

ANNUAL REPORT

1998-99



HDFC BANK

HDFC BANK LIMITED

5th ANNUAL GENERAL MEETING

Date	: 1st June, 1999
Day	: Tuesday
Time	: 3.30 p.m.
Place	: Patkar Hall, SNDT Women's University, 1, Nathibai Thackersey Rd, New Marine Lines, Mumbai 400 020
Book Closure Dates	: 4th May to 1st June, 1999 (both days inclusive)

BOARD OF DIRECTORS

Mr. Shobha Singh Thakur, *Chairman*

Mr. Deepak M. Satwalekar

Mr. Jagdish S. Baijal

Mr. Nasser M. Munjee

Mr. Keki M. Mistry

Dr. (Mrs.) Amla Samanta

Mr. Christopher FitzGerald

Mr. Roderick Richards (Upto 30th September, 1998)

Mr. Christian Jervis Read (From 16th October, 1998)

Dr. Venkat Rao Gadwal (From 15th March, 1999)

Mr. Aditya Puri, *Managing Director*

ASSISTANT VICE PRESIDENT - LEGAL & COMPANY SECRETARY

Mr. Sanjay B. Dongre

AUDITORS

S. B. Billimoria & Co.

REGISTRARS & SHARE TRANSFER AGENTS

MCS LIMITED

Sri Venkatesh Bhavan,
Plot No. 27, Road No. 11,
MIDC Area, Andheri (East),
Mumbai 400 093
Tel. No. 8215235/6/7
Fax No. 8350456

REGISTERED OFFICE

Sandoz House,
Dr. Annie Besant Road,
Worli, Mumbai 400 018
Tel. No. 4951616
Fax No. 4951771

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NOTICE is hereby given that the Fifth Annual General Meeting of the Members of HDFC Bank Limited will be held at Patkar Hall, S.N.D.T. Women's University, 1, Nathibai Thackersey Road, New Marine Lines, Mumbai 400 020 on Tuesday, 1st June, 1999 at 3.30 p.m. to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the audited Balance Sheet as at 31st March, 1999 and Profit and Loss Account for the year ended on that date and Reports of the Directors and Auditors.
2. To declare dividend.
3. To appoint a Director in place of Mr. N. M. Munjee who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. K. M. Mistry who retires by rotation and being eligible offers himself for re-appointment.
5. To re-appoint Auditors and in this connection, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT S. B. Billimoria & Co., Chartered Accountants, be and are hereby re-appointed Auditors of the Bank to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting, on a remuneration of such sum as may be fixed by the Board of Directors in the best interest of the Bank, for the purpose of audit of the Bank's accounts, at its Head Office and all its branch offices."

SPECIAL BUSINESS

6. To consider, and if thought fit, to pass, with or without modifications, the following resolution as an ordinary resolution :
"RESOLVED THAT Mr. Christian Jervis Read be and is hereby appointed as a Director of

the Bank, liable to retire by rotation."

7. To consider, and if thought fit, to pass, with or without modifications, the following resolution as an ordinary resolution :

"RESOLVED THAT Dr. Venkat Rao Gadwal be and is hereby appointed as a Director of the Bank, liable to retire by rotation."

By Order of the Board

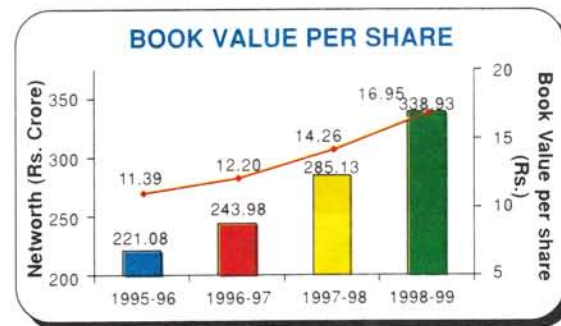
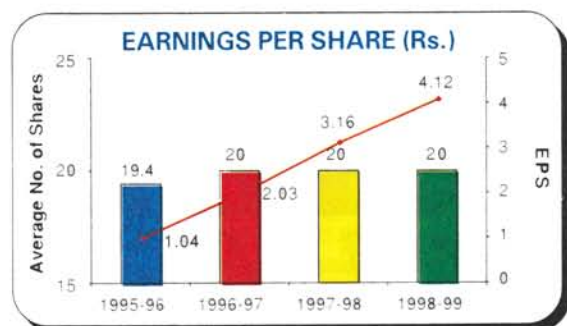
SANJAY B. DONGRE

Asst. Vice President - Legal
& Company Secretary

Mumbai, 21st April, 1999

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE BANK. The proxy form should be lodged with the Bank at its Registered Office atleast 48 hours before the time of the Meeting .
2. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business is annexed hereto.
3. The Register of Members and Share Transfer Books of the Bank will remain closed from 4th May, 1999 to 1st June, 1999 both days inclusive.
4. Dividend, if declared, will be paid to the members whose names appear in the Register of Members of the Bank on 1st June, 1999. (The dividend warrants will be posted on or after 2nd June, 1999).
5. Members are requested to promptly notify any change in their addresses and ECS Mandates/Bank Account particulars, to the Bank's Registrars MCS Limited, Sri Venkatesh Bhavan, Plot No. 27, Road No. 11, M.I.D.C. Area, Andheri (East), Mumbai 400 093
6. All documents referred to in the Notice are open for inspection at the Registered Office of the Bank on all working days between 11.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting.



Annexure to the Notice

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NOS. 6 & 7

Mr. C. J. Read was appointed as a Director of the Bank under section 260 of the Companies Act, 1956 to represent the NatWest Group on the Board of the Bank and would hold office till the date of the ensuing Annual General Meeting. Subject to the approval of the Members, it is proposed to appoint Mr. C. J. Read as a Director of the Bank.

Dr. Venkat Rao Gadwal was appointed as a Director of the Bank under section 260 of the said Act to represent the agricultural sector on the Board and comply with the requirement of Section 10-A of the Banking Regulation Act, 1949. Dr. Gadwal holds Ph.D. degree in Cytogenetics, Plant Breeding and Virology and has about 40 years of professional experience in areas relating to agriculture.

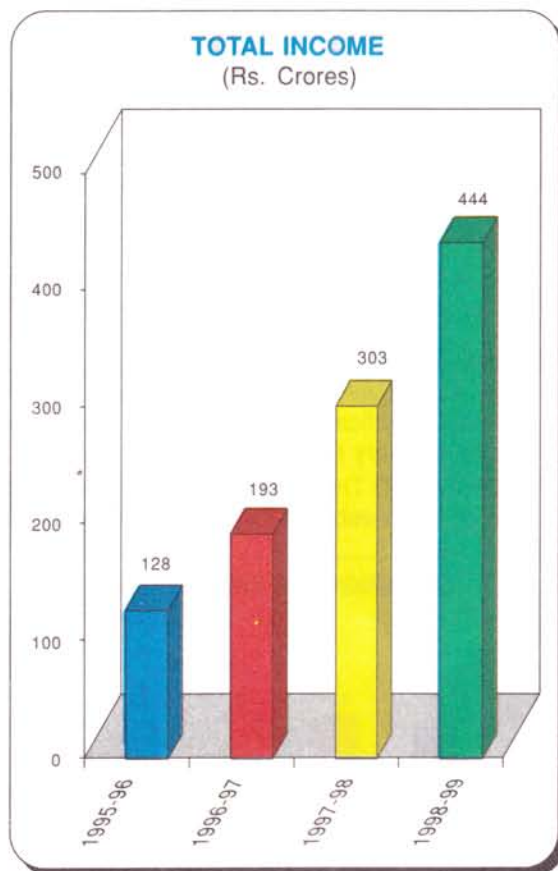
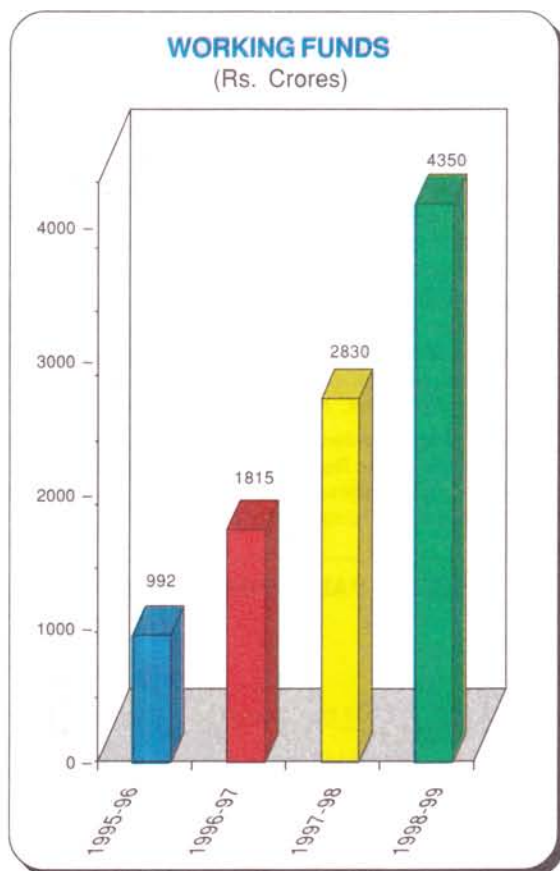
As required under section 257, the Bank has received notices from members signifying their intention to propose Mr. C. J. Read and Dr. V. R. Gadwal as candidates for the office of Director. The Bank has also received deposit for Rs. 500/- each as required under the Act.

The Board of Directors recommend the appointment of Mr. Read and Dr. Gadwal as Directors. None of the Directors other than Mr. Read and Dr. Gadwal are in any way, concerned or interested in the said resolution.

By Order of the Board

SANJAY B. DONGRE
Asst. Vice President - Legal
& Company Secretary

Mumbai, 21st April, 1999.



To the Members,

Your Directors have pleasure in presenting the fifth Annual Report on the business and operations of your Bank together with the audited accounts for the year ended 31st March, 1999.

