

# CORPORATE GOVERNANCE

## AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

**To the Members of  
HDFC Bank Limited**

We have examined the compliance of conditions of corporate governance by **HDFC Bank Limited** ("the Bank") for the year ended on 31<sup>st</sup> March, 2005 as stipulated in clause 49 of the Listing Agreement of the Bank with stock exchanges.

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

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

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

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

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

**N. P. Sarda**  
*Partner*

Mumbai: 21 April, 2005.

# CORPORATE GOVERNANCE (contd.)

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

## PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE:

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

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

## BOARD OF DIRECTORS:

The composition of the Board of Directors of the Bank is governed by the Companies Act, 1956, the Banking Regulation Act, 1949 and the listing requirements of the Indian stock exchanges where the securities issued by the Bank are listed. The Board had strength of 11 Directors as on March 31, 2005. The Board had an optimum combination of Executive and Non-executive Directors and a majority of Directors are independent Directors. The Board consists of eminent persons with considerable professional expertise and experience in banking, finance and other related fields.

None of the Directors on the Board is a member of more than 10 committees and Chairman of more than 5 committees across all the companies in which he/she is a Director. All the Directors have made

necessary disclosures regarding committee positions occupied by them in other companies.

Mr. Vineet Jain is nominated by the Bennett, Coleman Group on the Board of the Bank.

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

## REMUNERATION OF DIRECTORS:

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

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

Perquisites (evaluated as per Income Tax Rules, wherever applicable and at actual cost to the Bank) such as the benefit of the Bank's furnished accommodation, gas, electricity, water and furnishings,

# CORPORATE GOVERNANCE (contd.)

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

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

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

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

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

## COMPOSITION OF THE BOARD OF DIRECTORS

### MR. JAGDISH CAPOOR

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

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

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

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

### MR. ADITYA PURI

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

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

# CORPORATE GOVERNANCE (contd.)

## MR. ANIL AHUJA

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

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

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

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

## DR. VENKAT RAO GADWAL

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

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

## MR. VINEET JAIN

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

Mr. Jain has transformed the Times Group from India's leading publishing house to India's largest diversified and multi faceted media conglomerate. Mr. Jain is a nominee of the Bennett, Coleman Group.

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

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

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

## MR. KEKI MISTRY

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

## CORPORATE GOVERNANCE (contd.)

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

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

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

He is also a member of Audit Committee of :

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

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

### **MRS. RENU KARNAD**

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

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

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

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

### **MR. ARVIND PANDE**

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

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

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

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

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

# CORPORATE GOVERNANCE (contd.)

## MR. BOBBY PARIKH

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

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

## MR. RANJAN KAPUR

Mr. Ranjan Kapur holds a Master of Arts degree in English from St. Stephens College, New Delhi. He started his career with Citibank, N.A. Mr. Kapur has held various senior positions in Ogilvy & Mather India Private Limited (O&M). He was nominated to the world wide board of O&M in 1998 and was elevated to the position of Executive Chairman, India and Vice-Chairman, Asia Pacific, a year later. He retired from O&M on December 31, 2003. Mr. Kapur is a director of Pidilite Industries Limited, MIRC Electronics Limited, Equus Advertising Company Limited, Meridian Communication Private Limited, Group M Media India Private Limited, Bates India Private Limited, Rediffusion-Dentsu, Young & Rubicam Private Limited and Everest Integrated Communications Private Limited.

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

## MR. ASHIM SAMANTA

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

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

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

## BOARD MEETINGS:

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

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

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



# CORPORATE GOVERNANCE (contd.)

\* Dr. (Mrs.) Amla Samanta relinquished the office of director with effect from April 25, 2004.

\* \* Mr. Ashim Samanta has been appointed as an Additional Director of the Bank with effect from November 19, 2004.

## ATTENDANCE AT LAST AGM:

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

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

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

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

### AUDIT AND COMPLIANCE COMMITTEE:

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

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

During the year, the Committee held six meetings.

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

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

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

### COMPENSATION COMMITTEE:

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

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

During the year the Committee held one meeting.

# CORPORATE GOVERNANCE (contd.)

## **INVESTORS' GRIEVANCE (SHARE) COMMITTEE:**

The Investors' Grievance (Share) Committee approves and monitors transfers, transmissions, splitting and consolidation of shares and bonds issued by the Bank and allotment of shares to the employees pursuant to Employees Stock Option Scheme. The Committee also monitors redressal of complaints from shareholders relating to transfer of shares, non-receipt of Annual Reports, dividends etc.

