 lacs)

Receiving of Services : HBL Global Private Limited ₹ 290,19 lacs (previous year : ₹ 211,54 lacs), Atlas Documentary Facilitators Company Private Limited ₹ 266,66 lacs (previous year : ₹ 244,50 lacs)

The Group's related party balances and transactions for the year ended March 31, 2011 are summarized as follows : (₹ lacs)

Items / Related Party	Promoter	Enterprises Under Common Control of the Promoter	Associates	Key Management Personnel	Total
Deposits	1,619,82	192,42	45,59	7,21	1,865,04
	(1,619,82)	(320,00)	(53,26)	(12,88)	(2,005,96)
Placement of Deposits	15	34	30,60	2,22	33,31
	(15)	(34)	(32,55)	(2,22)	(35,26)
Advances	-	-	-	73	73
	-	-	-	(73)	(73)
Purchase of fixed assets	-	-	10	-	10
Interest paid	4,88	1,00	2,08	18	8,14
Interest received	-	-	-	4	4
Rendering of Services	96,47	794,50	20,98	-	911,95
Receiving of Services	17,48	31,29	559,02	60	608,39
Equity Investment	-	-	40,15	-	40,15
	-	-	(42,64)	-	(42,64)
Dividend paid	94,37	36,00	-	-	130,37
Accounts Receivable	8,29	53,14	-	-	61,43
	(9,59)	(122,56)	(4,30)	-	(136,45)
Accounts Payable	-	-	38,52	-	38,52
	-	-	(63,21)	-	(63,21)
Management Contracts	-	-	-	13,26	13,26
Loans Purchased	4,378,97	-	-	-	4,378,97
Financial Assets sold to securitization / reconstruction company	-	-	10,75	-	10,75

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each quarter end.

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, 2011 is ₹ 250,00 lacs (previous year : ₹ 970,12 lacs). The contingent credit exposure pertaining to these contracts computed in line with the extant RBI guidelines on exposure norms is ₹ 11,08 lacs (previous year : ₹ 15,36 lacs).

The Group's related party balances and transactions for the year ended March 31, 2010 are summarized as follows : (₹ lacs)

Items / Related Party	Promoter	Enterprises Under Common Control of the Promoter	Associates	Key Management Personnel	Total
Deposits	24,28,79	229,12	41,05	6,17	2,705,13
	(24,28,79)	(229,12)	(41,05)	(6,74)	(2,705,70)
Placement of Deposits	15	43	34,46	2,22	37,26
	(17)	(102)	(34,46)	(2,22)	(37,87)
Advances	-	-	4,38	73	5,11
	-	-	(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	515,27
Amount received on Equity Share Warrants Issued	3,608,06	-	-	-	3,608,06
Equity Investment	-	-	44,19	-	44,19
	-	-	(45,90)	-	(45,90)
Dividend paid	52,44	30,00	-	-	82,44
Dividend received on equity investment	-	-	9	-	9
Accounts Receivable	12,93	97,00	-	-	109,93
	(12,93)	(97,00)	(7,11)	-	(117,04)
Accounts Payable	15	-	27,93	-	28,08
	(15)	-	(35,63)	-	(35,78)
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

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each quarter end.

16. Leases

Operating leases primarily comprise office premises, staff residences and ATMs, which are renewable at the option of the Bank. The details of maturity profile of future operating lease payments are given below :

(₹ lacs)

Period	March 31, 2011	March 31, 2010
Not later than one year	453,45	386,59
Later than one year and not later than five years	1,531,54	1,348,31
Later than five years	662,22	679,87
Total	**2,647,21**	**2,414,77**
The total of minimum lease payments recognized in the Profit and Loss Account for the year	479,60	419,11
Total of future minimum sub-lease payments expected to be received under non-cancellable subleases	74,60	92,78
Sub-lease payments recognized in the Profit and Loss Account for the year	18,18	13,96

During the current year, the Bank has entered into an operating lease agreement with a counterparty for leasing certain assets. The future lease payment for this lease is linked to volume of usage of the leased assets and accordingly, the future minimum lease payments cannot be estimated at this stage.

The Bank has sub-leased certain of its properties taken on lease. There are no provisions relating to contingent rent.

The terms of renewal and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreements.

17. Penalties levied by the RBI

No penalty requiring disclosure in public domain was levied on the Bank during the financial years ended March 31, 2011 and March 31, 2010.

18. Changes in Accounting Practice

HDFC Bank Limited

Effective April 1, 2010, the Bank has classified fees paid of ₹ 226,32 lacs (previous year : ₹ 175,32 lacs) relating to transactions done by the Bank's customers on other banks' ATMs, which hitherto were netted from fees and commissions, under operating expenses. Figures for the previous year have been regrouped/ reclassified to conform to current year's classification.

19. Change in Accounting Estimates

HDFC Bank Limited

Useful Life of Fixed Assets

During the year, the Bank revised the estimated useful life of point of sale machines and certain information technology servers. Depreciation on these assets is charged prospectively over the revised useful life of the asset. Consequently, profit after tax for the year was lower by ₹ 39,05 lacs.

20. Change in Accounting Policy

HDB Financial Services Limited

During the year company has changed the NPA policy due to which the provision for NPA has increased by ₹ 2,55 lacs and the profit before tax has been decreased by this amount.

For the year ended March 31, 2011

21. Small and Micro Industries

HDFC Bank Limited

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 Limited

On the basis of the intimations received from suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 there are eight (previous year : five) suppliers registered under the said Act, and there are no amounts unpaid to these suppliers as at the year end.

HDB Financial Services Limited

Company has send letter to suppliers to confirm whether they are covered under Micro, Small and Medium Enterprises Act, 2006 as well as they have filed required memorandum with the prescribed authorities. Out of the letters send to the parties some confirmation has been received till the date of finalization of Balance Sheet and amount unpaid as at March 31, 2011 is ₹ 0.1 lacs (previous year : ₹ 0.3lacs).