FINANCIAL PERFORMANCE

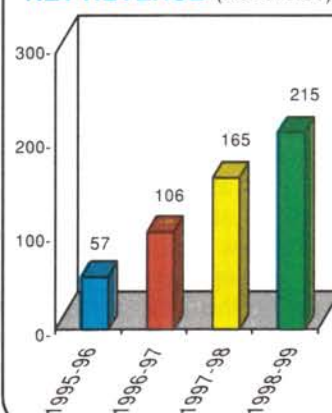
	(Rs. in Crores) For the year ended	
	31st March, 1999	31st March, 1998
Deposits and other borrowings	3362.99	2246.44
Advances	1400.56	841.98
Total Income	444.15	302.81
Profit before depreciation and tax	131.87	105.04
Net Profit	82.40	63.15
Appropriations :		
Transfer to Statutory Reserve	20.60	15.79
Proposed Dividend	26.00	20.00
Tax on Dividend	2.60	2.00
Balance carried over to Balance Sheet	33.20	25.36

During the year under review, your Bank recorded all round improvement in financial performance across both Profit & Loss Account and Balance Sheet parameters. Total net revenues (net interest income plus other income) increased by 30.1% from Rs. 165.26 crores in 1997-98 to Rs. 214.97 crores in 1998-99. The mix of fund based and non-fund based revenues remained healthy at 68:32. The proportion of market sensitive revenues (profit on sale of investments and foreign exchange profits) decreased from 19% to 13% of the total net revenues. Despite the substantial investments in the branch expansion, new product introductions, etc. the operating expenses to total income ratio improved from 20.7% in 1997-98 to 20% in 1998-99. Net Profit increased by 30.5% from Rs. 63.2 crores to Rs. 82.4 crores for the year under review. Return on Average Net Worth (RONW) was also a healthy 26.41% in 1998-99 as against 23.87% in 1997-98.

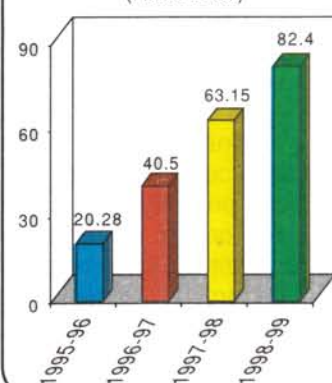
DIVIDEND

Your Bank continues to grow at a rapid pace. For sustaining the growth momentum, healthy retentions are invaluable, both to strengthen Tier I Capital ratio as well as to fund investments in branch and other infrastructure. Besides, with a higher RONW of over 26%, these retentions will enhance shareholder value. However, as a reflection of the optimism with which we view your Bank's future,

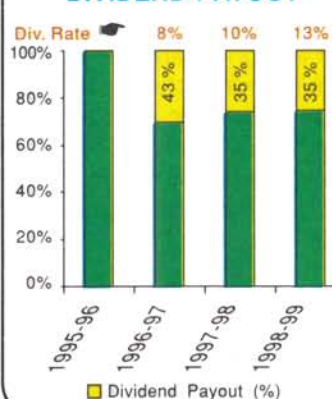
NET REVENUE (Rs. Crores)



PROFIT AFTER TAX (Rs. Crores)



DIVIDEND PAYOUT



Directors' Report - (Contd.)

your Directors are happy to recommend a dividend of 13% for the year ended 31st March, 1999 as against 10% for the previous year.

CAPITAL ADEQUACY

Your Bank's overall Capital Adequacy Ratio (CAR) declined from 13.92% as of 31st March, 1998 to 11.86% as of 31st March, 1999. Tier I CAR as of 31st March, 1999 stood at 8.34%. During the year under review the Bank issued and allotted unsecured, subordinated bonds aggregating to Rs. 35 crores, redeemable after 87 months, increasing the total bonds qualifying as Tier II Capital to Rs. 135 crores.

GROWTH IN DEPOSITS AND ADVANCES

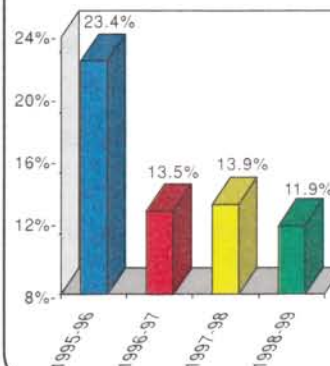
Deposits in the year under review increased by 33% from Rs. 2191.74 crores to Rs. 2915.11 crores. Your Bank's efforts at increasing the proportion of low cost savings and current account deposits continued to bear fruit. Savings accounts, in particular, increased by 95% from Rs. 177.35 crores as of March 31, 1998 to Rs. 346.51 crores as of March 31, 1999. While total borrowings (including refinance from Reserve Bank of India and borrowings in the call money market) were higher at Rs. 426.49 crores, the Bank uses treasury sources mainly for financing short term money market and treasury assets. The Bank's core advances and corporate debt portfolios continue to be funded primarily from core customer deposits. Total advances increased from Rs. 841.98 crores to Rs. 1400.56 crores, a growth of 66%. In addition, the Bank's corporate debt (including Commercial Paper, Debentures, etc.) increased from Rs. 199.8 crores to Rs. 569.5 crores during the year under review.

STRATEGIC BUSINESS COLLABORATION

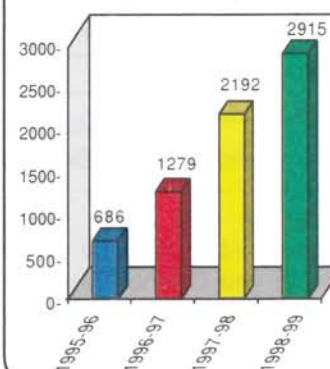
Over the past 18 months or so, NatWest had been gradually pulling back on its international operations, particularly in Asia, and consolidating its business in UK and the rest of Europe. As part of this restructuring and consolidation exercise, NatWest had indicated their willingness and desire to sell their stake in your Bank, particularly if the proposed change would enable the Bank to derive value from the new strategic relationship. In this regard your Bank's efforts to enter into a new association with an international bank of stature culminated in the signing of a Memorandum of Understanding for Strategic Business Collaboration with The Chase Manhattan Bank on 2nd February, 1999.

The new strategic business collaboration brings together Chase's global network and product capabilities with your Bank's extensive presence and expertise in the Indian market. The collaboration will be client driven and contemplates progressive co-operation along product lines over time. Initial areas of collaboration will focus on

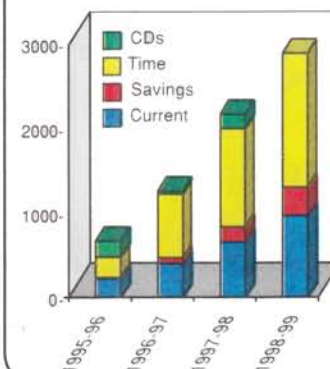
CAPITAL ADEQUACY RATIO



TOTAL DEPOSITS (Rs. Crores)



CATEGORY WISE DEPOSITS (Rs. Crores)



trade finance, cash management, corporate finance/advisory, foreign exchange & derivatives. The collaboration would therefore provide each bank's customers broader access to global and Indian products and services and enable each bank to access incremental business opportunities. Your Directors look forward to the Bank's relationship with Chase with tremendous optimism and firmly believe that with this strategic collaboration, your Bank has taken some very meaningful strides in its efforts towards building a world class Indian bank.

Concurrently, the NatWest Group is in the process of selling its 20% equity stake in the Bank and the sale is expected to be completed in the next few weeks on completion of the remaining regulatory and related formalities. 5% of the Bank's equity is proposed to be sold to HDFC Investments Ltd., a fully owned subsidiary of Housing Development Finance Corporation (HDFC). The Indian Private Equity Fund, Mauritius (IPEF) and Indocean Financial Holdings Ltd., Mauritius (IFHL), both funds advised by Indocean Chase Capital Advisors, the Indian affiliate of Chase Capital Partners, will be purchasing 10% and just under 5% of your Bank's equity respectively.

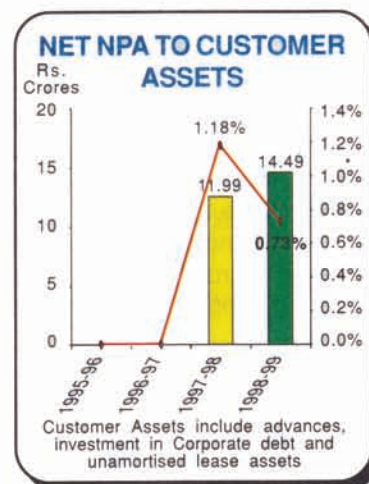
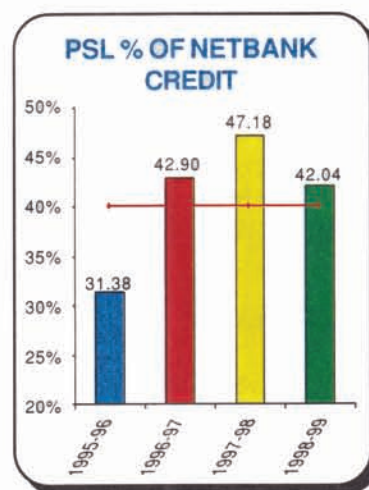
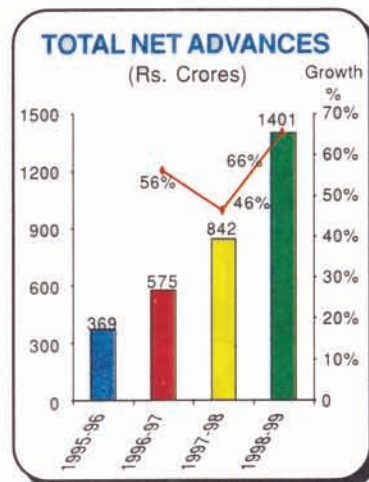
BUSINESS DEVELOPMENTS

Your Bank's strong performance was achieved during one of the most challenging periods for the banking industry in recent years. Driving these results were the strength and diversity of the Bank's business franchises and a disciplined approach to risk and expense management. During 1998-99 the Bank made significant progress in consolidating its position in each of its four major businesses and continues to experience a strong growth momentum.