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

The Committee is chaired by Mr. Jagdish Capoor and met 12 times during the year. The powers to approve share transfers and dematerialisation requests have been delegated to executives of the Bank to avoid delays that may arise due to non-availability of the members of the Committee.

As on March 31, 2005, 136 instruments of transfer of shares were pending and since then the same have been processed. The details of the share transfers are reported to the Board of Directors from time to time.

During the year, the Bank received 193 complaints from shareholders, which have been attended to.

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

## **RISK MONITORING COMMITTEE:**

The Risk Monitoring Committee is formed as per the guidelines of the Reserve Bank of India on the Asset Liability Management/Risk Management Systems. The Committee develops Bank's credit and market risk policies and procedures, verifies adherence to various risk parameters and prudential limits for treasury operations and reviews its risk monitoring system. The committee also ensures that the Bank's credit exposure to any one group or industry does not

exceed the internally set limits and that the risk is prudentially diversified.

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

The Committee met four times during the year.

## **CREDIT APPROVAL COMMITTEE:**

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

The Committee comprise Mr. Jagdish Capoor, Mr. Aditya Puri, Mr. Keki Mistry and Mr. Bobby Parikh. Mr. Bobby Parikh was inducted as a member of the Committee on April 16, 2004. The Committee is chaired by Mr. Jagdish Capoor and met three times during the year.

## **PREMISES COMMITTEE:**

The Premises Committee approves purchases and leasing of premises for the use of Bank's branches, back offices, ATMs and residence of executives in accordance with the guidelines laid down by the Board. The Committee comprise Dr. V. R. Gadwal, Mr. Aditya Puri, Mr. Ranjan Kapur and Mr. K. G. Krishnamurthy, in an advisory capacity.

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

The Committee is chaired by Dr. V. R. Gadwal and met four times during the year.

## **NOMINATION COMMITTEE:**

The Bank has constituted a Nomination Committee for recommending the appointment of independent / non-executive directors on the Board of the Bank. The Nomination Committee scrutinizes the nominations for independent / non-executive



# CORPORATE GOVERNANCE (contd.)

directors with reference inter alia to their qualifications and experience. For identifying 'Fit and Proper' persons, the Committee adopts the following criteria to assess competency of the persons nominated:

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

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

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

One meeting of the Committee was held during the year.

## **FRAUD MONITORING COMMITTEE:**

Pursuant to the directives of the RBI to all commercial banks, the Bank has constituted a Fraud Monitoring Committee on April 16, 2004, exclusively dedicated to the monitoring and following up of cases of fraud involving amounts of Rs. 1 crore and more. The objective of this Committee is the effective detection of frauds and immediate reporting thereof to regulatory and enforcement agencies and actions taken against the perpetrators of frauds. The terms of reference of the Committee are as under:

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

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

- c. Monitor progress of CBI / Police Investigation and recovery position;

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

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

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

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

One meeting of the Committee was held during the year.

## **CUSTOMER SERVICE COMMITTEE:**

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

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

One meeting of the Committee was held during the year.

# CORPORATE GOVERNANCE (contd.)

## COMPOSITION OF COMMITTEES OF DIRECTORS AND THE ATTENDANCE AT THE MEETINGS

### AUDIT & COMPLIANCE COMMITTEE

Total **6** meetings held

Name	No. of Meetings Attended
Mr. Jagdish Capoor <sup>1</sup>	3
Mr. Anil Ahuja	4
Dr. (Mrs.) Amla Samanta <sup>2</sup>	1
Mr. Arvind Pande	4
Mr. Bobby Parikh	5
Mr. Ranjan Kapur <sup>3</sup>	3
Dr. V. R. Gadwal <sup>4</sup>	3