22. Additional Disclosure

Additional statutory information disclosed in the separate financial statements of the Bank and subsidiaries have no material bearing on the true and fair view of the consolidated financial statements and the information pertaining to the items which are not material have not been disclosed in the consolidated financial statements.

23. 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

C. M. Vasudev
Chairman

Aditya Puri
Managing Director

Sanjay Dongre
Executive Vice President (Legal) &
Company Secretary

Mumbai, 18 April, 2011

Harish Engineer
Executive Director

Paresh Sukthankar
Executive Director

A. N. Roy
Ashim Samanta
Bobby Parikh
Partho Datta
Renu Karnad
Directors

HDFC BANK
We understand your world

AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To The Members of

HDFC Bank Limited

We have examined the compliance of conditions of corporate governance by **HDFC Bank Limited** ("**the Bank**"), for the year ended on 31 March 2011, 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 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 BSR & Co.
Chartered Accountants
Firm's Registration No: 101248W

Akeel Master
Partner
Membership No: 04678

Place : Mumbai
Date : 18 April 2011

[Report on Corporate Governance pursuant to Clause 49 of the Listing Agreements entered into with the Stock Exchanges and forms a part of the report of the Board of Directors]

PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The Bank believes in adopting and adhering to the best 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 ten (10) Directors as on March 31, 2011. All Directors other than Mr. Aditya Puri, Mr. Harish Engineer and Mr. Paresh Sukthankar are non-executive directors. The Bank has six independent directors and four 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.

- Mrs. Renu Karnad, Mr. Aditya Puri, Mr. Harish Engineer and Mr. Paresh Sukthankar are non-independent Directors on the Board.
- Mr. C. M. Vasudev, Mr. Ashim Samanta, Dr. Pandit Palande, Mr. Partho Datta, Mr. Bobby Parikh and Mr. A. N. Roy are independent directors on the Board.
- Mrs. Renu Karnad represents 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 members of the Senior Management team 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, 2011 is as under:

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 co-ordinating 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 Narasimham Committee on financial sector reforms. He also chaired a Committee on reforms of the NBFC sector. He has 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 Boards of ICRA Management Consultancy Services Limited, Uttarakhand Jal Vidyut Nigam Ltd., Star Paper Mills Limited, Power Exchange India Ltd., ASA International India Microfinance Pvt Ltd., Insync Advisory Services Private Limited, NSDL Database Management Limited and Centinnial Development Advisory Services Private Ltd. He is a member of Audit Committee and the Chairman of Remuneration Committee of ICRA Management Consultancy Services Limited and Chairman of Risk Management Committee of Power Exchange India Ltd.

Mr. Vasudev does not hold equity shares in the Bank as on March 31, 2011.

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 37 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 holds 3,37,953 equity shares in the Bank as on March 31, 2011.

Mrs. Renu Karnad

Mrs. Renu Karnad was re-appointed as an additional Director during the year. She is a Law graduate and also holds a Master's Degree in Economics from Delhi University. She is a Parvin Fellow - Woodrow Wilson School of International Affairs, Princeton University, U.S.A.

Mrs. Karnad is on the Board of Housing Development Finance Corporation Limited, HDFC Venture Capital Limited, HDFC Property Ventures Limited, AKZO Nobel India Limited, HDFC Asset Management Company Limited, GRUH Finance Limited, Credit Information Bureau (India) Limited, HDFC ERGO General Insurance Company 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., HDFC Sales Private Limited, Credila Financial Services Private Limited, Transunion LLC, Chicago and HDFC Plc., Maldives.

Mrs. Karnad is Chairperson of the Audit Committee of AKZO Nobel India Ltd., Credit Information Bureau (India) Limited and Bosch Limited a member of the Audit Committee of HDFC ERGO General Insurance Company Limited. She is the Chairperson of the Remuneration Committee of AKZO Nobel India Limited as well as the Chairperson of the Compensation Committee of HDFC Standard Life Insurance Company Ltd. She is also a member of the 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 Sparsh BPO Services Limited and Credit Information Bureau (India) Limited and Investor Grievance Committee, Investment Sub-Committee and Property Sub-Committee of Bosch Limited.

Mrs. Karnad holds 58,924 equity shares in the Bank as on March 31, 2011.

Mr. Ashim Samanta

Mr. Ashim Samanta holds a Bachelor of Commerce degree from University of Mumbai and has wide and extensive business experience for nearly 36 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. Mr. Samanta has also been engaged in setting up and running of film mixing, editing and dubbing studio.

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

Mr. Samanta holds 600 equity shares in the Bank as on March 31, 2011.

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 neither a Director on the Board of any other company nor a member and Chairman of any Committee(s) of the Board of Directors of any other company.

Dr. Palande does not hold equity shares in the Bank as on March 31, 2011.

Mr. Partho Datta

Mr. Partho Datta was appointed as an additional Director during the year. He is an associate member of the Institute of Chartered Accountants of India (ICAI). He joined Indian Aluminum Company Limited (INDAL) and was with INDAL and its parent company in Canada for 25 years and held positions as Treasurer, Chief Financial Officer and Director Finance during his tenure. Thereafter he joined the Chennai based Murugappa Group as the head of Group Finance and was a member of the Management Board of the Group as well as Director in several Murugappa Group companies. Post retirement from the Murugappa Group, Mr. Datta was an advisor to the Central Government appointed Board of Directors of Satyam Computers Services Limited during the restoration process and has also been engaged in providing business/strategic and financial consultancy on a selective basis.

Mr. Datta is a Director of West Bengal State Electricity Transmission Company Limited, Peerless Funds Management Co. Ltd., IRIS Business Services Limited and Endurance Technologies Limited and is also the Chairman of the Audit Committees of West Bengal State Electricity Transmission Company Limited, Peerless Funds Management Co. Limited and a member of the Audit Committee in IRIS Business Services Ltd. Mr. Datta has rich and extensive experience in various financial and accounting matters including financial management, investor relations, foreign exchange risk management, international financing, international tax, mergers and acquisitions and strategic planning. Mr. Datta is one of the financial experts on the Audit & Compliance Committee of the Board.