Corporate Banking :

The Corporate Banking business entails meeting the financial needs of corporates on a relationship managed basis by providing a wide range of commercial and investment banking products and services. This business remains a major contributor to your Bank's revenues, both from funded and non-funded activities. During the year under review, significant progress was made in adding new corporate relationships, both in existing markets and through geographic expansion. Increased penetration of existing relationships remained a key focus area, which helped increase the Bank's share in the customers' business. Apart from higher volumes in the domestic and international trade business, the Bank achieved exponential growth in its cash management services, leveraging its expanded branch network and the on-line, real-time connectivity between its branches.

In an extremely difficult credit environment, your Bank's portfolio quality remained stable with ratio of gross NPAs to Customer assets and net NPAs to Customer assets at just 1.75% and 0.73% respectively. The Bank continues to have a conservative policy



Directors' Report - (Contd.)

relating to creating specific provisions well in excess of the regulatory requirements. The Bank also holds a general loan loss provision of Rs. 7.01 crores which is about 35 basis points of the Bank's customer assets as of 31st March, 1999. The focus in corporate banking remains towards the top end of the credit spectrum with less than a fifth of the portfolio in the middle-market segment. The exposure is mainly short-term, working-capital related and is well diversified across over twenty-three major industries.

Treasury :

The Treasury Division continued to ably perform its multiple roles of managing your Bank's funding and reserve requirements and its interest rate and liquidity risks, besides generating revenues through various products including Foreign Exchange, Derivatives, Debt Securities and Money Markets, etc. Customer based volumes and revenues continued to grow in both the foreign exchange and local currency debt securities businesses.

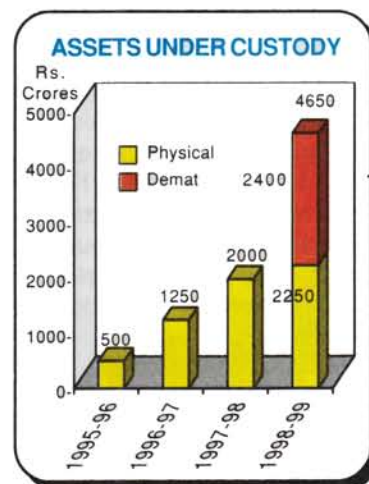
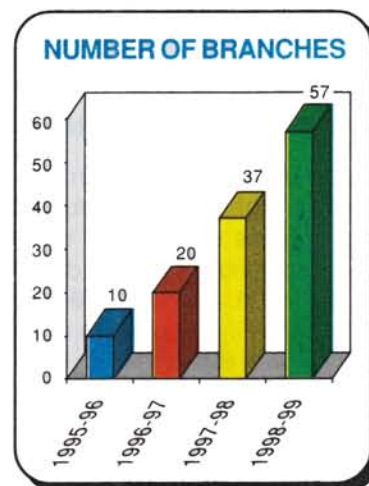
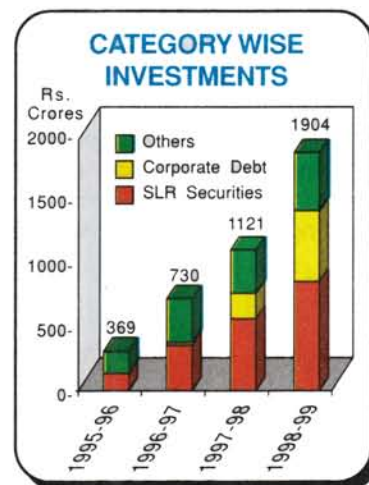
The Treasury division also achieved a significant growth in its Investment Advisory services which seek to guide high networth clients of the Bank in managing their investments in line with their long term risk return objectives. The number of clients for these services more than tripled in the year under review. This will continue to be a major thrust into 1999-2000.

Retail Banking :

During the year under review, rapid strides were made by your Bank in its Retail Banking franchise, both in terms of increasing the customer base as well as in expanding the product range. Apart from a wide range of deposit products the Bank now offers loan products including loans against shares and car loans to its retail customers. To provide greater convenience as well as to manage volumes in a cost-effective manner, the Bank has expanded its customer base and presently it services about 345,000 retail accounts through multiple channels - branches, ATMs, telephone banking and direct sales. The growth in the retail franchise has been well supported by the expansion in branch network from 37 in March 1998 to 57 in March 1999. During the year under review, your Bank became part of the Mastercard/Cirrus ATM network and also tied up with American Express to provide ATM cash access to its card members. Leveraging its unique brand equity, investments in technology/expanding branch network and growing product range, the Bank views its retail franchise as a strong engine to drive future growth.

Capital Markets Infrastructure :

The year under review witnessed a phenomenal growth in your Bank's Depository Participant business with the total number of investor



accounts touching 50,000 by 31st March, 1999. Total value of assets under Custody and Depository Services crossed Rs. 4,500 crores. Based on its technological superiority and product expertise, the Bank has also become the country's leading provider of cash clearing and settlement services to Stock Exchanges. Your Bank is now a clearing bank for the Mumbai Stock Exchange, Ahmedabad Stock Exchange and Calcutta Stock Exchange, in addition to the National Stock Exchange and OTCEI where it has been a clearing bank since 1997. The Bank is ideally positioned to grow its depository business with strong synergies with its retail loans against shares business and stock exchange clearing services.

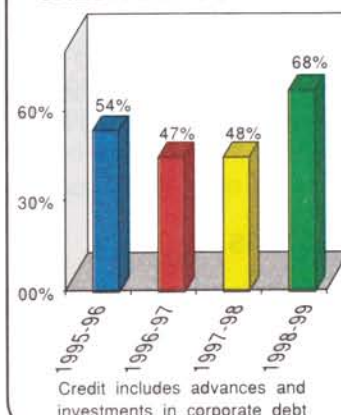
YEAR 2000

To manage the Year 2000 (Y2K) problem effectively, your Bank has put in place a comprehensive programme which has been and continues to be tracked against a defined set of milestones. Of the twenty-eight software systems which will be in use in your Bank on January 1, 2000, twenty-seven have been tested and are Y2K compliant. The vendor-certified Y2K compliant version of the remaining software system has also been delivered to the Bank and the Bank's testing of this system is expected to be completed shortly. LAN Servers, data centre equipment and telecom/network hardware in all the Bank's locations are fully Y2K compliant. 80% of personal computers/workstations are already Y2K compliant while the remaining are being replaced for which new equipment has already been purchased by the Bank. The costs of remediation and other efforts relating to the Y2K problem including depreciation on assets which have been or are being replaced are around Rs. 3.5 crores. The Bank continues to track and manage Y2K risks relating to third party providers as well as the potential Y2K impact on its major customers. The Bank has also put in place plans in relation to manual processing, incremental cash requirements, vendor support etc. for possible Y2K related contingencies. Throughout the remainder of 1999, your Bank will continue to focus on ensuring that software and hardware systems that have been tested and certified as Y2K compliant remain compliant and on continually updating its risk management process and contingency plans for Y2K related risks.

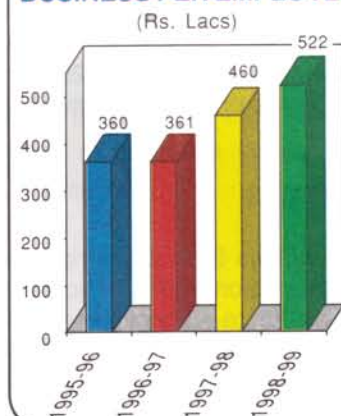
STATUTORY DISCLOSURE

The information required under section 217(2A) of the Companies Act, 1956 and the rules made thereunder, is given in the annexure appended hereto and forms part of this report. In terms of Section 219 (1) (b)(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 984 employees as on 31st March, 1999 and 44 employees employed throughout/part of the year, were in receipt of remuneration

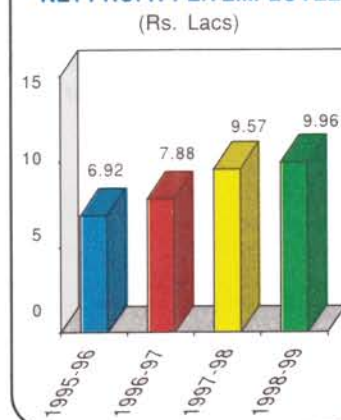
CREDIT DEPOSIT RATIO



BUSINESS PER EMPLOYEE



NET PROFIT PER EMPLOYEE



Directors' Report - (Contd.)

of Rs. 6,00,000/- per annum or Rs. 50,000/- or more per month as the case may be.

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.

DIRECTORS

Mr. Keki M. Mistry and Mr. Nasser Munjee retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment. Mr. Roderick Richards resigned as a Director of the Bank on 30th September, 1998. The Board of Directors places on record its appreciation for the valuable services rendered by him during his tenure as a Director.

Dr. Venkat Rao Gadwal was appointed as an additional Director with effect from 15th March, 1999, pursuant to section 260 of the Companies Act, 1956. Dr. Gadwal holds office upto the ensuing Annual General Meeting. The Bank has received from members a notice pursuant to section 257 of the Companies Act, 1956, signifying their intention to propose the candidature of Dr. Gadwal.

AUDITORS

The auditors S. B. Billimoria & Co., Chartered Accountants retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re - appointment. Members are requested to consider their re - appointment for the financial year ending 31st March, 2000, on a remuneration to be decided by the Board of Directors.