### FRAUD MONITORING COMMITTEE

**1** meeting held

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

### PREMISES COMMITTEE

Total **4** meetings held

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

### COMPENSATION COMMITTEE

**1** meeting held

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

# CORPORATE GOVERNANCE (contd.)

## COMPOSITION OF COMMITTEES OF DIRECTORS AND THE ATTENDANCE AT THE MEETINGS

### NOMINATION COMMITTEE

1 meeting held

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

### CREDIT APPROVAL COMMITTEE

Total 3 meetings held

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

### RISK MONITORING COMMITTEE

Total 4 meetings held

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

### CUSTOMER SERVICE COMMITTEE

1 meeting held

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

### INVESTORS' GRIEVANCE (SHARE) COMMITTEE

Total 12 meetings held

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

See notes overleaf

# CORPORATE GOVERNANCE (contd.)

## NOTE

1. Mr. Jagdish Capoor ceased to be a member of the Audit and Compliance Committee and Nomination Committee w.e.f. October 21, 2004.
2. Dr. (Mrs.) Amla Samanta ceased to be a Director w.e.f. April 25, 2004.
3. Mr. Ranjan Kapur has been inducted as a member and Chairman of the Audit and Compliance Committee and Nomination Committee w.e.f. October 21, 2004.
4. Dr. V. R. Gadwal has been inducted as a member of the Audit and Compliance Committee w.e.f. January 6, 2005.
5. Mr. Bobby Parikh has been inducted as a member of Credit Approval Committee w.e.f. April 16, 2004
6. Mr. Ranjan Kapur and Dr. V. R. Gadwal have been inducted as members of the Premises Committee w.e.f. April 16, 2004.
7. Mr. Ranjan Kapur has been inducted as a member of the Compensation Committee w.e.f. April 16, 2004.

- to appoint proxy to attend and vote at the general meetings. In case the member is a body corporate, to appoint a representative to attend and vote at the general meetings of the company on its behalf.
- to attend and speak in person, at general meetings. Proxy cannot vote on show of hands but can vote on a poll.
- to vote at the general meeting on show of hands wherein every shareholder has one vote. In case of vote on poll, the number of votes of a shareholder is proportionate to the number 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 1/10<sup>th</sup> of the total voting power in respect of any resolution.
- to requisition an extraordinary general meeting of any company by shareholders who collectively hold not less than 1/10<sup>th</sup> of the total paid-up capital of the company.

## OWNERSHIP RIGHTS

Certain rights that a shareholder in a company enjoys:

- to transfer the shares.
- to receive the share certificates upon transfer within the stipulated period prescribed in the Listing Agreement.
- to receive notice of general meetings, annual report, the balance sheet and profit and loss account and the auditors' report.
- to move amendments to resolutions proposed at meetings.
- to receive dividends and other corporate benefits like rights, bonus shares etc. as and when declared / announced.
- to inspect various registers of the company.
- to inspect the minutes books of general meetings and to receive copies thereof after complying with the procedure prescribed in the Companies Act, 1956.

# CORPORATE GOVERNANCE (contd.)

- to appoint or remove director(s) and auditor(s) and thus participate in the management through them.
- to proceed against the company by way of civil or criminal proceedings.
- to apply for the winding-up of the company.
- to receive the residual proceeds upon winding up of a company.

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

## PROMOTERS' RIGHTS (HDFC LIMITED)

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

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

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

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

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

For detailed provisions, kindly refer to the Memorandum and Articles of Association of the Bank, which are available on the web-site of the Bank at [www.hdfcbank.com](http://www.hdfcbank.com).

## KEY SHAREHOLDERS' RIGHTS PURSUANT TO AGREEMENTS

HDFC Limited, the promoters of erstwhile Times Bank Limited-Bennett, Coleman & Co. Ltd. and its group companies (Bennett, Coleman Group) and Chase Funds had entered into a tripartite agreement dated November 26, 1999 for effecting amalgamation of Times Bank Limited with the Bank. Under this Agreement, Bennett, Coleman Group has a right to nominate one director on the Board of the Bank as long as it's holding exceeds 5% of the share capital of the Bank. Currently, (as on March 31, 2005), the Bennett, Coleman Group holds 5.23% of the share capital of the Bank and Mr. Vineet Jain is nominated by the group on the Board of the Bank.

The Bank had entered into an agreement dated February 9, 1999 with The India Private Equity Fund (Mauritius) and Indocean Financial Holdings Limited ('the Funds') which inter alia offered the right to the Funds to nominate two directors on the Board of the Bank as long as their holdings in the Bank were not less than 10% of the share capital of the Bank and to nominate one director as long as their holdings in the Bank were not less than 7% of the share capital of the Bank. The holdings of the Funds in the share capital of the Bank is less than 7%. The said agreement has come to an end.