Mr. Datta does not hold equity shares in the Bank as on March 31, 2011

Mr. Bobby Parikh

Mr. Bobby Parikh was appointed as an additional Director during the year. He holds a Bachelor’s degree in Commerce from the Mumbai University and qualified as a Chartered Accountant in 1987. Mr Parikh is a Senior Partner with BMR & Associates and leads its Financial Services practice. Prior to joining BMR, he was the Chief Executive Officer of Ernst & Young in India and held that responsibility until December 2003. Mr. Parikh worked with Arthur Andersen for over 17 years and was its Country Managing Partner until the Andersen practice combined with that of Ernst & Young in June 2002.

Over the years, Mr. Parikh has had extensive experience in advising clients across a range of industries. India has witnessed significant deregulation and a progressive transformation of its policy framework. An area of focus for Mr. Parikh has been to work with businesses, both Indian and multinational, in interpreting the implications of the deregulation as well as the changes to India's policy framework, to help businesses better leverage opportunities that have become available and to address challenges that resulted from such changes. Mr. Parikh has led teams that have advised clients in the areas of entry strategy (MNCs into India and Indian companies into overseas markets), business model identification, structuring a business presence, mergers, acquisitions and other business reorganizations. Mr. Parikh works closely with regulators and policy formulators in providing inputs to aid in the development of new regulations and policies and in assessing the implications and efficacy of these and providing feedback for action. Mr. Parikh led the Financial Services industry practice at Andersen and then also at Ernst & Young and has advised a number of banking groups, investment banks, brokerage houses, fund managers and other financial services intermediaries in establishing operations in India, mergers and acquisitions and in developing structured financial products, besides providing tax and business advisory and tax reporting services.

Mr. Parikh has been a member of a number of trade and business associations and their management or other Committees, as well as on the advisory or executive boards of non-Governmental and not-for-profit organizations.

He is a Director of BMR Advisors Pvt. Ltd., Taxand Advisors Pvt. Ltd., BMR Managed Services Pvt. Ltd., BMR Advisors Pte. Ltd., Aviva Life Insurance Company India Limited and Green Infra Ltd. He is the Chairman of the Audit Committee and a Member of Investment Committee of Aviva Life Insurance Company India Ltd.

Mr. Parikh holds 1,748 equity shares in the Bank as on March 31, 2011.

Mr. Anami N Roy

Mr. Anami N Roy was appointed as an additional Director during the year. He is an M.A., M.Phil. and is a distinguished retired civil servant. During his long career of 38 years in the prestigious Indian Police Service ("IPS"), he held with great distinction a range of assignments including some of the most prestigious, challenging and sensitive ones, both in the state of Maharashtra and Government of India. He retired in the year 2010 as the Director General of Police (DGP), Maharashtra.

His areas of specialisation include policy planning, budget, recruitment, training and other finance and administration functions in addition to all operational matters.

A firm believer in technology in Police for providing solutions to a variety of complex problems or citizen facilitation and as 'force-multiplier', Mr. Roy brought in technology in a very big way in Police with full co-operation and support of the entire IT Industry. He also held the position of Director General of the Anti-Corruption Bureau, in which capacity he initiated a policy document on vigilance matters for Government of Maharashtra.

Mr. Roy has wide knowledge and experience of Security and Intelligence matters at the state and national level. Having handled multifarious field and staff assignments, Mr. Roy has a rich and extensive experience of functioning of the government at various levels and of problem solving.

Mr. Roy has also completed many training courses on very important areas of Public Administration in some prestigious institutions in India and abroad.

Mr. Roy is a Director on the Board of India Ventures, a Private Equity Fund for the Healthcare sector.

Other than this, he is neither a Chairman nor a Director on the Board of Directors of any other company.

Mr. Roy does not hold equity shares in the Bank as on March 31, 2011.

Mr. Harish Engineer

Mr. Harish Engineer is an Executive Director in the wholetime employment of the Bank. He 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 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 neither a Chairman nor a Director on the Board of Directors of any other company in India. He is member of the Board of Boston Analytics, Boston (USA).

Mr. Engineer holds 90,100 equity shares in the Bank as on March 31, 2011.

Mr. Paresh Sukthankar

Mr. Paresh Sukthankar is an Executive Director in the wholetime employment of the Bank. He has done his Masters in Management Studies (MBA) from Jamnalal Bajaj Institute (University of Mumbai) and the Advanced Management Program (AMP) from the Harvard Business School. Mr. Paresh Sukthankar has been with the Bank since its inception in 1994. Mr. Sukthankar has overall approval, supervision and control responsibilities for the Bank's Credit and Risk Management function – covering the corporate and retail credit portfolios as well as the treasury activities. Mr. Sukthankar also has supervisory responsibility for the Finance and Human Resources functions and leads various strategic initiatives of the Bank. Prior to joining HDFC Bank, Mr. Sukthankar worked in Citibank for around 9 years in various functions including corporate banking, risk management, financial control and credit administration. He has been a member of various Committees formed by Reserve Bank of India and Indian Banks' Association (IBA).

Mr. Sukthankar is neither a Chairman nor a Director on the Board of Directors of any other company.

Mr. Sukthankar holds 1,17,151 equity shares in the Bank as on March 31, 2011.

BOARD MEETINGS

During the year under review, seven Board Meetings were held on April 24, 2010; June 30, 2010; July 19, 2010; October 19, 2010; December 15, 2010; January 27, 2011 and March 28, 2011.