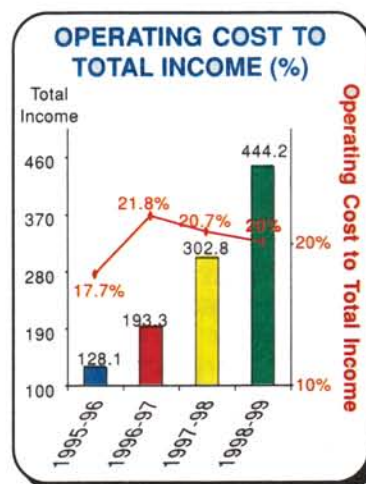
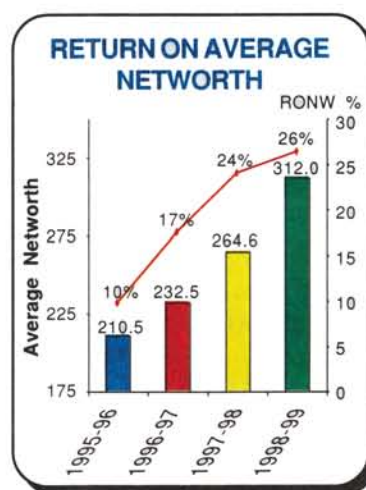
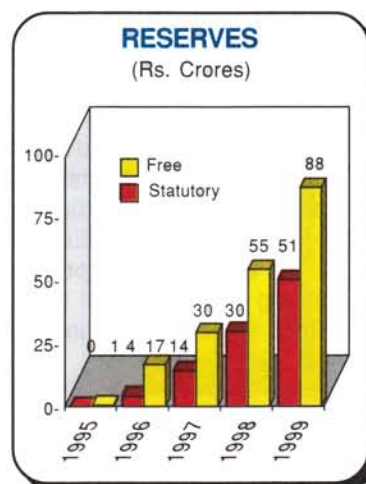
ACKNOWLEDGEMENT

Your Directors would like to place on record their sincere gratitude for the support received from the Reserve Bank of India and other government and regulatory agencies and look forward to their continued guidance. We also greatly appreciate the commitment and dedicated efforts of our employees.

On behalf of the Board of Directors

S. S. Thakur
Chairman

Mumbai, 21st April, 1999



TO THE MEMBERS OF HDFC BANK LIMITED

We have audited the attached Balance Sheet of **HDFC BANK LIMITED** as at 31st March, 1999 and the Profit and Loss Account of the Bank for the year ended on that date, annexed thereto. We report thereon as follows :

- (1) The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with Section 211 of the Companies Act, 1956.
- (2) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory.
- (3) The transactions of the Bank which have come to our notice, have been within the powers of the Bank.
- (4) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the Branches.
- (5) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account and the Branch returns.
- (6) In our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956, in so far as they apply to banks.
- (7) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, give the information required by the Companies Act, 1956 in the manner so required for banking companies and give a true and fair view :
 - (i) in the case of the Balance Sheet, of the state of affairs of the Bank as at 31st March, 1999; and
 - (ii) in the case of the Profit and Loss Account, of the profit of the Bank for the year ended on that date.

For **S. B. Billimoria & Co.**
Chartered Accountants

Nalin M. Shah
(Partner)

Mumbai, 21st April, 1999.

Balance Sheet as at 31st March, 1999

(Rs. Lacs)

	Schedule	As at 31-03-1999	As at 31-03-1998
CAPITAL AND LIABILITIES			
Capital	1	200,00	200,00
Reserves and Surplus	2	138,93	85,13
Deposits	3	2,915,11	2,191,74
Borrowings	4	447,88	54,70
Subordinated debt	19(3)	135,00	100,00
Other Liabilities and Provisions	5	513,04	198,41
Total		4,349,96	2,829,98
ASSETS			
Cash and balances with Reserve Bank of India	6	291,65	212,10
Balances with Banks and Money at Call and Short notice	7	247,86	328,99
Investments	8	1,903,80	1,121,33
Advances	9	1,400,56	841,98
Fixed Assets	10	131,55	110,31
Other Assets	11	374,54	215,27
Total		4,349,96	2,829,98
Contingent Liabilities	12	8,422,93	5,928,75
Bills for Collection		488,18	268,92

The attached notes form part of the financial statements.

In terms of our report of even date attached.

For **S. B. BILLIMORIA & CO.**
Chartered Accountants

NALIN M. SHAH
Partner

Mumbai, 21st April, 1999

For and on behalf of the Board

S. S. THAKUR
Chairman

SANJAY B. DONGRE
Asst. Vice-President—Legal &
Company Secretary

ADITYA PURI
Managing Director

D. M. SATWALEKAR
J. S. BAIJAL
N. M. MUNJEE
K. M. MISTRY
Dr. (Mrs.) AMLA SAMANTA
Dr. VENKAT RAO GADWAL
Directors

Profit and Loss Account for the year ended 31st March, 1999



(Rs. Lacs)

	Schedule	Year ended 31-03-1999	Year ended 31-03-1998
I. INCOME			
Interest earned	13	376,08	240,80
Other Income	14	68,07	62,01
Total		444,15	302,81
II. EXPENDITURE			
Interest expended	15	229,18	137,55
Operating expenses	16	88,79	62,71
Provisions & Contingencies [includes Income tax provision of Rs 34,45 lacs (previous year Rs 31,20 lacs)]	17	43,78	39,40
Total		361,75	239,66
III. PROFIT			
Net Profit for the year		82,40	63,15
Profit brought forward		54,99	29,63
Total		137,39	92,78
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		20,60	15,79
Balance carried over to Balance Sheet		88,19	54,99
Proposed dividend (includes tax on dividend)		28,60	22,00
Total		137,39	92,78
V. EARNINGS PER EQUITY SHARE (Rupees)	18	4.12	3.16

In terms of our report of even date attached.

For **S. B. BILLIMORIA & CO.**
Chartered Accountants

NALIN M. SHAH
Partner

Mumbai, 21st April, 1999

For and on behalf of the Board

S. S. THAKUR
Chairman

SANJAY B. DONGRE
Asst. Vice-President-Legal &
Company Secretary

ADITYA PURI
Managing Director

D. M. SATWALEKAR
J. S. BAIJAL
N. M. MUNJEE
K. M. MISTRY
Dr. (Mrs.) **AMLA SAMANTA**
Dr. VENKAT RAO GADWAL
Directors

Schedules to the Accounts

(Rs. Lacs)

	As at 31-03-1999	As at 31-03-1998
SCHEDULE 1 – CAPITAL		
Authorised Capital (30,00,00,000 Equity shares of Rs. 10/- each)	300,00	300,00
Issued, Subscribed and Paid-up Capital (20,00,00,000 Equity shares of Rs. 10/- each)	200,00	200,00
SCHEDULE 2 – RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening Balance	30,14	14,35
Additions during the year	20,60	15,79
Total	50,74	30,14
II. Balance in Profit and Loss Account		
Opening Balance	54,99	29,63
Additions during the year	33,20	25,36
Total	88,19	54,99
Total	138,93	85,13
SCHEDULE 3 – DEPOSITS		
I. Demand Deposits		
(i) From Banks	3,06	76
(ii) From Others	978,46	672,45
Total	981,52	673,21
II. Savings Bank Deposits	346,51	177,35
III. Term Deposits		
From Others	1,587,08	1,341,18
Total	2,915,11	2,191,74
SCHEDULE 4 – BORROWINGS		
I. Borrowings in India		
(i) Reserve Bank of India (RBI)	123,68	—
(ii) Banks	97,88	9
(iii) Institutions and agencies	204,93	47,50
Total	426,49	47,59
II. Borrowings outside India	21,39	7,11
Total	447,88	54,70
<i>(All borrowings are unsecured)</i>		
SCHEDULE 5 – OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	243,97	58,03
II. Interest Accrued	49,51	37,01
III. Others (including provisions)	190,96	81,37
IV. Proposed Dividend (including tax on dividend)	28,60	22,00
Total	513,04	198,41

Schedules to the Accounts – (Contd.)



(Rs. Lacs)

	As at 31-03-1999	As at 31-03-1998
SCHEDULE 6 – CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand <i>(including foreign currency notes)</i>	15,91	11,26
II. Balances with Reserve Bank of India in current accounts	275,74	200,84
Total	291,65	212,10
SCHEDULE 7 – BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
(i) Balances with Banks in current accounts	8,65	8,39
(ii) Money at call and short notice with banks	36,09	30,00
Total	44,74	38,39
II. Outside India		
(i) Balances with banks in current accounts	20,25	4,26
(ii) Money at call and short notice with banks	182,87	286,34
Total	203,12	290,60
Total	247,86	328,99
SCHEDULE 8 – INVESTMENTS		
Investment in India in		
(i) Government securities	867,60	573,29
(ii) Shares*	146,66	21,53
(iii) Debentures and Bonds	858,95	481,87
(iv) Units, Certificate of Deposits and Others	30,59	44,64
Total	1,903,80	1,121,33
(*Shares include long term investments of Rs. 500 lacs (Previous year : Rs. Nil))		
SCHEDULE 9 – ADVANCES		
A		
(i) Bills purchased and discounted	294,55	274,95
(ii) Cash Credits, Overdrafts and Loans	503,27	235,02
(iii) Term loans	602,74	332,01
Total	1,400,56	841,98
B		
(i) Secured by tangible assets	752,87	535,01
(ii) Covered by Bank/Government Guarantees	122,26	77,94
(iii) Unsecured	525,43	229,03
Total	1,400,56	841,98
C		
Advances in India		
(i) Priority Sector	199,47	125,87
(ii) Public sector	26,30	7,47
(iii) Banks	107,52	120,67
(iv) Others	1,067,27	587,97
Total	1,400,56	841,98

(Advances are net of loan loss provisions)

Schedules to the Accounts – (Contd.)