# CORPORATE GOVERNANCE (contd.)

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

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

## DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2005

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

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



# CORPORATE GOVERNANCE (contd.)

CATEGORIES OF SHAREHOLDERS			
SHAREHOLDING PATTERN AS AT MARCH 31, 2005			
Category	No of shares	Total	% to Capital
<b>A. Promoters</b>			
i. Housing Development Finance Corporation Limited	3,88,60,000		
ii. HDFC Investments Limited	3,00,00,000		
iii. HDFC Holdings Limited	1,000	6,88,61,000	22.22
<b>B. Foreign Institutional Investors</b>			
i. SLAC (Mauritius Investments) Limited	1,21,64,098		
ii. Deutsche Securities Mauritius Limited	1,20,49,674		
iii. Smallcap World Fund Inc	98,59,340		
iv. The New Economy Fund	64,50,000		
v. Emerging Markets Growth Fund Inc	45,00,452		
vi. Others (less than 1%)	5,32,51,071	9,82,74,635	31.71
<b>C. ADS Depository (J. P. Morgan Chase Bank)</b>		6,03,42,747	19.47
<b>D. Bennett, Coleman Group</b>			
i. Bennett, Coleman & Co. Limited	88,49,929		
ii. Dharmayug Investments Limited	24,86,956		
iii. Satyam Properties Finance Limited	17,39,130		
iv. Vardhaman Publishers Limited	17,39,130		
v. Bharat Nidhi Limited	5,73,913		
vi. PNB Finance Industries Limited	4,31,743		
vii. Samir Jain	2,60,869		
viii. Times Publishing House Limited	75,956		
ix. Rajdhani Printers Limited	34,782	1,61,92,408	5.23
<b>E. Life Insurance Corporation of India</b>		1,23,92,992	4.00
<b>F. Other Bodies Corporates</b>		41,26,257	1.33
<b>G. Indocean Financial Holding Limited</b>		39,82,752	1.29
<b>H. Banks, Mutual Funds and Financial Institutions</b>		32,90,429	1.06
<b>I. Overseas Corporate Bodies</b>			
i. Jarrington Pte. Ltd.	12,55,330		
ii. Others	2,200	12,57,530	0.41
<b>J. GIC &amp; its Subsidiaries</b>		12,38,557	0.40
<b>K. Directors</b>		11,96,942	0.39
<b>L. NRI's</b>			
with repatriation	2,90,645		
without repatriation	2,57,407	5,48,052	0.18
<b>M. Others</b>		3,81,71,007	12.31
<b>TOTAL</b>		<b>30,98,75,308</b>	<b>100.00</b>

# CORPORATE GOVERNANCE (contd.)

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

No resolution was passed with the use of postal ballots.

## MEANS OF COMMUNICATION :

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

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

## CODE FOR PREVENTION OF INSIDER TRADING

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

# CORPORATE GOVERNANCE (contd.)

## FINANCIAL CALENDAR :

### Financial Year April 1, 2004 To March 31, 2005

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

## WHISTLE BLOWER POLICY

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

## LISTING ON STOCK EXCHANGES :

In order to impart liquidity and convenience for trading, the equity shares of the Bank are listed at the following Stock Exchanges. The annual fees for 2004-05 have been paid to all the Stock Exchanges where the shares are listed.

Sr. No.	Name & address of the Stock Exchange	Stock Code
1.	<b>The Stock Exchange, Mumbai</b> Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai 400 023.	500180

## 2. The National Stock Exchange of India Ltd.

Exchange Plaza, 5<sup>th</sup> Floor,  
Bandra Kurla Complex,  
Bandra, Mumbai 400 051. HDFCBANK

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

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

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

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

## The New York Stock Exchange (ticker – HDB)

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

# CORPORATE GOVERNANCE (contd.)

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

- J P Morgan Chase Bank, N.A.

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

ICICI Bank Limited, Bandra- Kurla Complex, Mumbai.

## SHARE TRANSFER PROCESS:

The Bank's shares which are in compulsory dematerialised (demat) list are transferable through the depository system. Shares in physical form are processed by the Registrars and Share Transfer Agents, MCS Limited and approved by the Investors' Grievance (Share) Committee of the Bank. The share transfers are processed within a period of 8 days from the date of receipt of the transfer documents by MCS Limited.

## INVESTOR HELPDESK:

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

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

**Mrs. Valsa Sajan / Mr. Sachin Manve / Mr. Vikrant Deshmukh,**  
**MCS Limited,** Registrars and Transfer Agents,  
Unit : **HDFC BANK,**  
Sri Venkatesh Bhavan, Plot No. 27,  
Road No. 11, MIDC Area,  
Andheri (East), Mumbai 400 093.  
Tel: 2821 5235/6/7 Fax 2835 0456  
Email: [mcssvb@eth.net](mailto:mcssvb@eth.net)  
Counter Timing: 10.00 a.m. to 4.00 p.m.  
(Monday to Saturday)

For the convenience of investors, transfers only up to 500 shares and complaints from investors are accepted at the Bank's office at 2<sup>nd</sup> Floor, Process House, Senapati Bapat Marg, Kamala Mills Compound, Lower Parel (West), Mumbai 400 013.