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. C. M. Vasudev	7	5	1	Nil
Mr. Aditya Puri	7	Nil	Nil	Nil
Mrs. Renu Karnad*	4	12	5	3
Mr. Ashim Samanta	7	Nil	Nil	Nil
Dr. Pandit Palande	6	Nil	Nil	Nil
Mr. Partho Datta	3	4	5	3
Mr. Bobby Parikh	2	2	1	1
Mr. A. N. Roy	2	Nil	Nil	Nil
Mr. Harish Engineer	7	Nil	Nil	Nil
Mr. Paresh Sukthankar	6	Nil	Nil	Nil
Mr. Jagdish Capoor**	2	NA	NA	NA
Mr. Gautam Divan***	3	NA	NA	NA
Mr. Arvind Pande****	4	NA	NA	NA
Mr. Keki Mistry*****	6	NA	NA	NA

**Ceased to be director on 16.07.2010 and re-appointed on 27.01.2011.*
***Upto 05.07.2010*
****Upto 21.07.2010*
*****Upto 14.01.2011*
******Upto 26.03.2011*
N.A: Not Applicable

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 June 30, 2010.

REMUNERATION OF MANAGING DIRECTOR & EXECUTIVE DIRECTORS

Mr. C. M. Vasudev, Chairman

During the year, Mr. C. M. Vasudev was paid remuneration of ₹ 8,99,193.55/- (From August till March 2011). Mr. Vasudev 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.

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 2010-11 are as under :

(Amount in Rupees)

Particulars	Aditya Puri	Harish Engineer	Paresh Sukthankar
Basic	1,50,00,000	77,76,000	77,76,000
Allowances	1,08,18,810	68,32,760	66,24,162
Provident Fund	18,00,000	9,33,120	9,33,120
Superannuation	22,50,000	11,66,400	11,66,400
Performance Bonus	92,69,931	51,52,461	51,52,461
No. of Stock Options granted during the year	90,000	60,000	60,000

The remuneration of the Managing Director and the Executive Directors has been approved by the RBI and the shareholders. Stock options granted as above to the Directors were granted under Employee Stock Option Scheme (ESOP) XVI of the Bank and have been approved by the Reserve Bank of India. The said options have not been vested in them during the year.

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, superannuation 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 the Board of Directors and / or its Committees.

DETAILS OF REMUNERATION / SITTING FEES PAID TO NON EXECUTIVE 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 have been granted to any of the non-executive directors.

Sitting fee @ ₹ 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 fee @ ₹ 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 (₹)
Mr. C.M. Vasudev	4,80,000
Mrs. Renu Karnad[2]	1,40,000
Mr. Ashim Samanta	6,30,000
Dr. Pandit Palande	5,40,000
Mr. Partho Datta	2,00,000
Mr. Bobby Parikh	1,00,000
Mr. A. N. Roy	40,000
Mr. Jagdish Capoor[1]	2,10,000
Mr.Gautam Divan[3]	3,10,000
Mr. Arvind Pande[4]	3,20,000
Mr. Keki Mistry[5]	5,20,000

[1] *Upto 05.07.2010*
[2] *Upto 16.07.2010 and re-appointed on 27.01.2011*
[3] *Upto 21.07.2010*
[4] *Upto 14.01.2011*
[5] *Upto 26.03.2011*

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. Various Committees of the Board were reconstituted during the year. The Board's Committees are as follows :

Audit and Compliance Committee

The Audit and Compliance Committee of the Bank comprises of Mr. C. M.Vasudev, Mr. Ashim Samanta, Dr. Pandit Palande, Mr. Partho Datta and Mr. Bobby Parikh. The Committee is chaired by Mr. C. M. Vasudev.

The Committee met 7 (Seven) 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 :

a) Overseeing the Bank's financial reporting process and ensuring correct, adequate and credible disclosure of financial information;

b) Recommending appointment and removal of external auditors and fixing of their fees;

c) Reviewing with management the annual financial statements before submission to the Board with special emphasis on accounting policies and practices, compliance with accounting standards and other legal requirements concerning financial statements;

d) Reviewing the adequacy of the Audit and Compliance functions, including their policies, procedures, techniques and other regulatory requirements; and

e) Any other terms of reference as may be included from time to time in clause 49 of the listing agreement.

The Board has also adopted a Charter for the Audit Committee in accordance 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, consider grant of stock options to employees, reviewing 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. C. M. Vasudev, Dr. Pandit Palande, Mr. Partho Datta and Mr. Bobby Parikh are the members of the Committee. The Committee is chaired by Mr. C. M. Vasudev. All the members of the Committee are independent directors.

The Committee met 3 (Three) 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. Ashim Samanta, Mr. A. N. Roy Mr. Aditya Puri and Mr. Paresh Sukthankar. The Committee is chaired by Mr. Ashim Samanta. 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, 2011, 58 instruments of transfer representing 3657 shares were pending and have since been processed. The details of the transfers are reported to the Board of Directors from time to time.

During the year under review 1078 complaints were received from the shareholders. All the complaints were attended to and as on March 31, 2011 no complaints remained unattended. Besides 9809 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 10 (ten) times during the year.

Risk Policy and Monitoring Committee

The Committee has been formed as per the guidelines of Reserve Bank of India on the Asset Liability Management / Risk Management Systems. The Committee develops Bank's credit and market risk policies and procedures, verifies adherence to various risk parameters and prudential limits for treasury operations and reviews its risk monitoring system. The Committee also ensures that the Bank's credit exposure to any one group or industry does not exceed the internally set limits and that the risk is prudentially diversified. The Committee which was called the "Risk Monitoring Committee" earlier has been renamed as the "Risk Policy and Monitoring Committee" during the year.

The Committee consists of Mr. C. M. Vasudev, Mr. Partho Datta, Mrs. Renu Karnad, Mr. Aditya Puri and Mr. Paresh Sukthankar.

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. Ashim Samanta, Mr. Bobby Parikh, Mrs. Renu Karnad, Mr. Aditya Puri and Mr. Harish Engineer.

The Committee met 11 (eleven) 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 Mr. Ashim Samanta, Dr. Pandit Palande, Mrs. Renu Karnad and Mr. Aditya Puri.