(Rs. Lacs)

	As at 31-03-1999	As at 31-03-1998
SCHEDULE 10 – FIXED ASSETS		
A. Premises (including Land)		
Gross Block		
At cost on 31st March of the preceding year	43,07	38,77
Additions during the year	7,75	4,33
Deductions during the year	—	(3)
Total	50,82	43,07
Depreciation		
As at 31st March of the preceding year	1,65	70
Charge for the year	1,18	96
On deductions during the year	—	(1)
Total	2,83	1,65
Net Block	47,99	41,42
B. Other Fixed Assets (including furniture and fixtures)		
Gross Block		
At cost on 31st March of the preceding year	61,92	42,20
Additions during the year	31,26	20,79
Deductions during the year	(20)	(1,07)
Total	92,98	61,92
Depreciation		
As at 31st March of the preceding year	14,28	6,26
Charge for the year	12,25	8,56
On deductions during the year	(10)	(53)
Total	26,43	14,28
Net Block	66,55	47,64
C. Assets on Lease (Plant and Machinery)		
Gross Block		
At cost on 31st March of the preceding year	24,60	24,60
Additions during the year	—	—
Deductions during the year	—	—
Total	24,60	24,60
Depreciation		
As at 31st March of the preceding year	2,14	97
Charge for the year	1,57	1,17
On deductions during the year	—	—
Total	3,71	2,14
Lease Adjustment Account		
As at 31st March of the preceding year	5,09	2,17
Charge for the year	2,31	2,92
On deductions during the year	—	—
Total	7,40	5,09
Unamortised cost of assets on lease	13,49	17,37
D. Capital Work in Progress	3,52	3,88
Total	131,55	110,31

Schedules to the Accounts – (Contd.)



(Rs. Lacs)

	As at 31-03-1999	As at 31-03-1998
SCHEDULE 11 – OTHER ASSETS		
I. Interest accrued	44,01	32,04
II. Advance tax (<i>net of provisions</i>)	13,61	3,98
III. Stationery and stamps	42	3
IV. Bond and share application money pending allotment	25,00	25,00
V. Security deposit for commercial and residential property	45,05	37,84
VI. Cheques in course of collection	138,87	72,90
VII. Other assets	107,58	43,48
Total	374,54	215,27
SCHEDULE 12 – CONTINGENT LIABILITIES		
I. Claims against the bank not acknowledged as debts	4,45	—
II. Liability on account of outstanding forward exchange contracts	5,470,94	3,489,31
III. Liability on account of outstanding derivative contracts	445,08	422,86
IV. Guarantees given on behalf of constituents in India	1,056,53	1,023,94
V. Acceptances, endorsements and other obligations	1,065,86	837,12
VI. Other items for which the Bank is contingently liable	380,07	155,52
Total	8,422,93	5,928,75
SCHEDULE 13 – INTEREST EARNED (<i>net of interest tax</i>)		
I. Interest/discount on advances/bills	143,17	117,67
II. Income from Investments	182,20	103,91
III. Interest on balance with RBI and other interbank funds	50,45	18,61
IV. Others	26	61
Total	376,08	240,80
SCHEDULE 14 – OTHER INCOME		
I. Commission, Exchange and Brokerage	40,92	30,47
II. Profit on Sale of Investments	15,13	20,97
III. (Loss)/Profit on sale of land, building and other assets	1	(10)
IV. Profit on exchange transactions	11,95	10,67
V. Miscellaneous Income	6	—
Total	68,07	62,01
SCHEDULE 15 – INTEREST EXPENDED		
I. Interest on Deposits	176,01	103,97
II. Interest on RBI/Inter-bank borrowings	40,14	31,63
III. Other interest	13,03	1,95
Total	229,18	137,55

Schedule to the Accounts – (Contd.)

(Rs. Lacs)

	As at 31-03-1999	As at 31-03-1998
SCHEDULE 16 - OPERATING EXPENSES		
I. * Payments to and provisions for employees	22,06	14,85
II. Rent, Taxes and Lighting	14,21	11,08
III. Printing & Stationery	5,11	3,28
IV. Advertisement and Publicity	4,99	3,39
V. Depreciation on bank's property	15,02	10,69
VI. Directors' fees, allowances and expenses	3	2
VII. Auditors' Fees and expenses	14	8
VIII. Law charges	6	1
IX. Postage, Telegram, Telephone etc.	9,29	5,99
X. Repairs and Maintenance	7,31	4,68
XI. Insurance	1,58	91
XII. Other Expenditure*	8,99	7,73
Total	88,79	62,71

* Other expenditure, inter alia, includes professional fees, travel and hotel charges, entertainment, Registrar and Transfer agency fees and system management fees.

SCHEDULE 17 – PROVISIONS AND CONTINGENCIES

I. Income tax	34,45	31,20
II. Wealth tax	2	2
III. Loan Loss provision	7,58	7,22
IV. Depreciation on investments	94	96
V. Others	79	—
Total	43,78	39,40

SCHEDULE 18 – EARNINGS PER EQUITY SHARE (EPS)

Earnings per equity share have been calculated based on the net profit after taxation of Rs. 82,40 lacs (1998 : Rs. 63,15 lacs) and the number of equity shares in issue during the year of 20,00,00,000 (1998 : 20,00,00,000)

4.12 3.16

	For the Year	
	1998-99	1997-98

SCHEDULE 19 - NOTES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 1999.

1 Capital Adequacy Ratio (Rs. Lacs)

The Bank's capital adequacy ratio, calculated in accordance with RBI guidelines, is as follows :

Tier 1 Capital	336,68	283,88
Tier 2 Capital	142,01	103,22
Total Capital	478,69	387,10

Total Risk weighted assets and contingents (Rs. Lacs) **4,035,66** 2,780,26

Capital ratios

Tier 1	8.34%	10.21%
Total capital	11.86%	13.92%

2 Business ratios/Information ratios

Interest income (net) as a percentage of working funds	4.17%	4.52%
Non –interest income as a percentage of working funds	1.93%	2.71%
Operating profit as a percentage of working funds (Working funds is equal to average total assets)	3.52%	4.49%
Return on assets	1.89%	2.23%
Business per employee (Rs. Lacs) (Business means total of net advances and deposits)	5,22	4,60
Profit per employee (Rs. Lacs)	9.96	9.57
Percentage of net NPAs to customer assets (Customer assets include advances, investment in corporate debt and unamortised lease assets. NPAs are net of loan loss provisions)	0.73%	1.18%

3 During the year the Bank raised 7 year 3 months subordinated debt of Rs. 35 crores at an annualised yield of 13.75% p.a. through private placement.

4 Commission, Exchange and Brokerage income is net of correspondent bank charges, brokerage paid on purchase and sale of investments, stamp expenses on certificate of deposits issued and stamp duty on subordinated debt.

5 Other interest expense includes interest on subordinated debt.

6 Derivative Contracts

The outstanding derivative contracts comprise of interest rate caps and currency swaps. These are fully hedged contracts and are stated at their notional principal amount.

7 Comparative figures

Certain comparative figures are reclassified to conform with the current year's presentation.

A BASIS OF PREPARATION

The financial statements are prepared on the historical cost convention, on the accrual basis of accounting, and conform to statutory provisions and practices prevailing within the banking industry in India.

B PRINCIPAL ACCOUNTING POLICIES

1 Investments

All Investments which cover both debt and equity investments are classified as 'Current' unless indicated

Schedule to the Accounts – (Contd.)

otherwise and are valued in aggregate for each category at lower of cost and market value at the balance sheet date in accordance with Reserve Bank of India ('RBI') guidelines.

2 Advances

Advances are stated net of Loan loss provision and interest in suspense.

Provision for doubtful advances is made in respect of identified advances based on a periodic review and after having considered the provisioning guidelines issued by the RBI. Interest on doubtful advances is credited to an interest suspense account and not recognised in the Profit and Loss account until received.

In addition to specific provisions for doubtful advances, the Bank also maintains a general provision to cover bad debts which are inherent in any loan portfolio but not yet identified. The level of general provision is determined having regard to asset growth, economic conditions and other risk factors.

3 Depreciation

Depreciation is calculated to write-off the assets over their estimated useful lives on a straight line basis as follows :

- improvements to leasehold premises are written off over the period of lease;
- computer equipment and motor cars are written off over four years; and
- all other assets are written off at the rates set out in Schedule XIV to the Companies Act, 1956.

4 Transactions involving foreign exchange

Foreign currency assets and liabilities are translated at the balance sheet date at rates notified by the Foreign Exchange Dealer's Association of India (FEDAI), except for certain deposits received under the Foreign Currency Non-Resident (B) Scheme and certain funds placed in certain overseas foreign currency bank accounts. Such deposits & placements are translated at the ruling spot rate at the time of swap, for a period not exceeding the maturity of the deposit/placement. The premium/discount on the swap arising out of the difference in the exchange rate on the swap date and the maturity date of the underlying forward contract is amortised over the period of the swap.

Foreign exchange contracts (other than deposit swaps) outstanding at the balance sheet date are revalued at rates notified by FEDAI and resulting profits or losses are included in the profit and loss account.

Contingent liabilities at the balance sheet date on account of outstanding foreign exchange contracts are reported at contracted rates.

Income and expenditure items are accounted for at exchange rates ruling on the date of the transaction.

5 Lease Accounting

Lease income is recognised based on the Internal Rate of Return method over the primary period of the lease and accounted for in accordance with the guidelines issued by the Institute of Chartered Accountants of India (ICAI).

6 Retirement Benefits

Provision for retirement benefits for gratuity is made based on independent actuarial valuation, to recognise the cost of pensions on a systematic basis over the employees' service lives. Contribution to the provident fund and superannuation fund is recognised when due.

The Bank does not have a policy of providing leave encashment to its employees.

7 Fees and commission income

Fees and commission income is recognised when due, except for guarantee commission which is recognised over the period of the guarantee.

8 Net Profit

The net profit in the profit and loss account is after provision for any depreciation in the value of investments, provision for taxation and other necessary provisions.