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

Telephone: 2498 8484, 2496 1616 Extn.: 3463

Fax: 2496 5235

**Email:** [investor.helpdesk@hdfcbank.com](mailto:investor.helpdesk@hdfcbank.com)

You may also address queries relating to the Bank's operational and financial performance to: [investor.helpdesk@hdfcbank.com](mailto:investor.helpdesk@hdfcbank.com)

Name of the Compliance Officer of the Bank:

Mr. Sanjay Dongre - Vice President (Legal) & Company Secretary

Telephone 2498 8484 Extn.: 3473

## COMPLIANCE CERTIFICATE OF THE AUDITORS

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

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

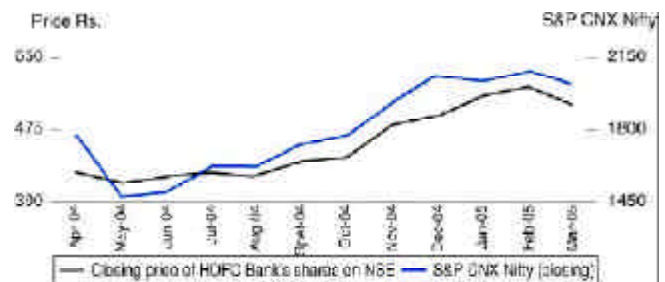
# CORPORATE GOVERNANCE (contd.)

## SHARE PRICE / VOLUME

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

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

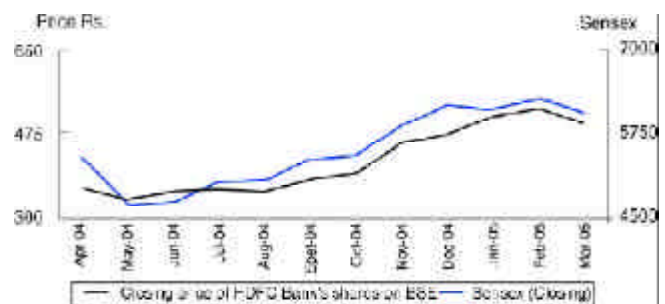
**HDFC Bank share price versus the NSE-Nifty**



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

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

**HDFC Bank share price versus the BSE-Sensex**



# CORPORATE GOVERNANCE (contd.)

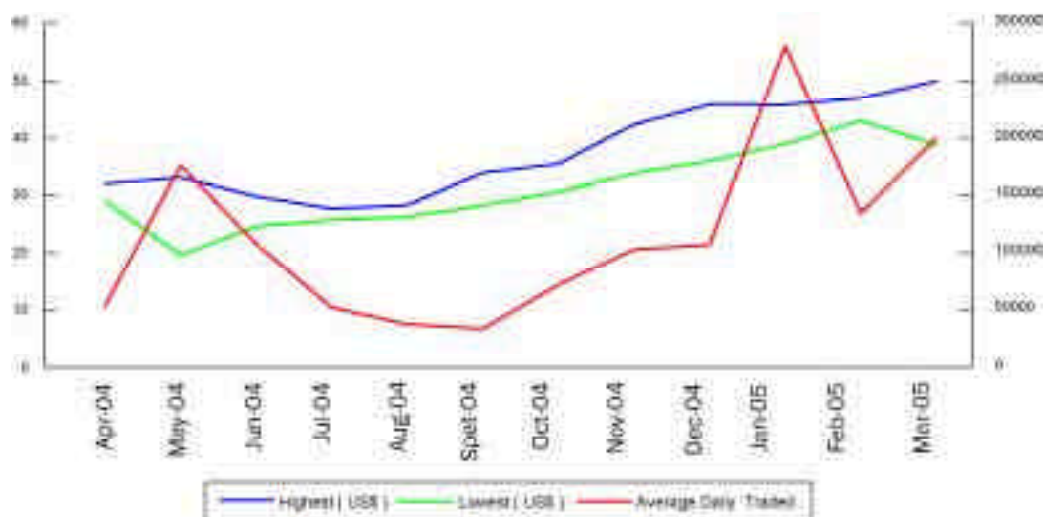
## SHARE PRICE / VOLUME

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

## SHARE PRICE - NYSE

ADS Price US\$

Avg. Daily Volume





# KEY COMPARATIVE BETWEEN U.S. AND INDIAN REGULATIONS

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

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

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