The Committee met 7 (seven) 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 practice are considered.

The members of the Committee are Mr. C. M. Vasudev, Mr. Ashim Samanta and Dr. Pandit Palande. All the members of the Committee are independent directors.

The Committee met 3 (three) times 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 ₹ 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 :

a. Identify the systemic lacunae, if any, that facilitated perpetration of the fraud and put in place measures to plug the same;

b. Identify the reasons for delay in detection, if any, reporting to top management of the Bank and RBI;

c. Monitor progress of Central Bureau of Investigation / Police Investigation and recovery position;

d. Ensure that staff accountability is examined at all levels in all the cases of fraud and staff side action, if required, is completed quickly without loss of time;

e. Review the efficacy of the remedial action taken to prevent recurrence of frauds, such as strengthening of internal controls; and

f. Put in place other measures as may be considered relevant to strengthen preventive measures against frauds.

The members of the Committee are Mr. C. M. Vasudev, Dr. Pandit Palande, Mr. Partho Datta, Mr. A. N. Roy and Mr. Aditya Puri.

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. C. M. Vasudev, Dr. Pandit Palande, Mr. A. N. Roy and Mr. Aditya Puri.

The Committee met 4 (four) times during the year.

COMPOSITION OF COMMITTEES OF DIRECTORS AND THE ATTENDANCE AT THE MEETINGS

Audit & Compliance Committee
[Total seven meetings held]

Name	No. of meetings attended
Mr. C. M. Vasudev	7
Mr. Ashim Samanta	7
Dr. Pandit Palande	6
Mr. Partho Datta[6]	4
Mr. Bobby Parikh[9]	2
Mr. Gautam Divan[3]	2
Mr. Arvind Pande[4]	4

Compensation Committee
[Total three meetings held]

Name	No. of meetings attended
Mr. C. M. Vasudev	1
Dr. Pandit Palande	2
Mr. Partho Datta[6]	Nil
Mr. Bobby Parikh[9]	Nil
Mr. Jagdish Capoor[1]	2
Mr. Gautam Divan[3]	2
Mr. Ashim Samanta[8]	3

Customer Service Committee
[Total four meetings held]

Name	No. of meetings attended
Mr. C. M. Vasudev	2
Dr. Pandit Palande	4
Mr. A. N. Roy[9]	Nil
Mr. Aditya Puri	2
Mr. Harish Engineer[7]	2
Mr. Arvind Pande[4]	3
Mr. Keki Mistry[5]	2

Credit Approval Committee
[Total eleven meetings held]

Name	No. of meetings attended
Mr. Keki Mistry[5]	11
Mr. Ashim Samanta[6]	3
Mrs. Renu Karnad[10]	Nil
Mr. Bobby Parikh[9]	1
Mr. Aditya Puri	11
Mr. Harish Engineer	3
Mr. Jagdish Capoor[1]	2
Mr. Gautam Divan[3]	3

Investor Grievance (Share) Committee
[Total ten meetings held]

Name	No. of meetings attended
Mr. Ashim Samanta[6]	3
Mr. A. N. Roy[9]	Nil
Mr. Paresh Sukthankar[6]	2
Mr. Aditya Puri	7
Mr. Gautam Divan[3]	7
Mr. Jagdish Capoor[1]	7

Fraud Monitoring Committee
[Total four meetings held]

Name	No. of meetings attended
Mr. C. M. Vasudev	2
Dr. Pandit Palande[9]	Nil
Mr. Mr. Partho Datta[9]	Nil
Mr. A. N. Roy[9]	Nil
Mr. Aditya Puri	4
Mr. Jagdish Capoor[1]	1
Mr. Gautam Divan[3]	2
Mr. Arvind Pande[4]	3
Mr. Keki Mistry[5]	4

Premises Committee
[Total seven meetings held]

Name	No. of meetings attended
Mrs. Renu Karnad[2]	3
Mr. Ashim Samanta	7
Mr. Aditya Puri	5
Dr. Pandit Palande	7
Mr. Keki Mistry[5]	3

Risk Policy & Monitoring Committee
[Total six meetings held]

Name	No. of meetings attended
Mr. C. M. Vasudev	6
Mr. Aditya Puri	6
Mrs. Renu Karnad[2]	1
Mr. Partho Datta[6]	3
Mr. Paresh Sukthankar	5

Nomination Committee
[Total three meeting held]

Name	No. of meetings attended
Mr. C. M. Vasudev	Nil
Mr. Ashim Samanta	3
Dr. Pandit Palande	3
Mr. Arvind Pande[4]	2

[1] *Upto 5.07.2010*
[2] *Upto 16.07.2010 and re-appointed on 27.01.2011, Inducted as a member of the Committee on 27th January, 2011*
[3] *Upto 21.07.2010*
[4] *Upto 14.01.2011*
[5] *Upto 26.03.2011*
[6] *Inducted as a member of the Committee on 30th September, 2010*
[7] *Ceased to be a member of the Committee on 30th September, 2010*
[8] *Ceased to be a member of the Committee on 27th January, 2011*
[9] *Inducted as a member of the Committee on 27th January, 2011*
[10] *Inducted as a member of the Committee on 28th March, 2011.*

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 along with other shareholder(s) who collectively hold 5,000 shares or are not less than 1/10th of the total voting power in respect of any resolution.
- To requisition an extraordinary general meeting of any company by shareholders who collectively hold not less then 1/10th of the total paid-up capital of the company.
- To move amendments to resolutions proposed at meetings
- To receive dividend and other corporate benefits like rights, bonus shares etc. as and when declared / announced.
- To 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.
- To make nomination in respect of shares held by the shareholder.

The rights mentioned above are prescribed in the Companies Act, 1956 and Banking Regulation Act, 1949, wherever applicable, and should be followed only after careful reading of the relevant sections. These rights are not necessarily absolute.