For and on behalf of the Board

S. S. THAKUR
Chairman

ADITYA PURI
Managing Director

SANJAY B. DONGRE
Asst. Vice-President–Legal &
Company Secretary

D. M. SATWALEKAR
J. S. BAIJAL
N. M. MUNJEE
K. M. MISTRY
Dr. (Mrs.) AMLA SAMANTA
Dr. VENKAT RAO GADWAL
Directors

Mumbai, 21st April, 1999

Cash Flow Statement for the year ended 31st March, 1999



(Rs. Lacs)

	1998-99	1997-98
Cash flows from operating activities		
Net profit before income tax	116,85	94,35
<i>Adjustment for :</i>		
Depreciation charge for the year <i>(including lease equalisation charge)</i>	17,33	13,62
Depreciation on investments	94	96
Loan Loss provisions	7,58	7,22
Contingency provision	79	—
Loss/(Profit) on sale of fixed assets	(1)	10
	143,48	116,25
<i>Adjustments for :</i>		
(Increase) in Investments	(783,41)	(392,57)
(Increase) in Advances	(566,16)	(273,94)
(Decrease)/Increase in Borrowings	393,18	(144,58)
Increase in Deposits	723,37	912,67
(Increase) in Other assets	(159,03)	(69,62)
Increase in Other liabilities and provisions	285,24	83,15
	36,67	231,36
Direct taxes paid	(34,71)	(28,15)
Net cash flow from operating activities	1,96	203,21
Cash flows from investing activities		
Purchase of fixed assets <i>(including capital work in progress)</i>	(38,65)	(25,83)
Proceeds from sale of fixed assets	11	47
Net cash used in investing activities	(38,54)	(25,36)
Cash flows from financing activities		
Proceeds from issue of subordinated debt	35,00	100,00
Net cash generated from financing activities	35,00	100,00
Net increase/(decrease) in cash and cash equivalents	(1,58)	277,85
Cash and cash equivalents at 1st April	541,09	263,24
Cash and cash equivalents as at 31st March	539,51	541,09

For and on behalf of the Board

S. S. THAKUR
Chairman

ADITYA PURI
Managing Director

D. M. SATWALEKAR
J. S. BAIJAL
N. M. MUNJEE
K. M. MISTRY
Dr. (Mrs.) AMLA SAMANTA
Dr. VENKAT RAO GADWAL
Directors

SANJAY B. DONGRE
Asst. Vice-President—Legal &
Company Secretary

Mumbai, 21st April, 1999

AUDITORS' CERTIFICATE

We have verified the above cash flow statement of HDFC BANK LIMITED which has been compiled from and is based on the audited financial statements for the years ended March 31, 1999 and March 31, 1998. To the best of our knowledge and belief and according to the information and explanations given to us, it has been prepared pursuant to Clause 32 of the Listing Agreement with The Stock Exchange, Mumbai.

For S. B. Billimoria & Co.
Chartered Accountants

Nalin M. Shah
Partner

Mumbai, 21st April, 1999

BOARD OF DIRECTORS :

The Board of Directors of the Bank is headed by Mr. S. S. Thakur, Chairman and consists of eminent persons with considerable experience in the banking and financial services industries. Dr. (Mrs.) Amla Samanta and Dr. Venkat Rao Gadwal have specialised knowledge and experience in SSI and agricultural sectors respectively. Mr. C. FitzGerald and Mr. C. J. Read who have diverse professional experience represent the NatWest Group on the Board. The Board Meetings are held generally once in two months. During the year 1998-99, seven Board Meetings were held.

Mr. S. S. Thakur is the part time Chairman of the Bank, whereas Mr. Aditya Puri, Managing Director, is in the whole time employment of the Bank. Mr. Thakur and Mr. Puri are in receipt of professional fees and remuneration respectively, from the Bank. No Director is paid any commission on the net profit of the Bank. However, a sitting fee of Rs. 2000/- is paid to the Directors (other than Mr. Puri) for every Board Meeting attended by them.

COMMITTEES OF DIRECTORS :

The Bank is committed to transparency in all its dealings and to provide efficient services. The Board has therefore constituted Committees of Directors to deal with matters which need quick and timely decisions and overall supervision and guidance. The Board Committees are as follows :

Share Transfer Committee :

This Committee has been formed to approve transfer, transmission, splitting and consolidation of shares, issue of duplicate share certificates etc. The Committee monitors the share transfer process and related activities.

The Committee generally meets once in a week. This facilitates speedy approval of share transfers. In eligible cases share certificates are transferred and despatched to the shareholders within an average period of about 10 days of the receipt of transfer deeds. During the year the Committee held fifty three meetings.

Audit & Compliance Committee :

This Committee has been formed to approve the Bank's audit and compliance policies, procedures and techniques and monitors the implementation / compliance thereof. It also monitors compliance of RBI guidelines and other regulatory requirements. During the year the Committee held six meetings.

Risk Monitoring Committee :

This Committee has been formed to monitor the Bank's credit and market risk policies and procedures, approve and review dealing authorities / limits for the Bank's treasury operations and review the Bank's risk monitoring systems and risk reporting procedures. The Committee 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 prudently diversified. For the purpose of granting credit facilities the internal credit grading of the corporate customers is done and the same is reviewed from time to time. During the year the Committee held five meetings.

Credit Approval Committee :

This Committee was formed in the latter half of the year to approve credit exposures which are beyond the powers delegated to the executives of the Bank. This facilitates quick response to the needs of the customers and speedy

disbursement of loans. The Committee held four meetings during the year.

Premises Committee :

This Committee has been constituted to approve purchase or hiring of premises for the use of the Bank's branches and executives in accordance with the guidelines laid down by the

Board. The committee held three meetings during the year.

Committees of Executives :

In addition, the Bank has constituted committees of executives which meet frequently to discuss and take decisions related to assets and liabilities (ALCO), personnel matters, etc.

COMPOSITION OF COMMITTEES OF DIRECTORS

Share Transfer Committee :

Mr. S. S. Thakur, *Chairman*
Mr. K. M. Mistry.
Mr. N. M. Munjee.
Mr. Aditya Puri.

Audit & Compliance Committee :

Mr. S. S. Thakur, *Chairman*
Mr. K. M. Mistry.
Mr. C. FitzGerald.

Risk Monitoring Committee :

Mr. N. M. Munjee, *Chairman*,
Mr. Aditya Puri.
Mr. C. J. Read

Credit Approval Committee :

Mr. S. S. Thakur, *Chairman*
Mr. D. M. Satwalekar.
Mr. K. M. Mistry.
Mr. Aditya Puri.

Premises Committee :

Mr. S. S. Thakur, *Chairman*
Mr. Aditya Puri.
Mr. K. G. Krishnamurthy,
(Advisor)

Steps taken for protection of Investors Interest

I. SHARE CERTIFICATES

A) Delivery of share certificates :

Generally, after effecting transfer of shares, the Bank sends an intimation to the shareholders regarding the transfer and despatch of share certificates. In case the share certificates are not received by the concerned shareholders they can immediately inform the Bank so that a temporary alert tag can be marked in respect of such share certificates. This would help avert fraudulent transfers.

B) Prevention of Forged Transfers :

In order to prevent forged transfer of shares which might have been intercepted in transit, the Bank has started intimating the shareholders, especially in cases where share certificates are relodged for transfer within 2½ months of the earlier transfer. Such intimations are sent by way of a notice of lodgement inviting any objections to the proposed transfer of shares.

C) Reduction in processing time :

The transfer processing time has been considerably reduced as is evident from the flow chart appearing hereinafter. The average time for transfer and despatch of share

certificates has been reduced from 17 days in July, 1998 to just 10 days as on 31st March, 1999.

D) Duplicate Shares :

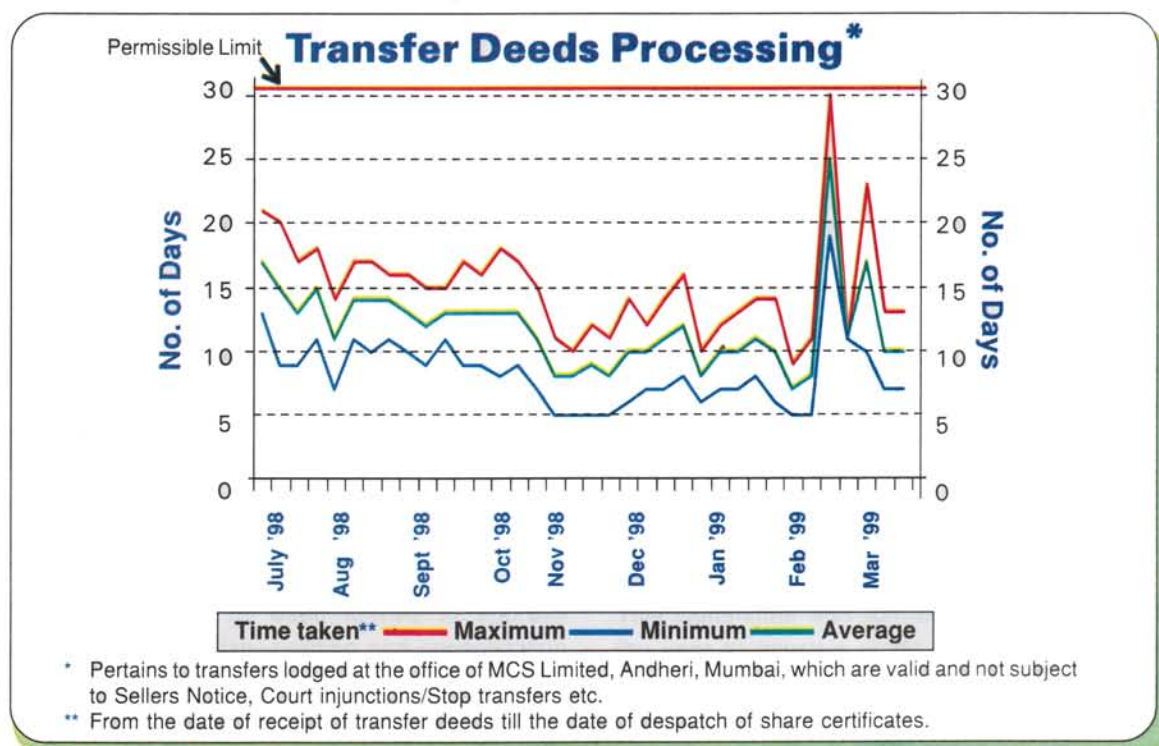
The procedure for issue of duplicate share certificates has also been streamlined. Efforts are made to despatch duplicate share certificates within a period of 40 days from the date of receipt of duly completed documents by the Registrars.

II. UNCLAIMED DIVIDEND :

The Bank has issued duplicate dividend warrants in cases where the dividend has remained outstanding. This exercise was undertaken suo moto without any request from the shareholders.

III. COUNSELLING FOR ECS MANDATES :

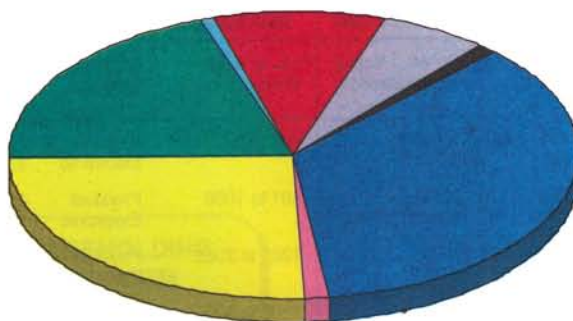
The Bank has time and again requested the shareholders to opt for the Electronic Clearing Services by which the dividend amount can be credited to their bank accounts directly. Such requests are also made to the shareholders while forwarding share certificates or duplicate dividend warrants. The Bank has received an encouraging response in this regard.



Geographical Distribution of Shareholders

City	Figures for 1998-99			Figures for 1997-98		
	No. of Folios	Percentage	No of shares	No. of Folios	Percentage	No of shares
Ahmedabad	19,177	6.29	37,09,761	19,198	5.93	37,47,400
Bangalore	10,344	3.39	24,95,282	10,911	3.37	26,23,400
Calcutta	13,982	4.58	31,78,998	15,792	4.88	34,57,900
Chennai	10,493	3.44	28,64,961	11,209	3.47	27,08,100
New Delhi	22,547	7.39	49,69,789	23,700	7.33	5,09,200
Mumbai	89,562	29.36	10,61,79,731	93,274	28.83	10,78,51,370
Pune	12,461	4.09	28,46,670	12,893	3.99	28,63,700
Others	1,26,457	41.46	7,37,54,808	1,36,515	42.20	7,62,38,930
Total	3,05,023	100.00	20,00,00,000	3,23,492	100.00	20,00,00,000

SHAREHOLDING PATTERN



INDIVIDUALS	35.87%
COMPANIES	1.53%
HDFC LTD., HDFC INVESTMENTS LTD.	25.78%
NATWEST GROUP	20.00%
DIRECTORS	0.82%
FII'S, NRI'S, OCB'S	9.68%
MUTUAL FUND, BANKS & FI'S	5.23%
IN TRANSIT / AWAITING CONFIRMATION FROM NSDL	1.10%

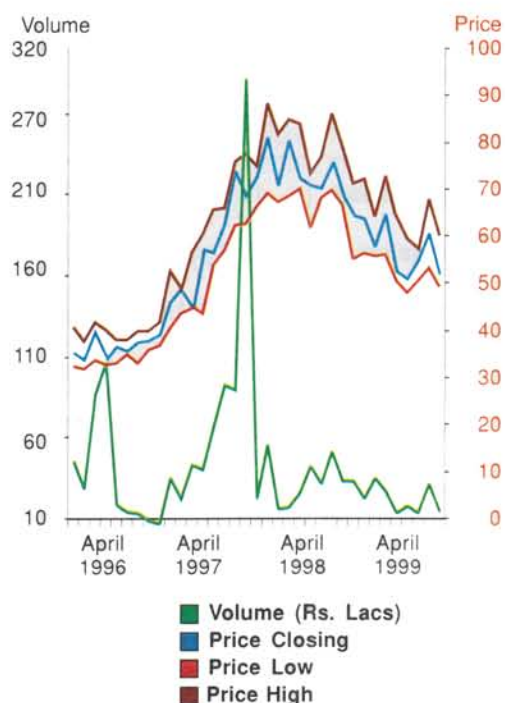
Shareholders' Information - (Contd.)

SHARE PRICES/VOLUME

The volume and monthly high and low quotations of your Bank's shares traded on National Stock Exchange are as follows :-

Period	Highest Rs.	Lowest Rs.	Closing Rate	Volume of shares traded
April, 1998	86.10	69.75	76.80	51,25,700
May, 1998	79.00	66.50	69.45	33,09,300
June, 1998	71.20	55.25	65.25	33,67,800
July, 1998	72.05	56.25	63.80	22,54,500
August, 1998	64.00	55.70	57.80	35,02,400
September, 1998	72.80	56.15	64.85	27,50,200
October, 1998	63.90	50.60	52.75	13,72,600
November, 1998	59.40	48.00	51.15	18,19,900
December, 1998	58.00	50.35	54.75	13,92,600
January, 1999	67.85	53.10	60.70	31,74,200
February, 1999	60.00	49.15	52.00	14,42,600
March, 1999	70.45	50.00	69.55	81,88,691

SHARE PRICE CHART



Shareholding Details

CATEGORIES OF SHAREHOLDERS AS ON 31ST MARCH, 1999					DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH, 1999					
Categories	Mode of Holding	No of Folios	No of shares	Voting Strength (%)	No of equity shares held	Mode of Holding	Folio		Shares	
							Numbers	% age	Numbers	%age
Individuals	Physical	2,98,630	6,89,21,498	34.46	upto 500	Physical	2,93,422	96.20	4,44,93,860	22.25
	Electronic	4,231	28,18,755	1.41		Electronic	3,844	1.26	7,70,255	0.38
Companies	Physical	1,484	22,03,900	1.10	501 to 1000	Physical	4,126	1.35	33,85,814	1.69
	Electronic	163	8,48,984	0.42		Electronic	307	0.10	2,48,100	0.12
Promoters	Physical	1	2,00,00,000	10.00	1001 to 2000	Physical	1,264	0.41	19,27,792	0.96
	Electronic	1	3,15,50,000	15.77		Electronic	97	0.03	1,50,400	0.07
NatWest Group	Physical				2001 to 3000	Physical	376	0.12	9,70,304	0.49
	Electronic	2	4,00,00,000	20.00		Electronic	64	0.02	1,64,900	0.08
FII's, NRI's, OCBs	Physical	294	95,73,730	4.79	3001 to 4000	Physical	199	0.07	7,17,731	0.36
	Electronic	62	97,91,800	4.90		Electronic	27	0.01	1,01,900	0.05
Directors	Physical	14	14,10,772	0.71	4001 to 5000	Physical	235	0.08	10,90,018	0.55
	Electronic	2	2,26,700	0.11		Electronic	23	0.01	1,09,900	0.06
Mutual Fund, Banks, FI's	Physical	96	9,64,500	0.48	5001 to 10000	Physical	488	0.16	35,84,572	1.79
	Electronic	43	94,95,100	4.75		Electronic	41	0.01	3,10,684	0.16
Shares in transit in NSDL			13,17,061	0.66	10001 and above	Physical	409	0.14	4,69,04,309	23.45
						Electronic	101	0.03	9,28,75,200	46.44
Shares dematerialised awaiting confirmation from NSDL			8,77,200	0.44	Shares in transit in NSDL				13,17,061	0.66
					Shares dematerialised awaiting confirmation from NSDL				8,77,200	0.44
Total :		3,05,023	20,00,00,000	100.00	Total :		3,05,023	100.00	20,00,00,000	100.00

Dematerialisation of Shares

9,69,25,600 Shares representing **48.46%** of the share capital of the Bank have been dematerialised.

Shares to be traded in demat form :

With effect from 5th April, 1999 the equity shares of the Bank can be traded on the Stock Exchanges only in dematerialised form.

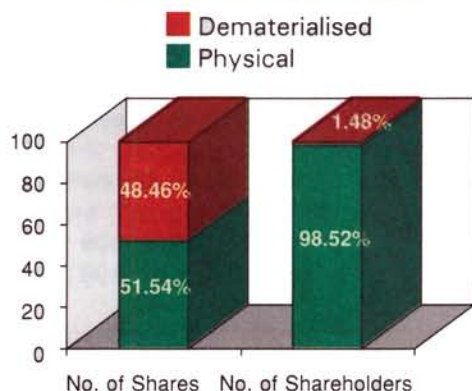
How to dematerialise the shares :

Shareholders who are desirous of dematerialising their shares can do so by opening a depository account with a

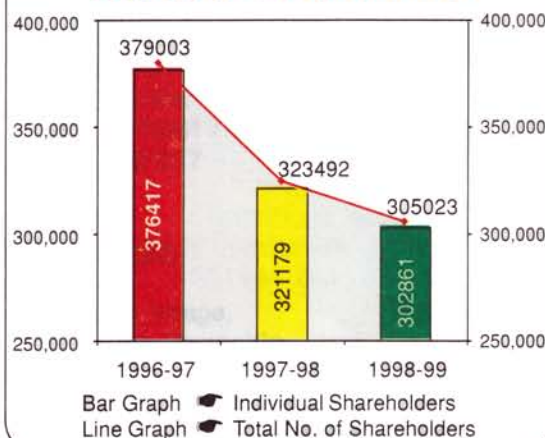
Depository Participant (DP). They can then submit to the DP a dematerialisation request alongwith the relevant share certificates. The DP will forward the share certificates to the concerned Company or its Registrars and Transfer Agents for dematerialisation.

HDFC Bank is a Depository Participant with National Securities Depository Limited and would be happy to open depository accounts of the shareholders at any of its designated branches. The list and addresses of branches offering depository services are indicated in the Branch Network at the end of this Annual Report.