GENERAL BODY MEETINGS

(During previous three financial years)

Meeting	Date and Time	Venue	No. of Special Resolutions passed
16th AGM	June 30, 2010 at 2.30 p.m.	Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020	1
15TH AGM	July 14, 2009 at 2.30 p.m.	Ravindra Natya Mandir, Sayani Road, Prabhadevi, Mumbai 400 025	3
14TH AGM	June 10, 2008 at 3.00 p.m.	Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020	None

POSTAL BALLOT

During the year under review, no resolutions were passed through postal ballot and no special resolution is proposed to be conducted through postal ballot.

DISCLOSURES

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, 2011 are given in Schedule 18 Note No. 24 forming part of 'Notes to Accounts'.

During the years 2010-11 and 2009-10 no penalty is 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 ₹ 2,45,750/- for DP IDs of erstwhile Centurion Bank of Punjab ("eCBOP") for the following reasons:

i. ₹ 2,21,750/- imposed on account of non compliance with NSE's Certification in Financial Markets ("NCFM") guidelines issued by NSDL.

ii. ₹ 19,000/- imposed on account of incorrect PAN updations for certain depository clients.

iii. ₹ 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.

Securities and Exchange Board of India (SEBI) had vide its order dated November 22, 2006, 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. SEBI vide its consent order dated December 22, 2008 disposed off the enquiry proceedings against the Bank in the referred matter against payment of settlement amount of ₹ 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 ₹ 8,00,000/- (Rupees Eight Lacs 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.

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 wholetime 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 of independent directors. Mr. C. M. Vasudev is the Chairman of the Committee.

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 the 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. Details of complaints received and the action taken are reviewed by the Audit and Compliance Committee. The functioning of the Whistle Blower mechanism is reviewed by the Audit and Compliance Committee from time to time. None of the Bank's 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, 2011

Sr. No.	Name of the Shareholder	No. of shares held	% to share capital
1	J P MORGAN CHASE BANK (Depository for ADS)*	78712266	16.92
2	HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED	78642220	16.90
3	LIFE INSURANCE CORPORATION OF INDIA	30687681	6.60
4	HDFC INVESTMENTS LTD	30000000	6.45
5	ICICI PRUDENTIAL LIFE INSURANCE COMPANY LTD	14161748	3.04
6	EUROPACIFIC GROWTH FUND	10080000	2.17
7	THE GROWTH FUND OF AMERICA, INC	5097193	1.10

* One (1) ADS represents Three (3) underlying equity shares of the Bank.

DISTRIBUTION OF SHAREHOLDING AS AT MARCH 31, 2011				
No. of equity shares held	Folios		Shares	
	Numbers	% to Total Share Holders	Numbers	% to Total Shares
upto 00500	401867	97.67	21863076	4.70
00501 to 01000	4815	1.17	3517622	0.76
01001 to 02000	1846	0.45	2634171	0.57
02001 to 03000	626	0.15	1568993	0.34
03001 to 04000	349	0.08	1226889	0.26
04001 to 05000	236	0.06	1074279	0.23
05001 to 10000	565	0.14	4044953	0.87
10001 to 50000	668	0.16	14953438	3.21
50001 and above	492	0.12	414342263	89.06
TOTAL	**411464**	**100.00**	**465225684**	**100.00**

- *312361 folios comprising of 458885560 equity shares forming 98.64 % of the share capital are in demat form*
- *99103 folios comprising of 6340124 equity shares forming 1.36 % of the share capital are in physical form*

Sr. No.	CATEGORIES OF SHAREHOLDERS AS AT MARCH 31, 2011		
	Category	No. of Shares	% to Share Capital
1.	Promoters*	108643220	23.35
2.	ADS Depository (J P Morgan Chase Bank)	78712266	16.92
3.	GDR (Deutsche Bank Trust Co. Americas)	2430125	0.52
4.	Foreign Institutional Investors	132723097	28.53
5.	Overseas Corporate Bodies, Non-Resident Indians, Foreign Bodies & Foreign Nationals	5669312	1.22
6.	Indian Companies	40552046	8.72
7.	Life Insurance Corporation of India	30687681	6.60
8.	GIC & other Nationalised General Insurance Companies	1234103	0.27
9.	Banks, Mutual Funds & Financial Institutions	22100044	4.75
10.	Others	42473790	9.13
	Total :	**465225684**	**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-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11
High	22.51	22.17	21.88	22.92	24.06	27.83	28.14	27.28	26.83	26.76	24.47	26.59
Low	21.36	18.90	19.60	20.37	21.98	22.74	25.29	24.87	23.76	21.99	22.07	23.67

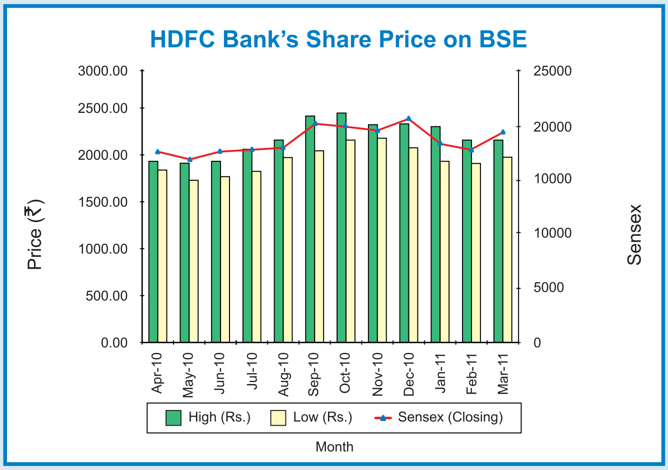
2 GDRs represent one (1) underlying equity share of the Bank.

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 2010-11 and its performance vis-à-vis BSE SENSEX and S&P CNX NIFTY respectively is as under:

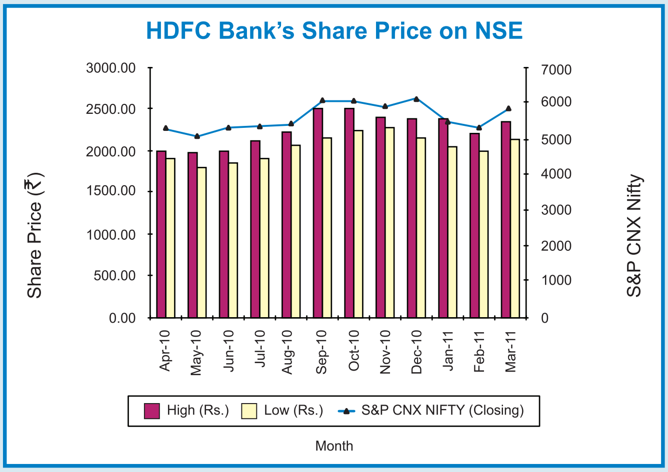
Bombay Stock Exchange Limited

Month	High (₹)	Low (₹)	Sensex (Closing)
Apr -10	2009.90	1893.30	17558.71
May -10	1995.00	1785.00	16944.63
Jun -10	2009.00	1825.00	17700.90
Jul -10	2134.00	1896.60	17868.29
Aug -10	2240.50	2049.00	17971.12
Sep -10	2503.90	2122.00	20069.12
Oct -10	2518.00	2238.10	20032.34
Nov -10	2418.00	2258.10	19521.25
Dec -10	2421.00	2148.70	20509.09
Jan -11	2398.85	1997.00	18327.76
Feb -11	2245.00	1980.00	17823.40
Mar -11	2390.00	2060.00	19445.22



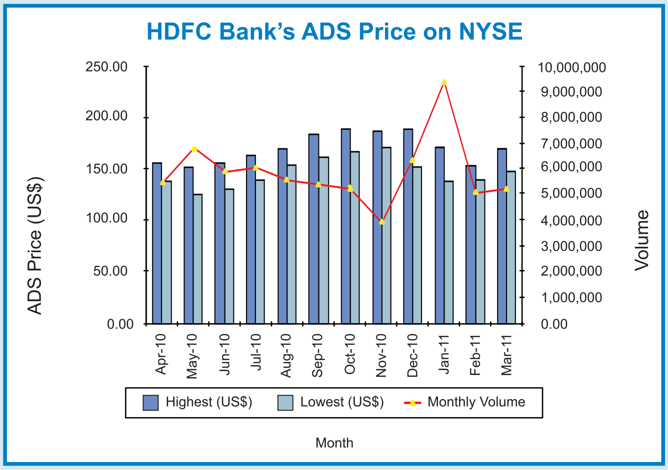
National Stock Exchange of India Limited

Month	High (₹)	Low (₹)	S&P CNX NIFTY (Closing)
Apr -10	2000.45	1902.80	5278.00
May -10	1974.90	1803.75	5086.30
Jun -10	2001.60	1853.05	5312.50
Jul -10	2126.90	1907.40	5367.60
Aug -10	2231.30	2073.15	5402.40
Sep -10	2495.25	2149.25	6029.95
Oct -10	2500.75	2254.30	6017.70
Nov -10	2398.50	2285.40	5862.70
Dec -10	2395.65	2162.90	6134.50
Jan -11	2390.50	2047.30	5505.90
Feb -11	2201.70	2002.85	5333.25
Mar -11	2345.85	2139.00	5833.75



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 2010-11

Month	High (US$)	Low (US$)	Monthly Volume
Apr -10	156.37	140.00	5413000
May -10	152.17	126.70	6841400
Jun -10	156.00	133.20	5851800
Jul -10	164.94	140.03	6038000
Aug -10	172.11	155.98	5529600
Sep -10	185.94	162.59	5377600
Oct -10	191.43	167.71	5184500
Nov -10	188.95	171.50	3899500
Dec -10	189.48	152.25	6377900
Jan -11	172.43	138.93	9406300
Feb -11	153.80	139.86	5027400
Mar -11	170.59	148.26	5214400



HDFC BANK
We understand your world

FINANCIAL CALENDAR *[April 1, 2011 to March 31, 2012]*	
Board Meeting for consideration of accounts and recommendation of dividend	18th April, 2011
Posting of Annual Report	6th June, 2011 to 10th June 2011
Book closure for 17th Annual General Meeting	4th June, 2011 to 10th June, 2011 (both days inclusive)
Last date of receipt of proxy forms	July 4, 2011 (upto 2.30 p.m.)
Date, Time and Venue of 17th AGM	6th July, 2011; 2.30 p.m.; Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020
Dividend Declaration Date	6th July, 2011
Probable date of dispatch of warrants	From 7th July, 2011 onwards
Board meetings for considering unaudited results for first 3 quarters of FY 2011-12	Within 45 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 2010-11 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, 13th 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, Bourlevard Konrad Adenauer, L – 1115 Luxembourg

The Depository for ADS is represented in India by: *J. P. Morgan Chase Bank N.A. , India Sub Custody, J P Morgan Chase Bank NA, 6th Floor, Paradigm "B" Wing, Behind Toyota Showroom, Mindspace, Malad (West), Mumbai – 400 064.*
The Depository for GDRs is 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 Datamatics Financial Services Ltd, the Registrars and Share Transfer Agents 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, if any, 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 (corpfiling) 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 Share Transfer Agents. For lodgement of transfer deeds and any other documents or for any grievances / complaints, shareholders / investors may contact at the following address :

Mr. C. P. Ramesh Babu / Mr. Shekhar Rao

Datamatics Financial Services Ltd
Plot No. B 5,Part B Crosslane,
MIDC, Marol, Andheri (East),
Mumbai 400 093
Tel: +91 - 022 - 66712213-14
Fax: +91 - 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, Trade 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. (Monday to Friday except on Bank holidays)
Telephone : +91-022-2498 8484 Extn: 3463 & 3476
Fax: 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 : 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 : Monday to Friday - 8.00 a.m. to 8.00 p.m.
Saturday & Sunday - 8.00 a.m. to 4.00 p.m.

Call at : 022 2856 9303

Timings : Monday to Friday - 9.30 a.m. to 6.30 p.m.
Saturday - 9.30 a.m. to 1.30 p.m.

Write to :

Grievance Redressal Cell,
HDFC Bank Ltd, 12th Floor, "C" Wing, Trade World, Kamala mills Compound, Senapati Bapat Marg, Lower Parel (West), Mumbai 400 013.

Email : grievance.redressal@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

C. M. Vasudev
Chairman

Mumbai, 18 April, 2011

I confirm that for the year under review, all directors and members of the senior management team have affirmed their adherence to the provisions of the Code of Conduct.

Aditya Puri
Managing Director

SHAREHOLDER INFORMATION

A) DIVIDENDS :

Receipt of dividend through Electronic mode :

The shareholders can avoid inconvenience and hardship in receiving dividends due to postal delays / loss in transit by opting for receipt of dividend through electronic mode. The shareholders can opt for receiving dividend credit directly in to their bank accounts by registration of the Bank account details with their Depository Participant (DP) in case of shareholding in demat mode or with the Registrar and Share Transfer Agent, Viz. Datamatics Financial Services Limited in case of shareholding in physical mode.

To avail of this facility, shareholders can approach their respective DPs or can request the Registrar and Share Transfer Agent by a letter signed by the first named shareholder, quoting folio No. and attaching the copy of the cheque leaf where the Bank a/c is being maintained.

Various modes for making payment of dividend under Electronic mode :

In case the shareholder has updated the complete and correct Bank account details before the Book Closure fixed for the purpose of payment of dividend then the Bank shall make payment of dividends to such shareholders under any one of the following modes :

1 National Electronic Clearing Service (NECS)
2 Electronic Clearing Service (ECS)
3 National Electronic Fund Transfer (NEFT)
4 Real Time Gross Settlement (RTGS)
5 Direct credit in case bank account is with HDFC Bank Limited.

In case dividend payment by electronic mode cannot be made for some reasons then the Bank will issue a dividend warrant and print the Bank account details available on its records in the said dividend warrant to avoid fraudulent encashment of the warrants.

The Register of Members and the Share Transfer Books shall remain closed from 4th June 2011 to 10th June 2011 (both days inclusive) for the purpose of dividend.

Unclaimed Dividends

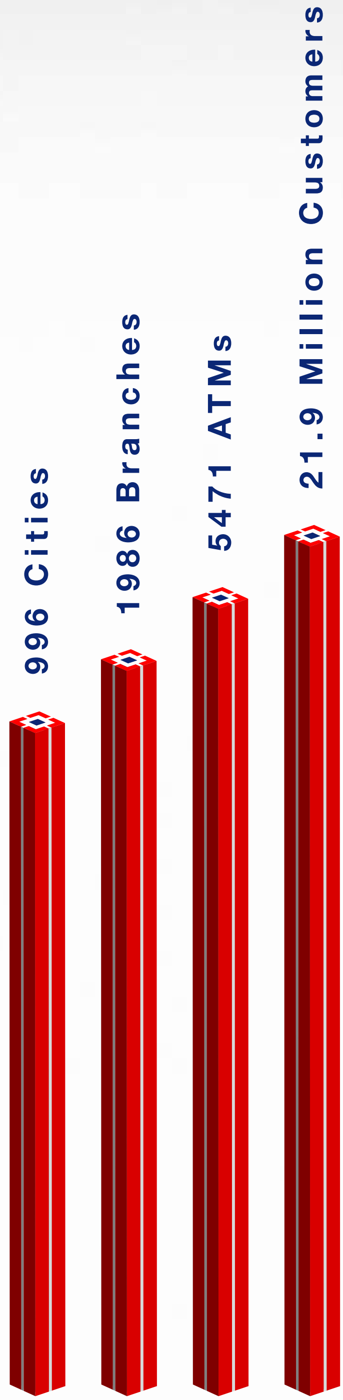
In terms of the provisions of Section 205 C of the Companies Act, 1956 ,the Bank is statutorily required to transfer to the Investor Education & Protection Fund (IEPF) all dividends remaining unclaimed for a period of 7 (Seven) years from the date they became due for payment. Once such amounts are transferred to IEPF, no claim of the shareholder shall lie against the Bank or the IEPF. Dividends for and up to the financial year ended 31st March 2003 have already been transferred to the IEPF. The details of unclaimed dividends for the financial year 2003-04 onwards and the last date for claiming such dividends are given in the table below :

Dividend for the year ended	Date of Declaration of dividend	Last date for claiming dividend
31st March, 2004	27th May, 2004	26th May, 2011
31st March, 2005	18th June, 2005	17th June, 2012
31st March, 2006	1st June, 2006	30th May, 2013
31st March, 2007	17th June, 2007	16th June, 2014
31st March, 2008	11th June, 2008	10th June, 2015
31st March, 2009	15th July, 2009	14th July, 2016
31st March, 2010	1st July, 2010	30th June, 2017

B) UNCLAIMED SHARES SUSPENSE ACCOUNT

Pursuant to the recent amendments in Clause 5 A of the Listing Agreement entered into with the Stock Exchanges, the Bank has sent three reminder letters in respect of unclaimed shares to the shareholders at the addresses available on the Bank's records on 14th February 2011, 28th February 2011 and 14th March 2011 in co-ordination with Datamatics Financial Services Limited, the Bank's Registrars & Share Transfer Agents. These shareholders were requested to respond with their claims on or before 30th April 2011. The Bank is currently in the process of transferring the unclaimed shares to a Suspense Account to be opened with a Depository Participant for this purpose. As on 31st March 2011 there were 8007 folios consisting of 88,475 shares which were lying unclaimed as per details below.

Particulars	Folios	Shares
Reminder Letters sent	8,270	92,923
Responses received up to 31st March	263	4,448
Unclaimed as on 31st March 2011	8,007	88,475



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