DISTRIBUTION OF SHAREHOLDING IN PHYSICAL & DEMAT FORM



NUMBER OF SHAREHOLDERS



Electronic Clearing Service (ECS)

Payment of Dividend through Electronic Clearing Service (ECS)

It has been the experience of the Bank that in some cases dividend warrants were delivered after considerable delay or were lost in transit. The Bank has also come across cases of fraudulent encashment of dividend warrants. In order to avoid this, the shareholders are advised to opt for the Electronic Clearing Service (ECS) introduced by Reserve Bank of India in major cities. Under the ECS system, the dividend amounts payable to the shareholders can be credited to the bank accounts instantaneously with no extra cost to them.

The shareholders wishing to avail of the above facility, may furnish the required information in the Mandate Form reproduced in this Report and forward the same to the Bank's Registrars and Transfer Agent viz. **MCS Limited, Unit : HDFC Bank, Sri Venkatesh Bhavan, Plot No. 27, Room No.11, MIDC Area, Andheri (E), Mumbai 400 093** together with the photocopy of the cheque of the relevant bank account or a cancelled blank cheque. The information so furnished would be kept confidential and utilised only for the purpose of effecting dividend payments.

**KINDLY MAIL ECS
MANDATE TO**



MCS Limited, Unit: HDFC Bank.
Sri Venkatesh Bhavan, Plot-27, Road-11,
M.I.D.C., Andheri (E.), Mumbai - 400 093

WESTERN ZONE

MUMBAI

- ◆ 101-104 Tulsiani Chambers,
Free Press Marg,
Nariman Point, Mumbai 400 021
Tel : 2851515.
Fax : 2855949
- ◆ Mistry Bhavan,
Dinshaw Vacha Road,
122 Backbay Reclamation,
Churchgate, Mumbai 400 020
Tel : 2045634 / 2845214.
Fax : 2045658
- ◆ Tirupati Apartments,
Shop No. 10, **Bhulabhai Desai Rd.**,
Mumbai 400 026
Tel : 4962525 / 4961318.
Fax : 4961383
- ◆ Sandoz House,
Dr. Annie Besant Road,
Worli, Mumbai 400 018
Tel : 4951616.
Fax : 4951771
- ◆ "EL-DORADO",
Narayan Dhuru Marg,
Opp. Veer Savarkar Marg,
Prabhadevi, Mumbai 400 025
Tel : 4316902 / 3 / 4.
Fax : 4316905
- ◆ Bombay Scottish Orphanage Soc.,
Veer Savarkar Road,
Mahim, Mumbai 400 016
Tel : 4469378 / 74 / 61 / 64
Fax : 4469662
- ◆ Shop No. 3, Ground Floor,
Pali Hill Navroz Premises Co.op Soc.Ltd.,
66, **Pali Hill Road**,
Bandra (West), Mumbai 400 050
Tel : 6041863 / 1933.
Fax : 6041964
- ◆ Swagatam,
Opp. Khar Police Stn., S. V. Road,
Khar (West), Mumbai 400 052
Tel : 6051122 / 1414 / 6499286.
- ◆ The Amaltas Co.op. Soc. Ltd.,
Juhu Versova Link Road,
Ward-K (West),
Andheri (W), Mumbai 400 053
Tel : 6250740 / 41 / 6286152.
Fax : 6250740
- ◆ "Arbour" 180-A, Marve Road,
Orlem- Malad (W),
Mumbai 400 064
Tel : 8887425
Fax : 8887423
- ◆ Pooja Apartments,
Evershine Nagar, **Vasai (E)**,
Thane (District)
Tel : 912-4549111 / 112
- ◆ Shop No. 4/7,
Vishnu-Pratibha Complex,
Agashe Road, **Virar (W)**,
Thane District 401 303
Tel : 912-507942 / 5 / 6
Fax : 912-507943
- ◆ Ground Floor, Maya, 15th Rd,
Chembur, Mumbai 400 071
Tel : 5282557 / 5284013
Fax : 5282545
- ◆ Flat S-18, Mulund Indl. Services,
C.H.S.L. Nahur Road,
Opp. Galanagar,
Mulund (West),
Mumbai 400 080
Tel : 5907239 / 5907237
Fax : 5901089
- ◆ HDFC Annexe, Plot No. 82
Sector 17, **Vashi**,
Navi Mumbai 400 703
Tel : 7682081 / 1544 / 1110 / 1348
Fax : 7681877

PATALGANGA

- ◆ Lodhivali Village,
Reliance Township,
Market Building,
Dist. Raigard 410 206
Tel : 551859 / 55196 / 55197 / 55203.
Fax : (02192) 55202

Branch Network - (Contd.)

PUNE

- ◆ Plot No.148/B,
Netrali Apartments,
CTS No. 309, Shivaji Nagar,
Law College Road,
Pune 411 004
Tel : 350678 / 351334 / 351736
Fax: 350720
- ◆ 9/2 Kalpataru Gardens,
Boat Club Road, Pune 411 001
Tel : 604290 / 604291
Fax: 604295
- ◆ "Puspak",
90, Anand Park, ITI Road, **Aundh,**
Pune 411007
(Opened on 5th April, 1999)
- ◆ 3/4, Mayurpankh,
Survey No. 8, Mithanagar,
Kondhwe Khurd,
Pune 411 048
Tel : 676416 / 676192 / 616953
Fax: 676192

GOA

- ◆ Plot No. 27,
Opp. Babu Naik House,
Aquem, Margao,
Goa 403 601
Tel : 712800 / 724065.
- ◆ Plot No. 41 / 42*,
16th June Road, Panjim, Goa
(*Opening shortly)

AHMEDABAD

- ◆ HDFC House, 1st Floor,
Near Mithakhali Six Roads,
Navrangpura, Ahmedabad 380 009
Tel : 6563465 / 6564932 / 34
Fax: 6563464
- ◆ ASE Premises Basement,
Kamdheni Complex,
Ambawadi, Ahmedabad
Tel : 6426356.

- ◆ Silicon Valley Co-operative
Housing Society Ltd.
Near Jay Shefali Row Houses,
Satellite Road, Vejalpur,
Ahmedabad, Gujarat
Tel : 02641-56102
- ◆ Bodakdev, BPL House*, **Drive In Road**
Opp. Drive In Cinema, Ahmedabad
Tel : 6741940 / 36/ 54
(*Opening shortly)

DAHEJ

- ◆ **IPCL Gandhar Petrochemical Complex,**
P.O. Dahej 392 130, Gujarat State
Tel : 56105 / 56104.
Fax: 02647-56098

VADODARA

- ◆ Arun Complex, 36, Alkapuri Society
R. C. Dutt Road, Vadodara 390 005
Tel : 0265-341138 / 39 / 36 / 37.
Fax: 341142

NORTH ZONE

NEW DELHI

- ◆ Hindustan Times House, 5th Floor,
18/20, **K. G. Marg,**
New Delhi 110 001
Tel : 3731212
Fax: 3725993
- ◆ M-44, **Greater Kailash II market,**
New Delhi 110 048
Tel : 6233389 / 90 / 88.
- ◆ 79, **Old Rajinder Nagar market,**
New Delhi 110 060
Tel : 578227 / 5787249 / 576329.
- ◆ Safdarjung Dev. Area, C-5,
SDA Commercial Complex,
New Delhi 110 016
Tel : 6526750 / 51 / 52 / 53.
Fax : 6526755

- ◆ Extension Counter, Modern School,
Poorvi Marg, New Delhi 110 048
Tel : 6151280 / 6151281
Fax: 6526755

- ◆ HDFC House,
B6/3, Safdarjung Enclave,
Opp. Deer Park, New Delhi 110 029
Tel : 6191989 / 1992 / 6173343
Fax: 6191990

- ◆ D-1, Shopping Centre 2,
Vasant Vihar
New Delhi 110 057
Tel : 6140894 / 6140996.
Fax : 6149222

- ◆ 13, Local Shopping Area,
Block J, Saket,
New Delhi 110 017
Tel : 6563409
Fax: 6563345

CHANDIGARH

- ◆ SCO 371/372, **Sector 35B**,
Chandigarh,
Tel : 172-646154 / 5 / 6 / 7
Fax: 646229

LUDHIANA

- ◆ First Mall, **The Mall**, Ludhiana
Tel : 161-422341 / 2 / 3 / 4.
Fax : 422345

JALANDHAR

- ◆ Delta Chambers,
Lower Ground Floor,
35, G.T. Road, Jalandhar 144001
Tel : 225201
Fax: 225301

GURGAON

- ◆ 12, DLF Shopping Mall,
DLF Phase I, Gurgaon
Tel : 0124-358801 / 4.

INDORE

- ◆ Ground Floor, U. V. House,
9/1A South Tukoganj,
Indore 452 001
Tel : 731-521211 / 12 / 13 / 14
Fax: 521218

SOUTH ZONE

HYDERABAD

- ◆ 6-1-70, **Lakdikapul**,
Hotel Ashoka Complex,
Hyderabad 500 004
Tel : 040-230053 / 059 / 471
Fax : 230349

- ◆ **Chandanagar**,
Serilingampally Mandal,
Rangareddy District 500032

SECUNDERABAD

- ◆ Usha Kiran Complex,
S. D. Road,
Secunderabad 500 003
Tel : 810155 / 810157.
Fax: 810161

VISHAKHAPATNAM

- ◆ 1st Floor, Potluri Castle,
(Above Raymond Show room),
Dwarka Nagar,
Vishakhapatnam 530 016
Tel : 501652 / 3 / 501658.

COCHIN

- ◆ CC 39/5478,
Ravipuram, Sannidhi Road,
Kochi 682 015
Tel : 084-38036 / 084-369169.
Fax: 380394

Branch Network - (Contd.)

CHENNAI

- ◆ ITC Centre, **759 Mount Road**,
Chennai 600 002
Tel : 8551313 / 8551212 / 8550444.
Fax : 8550233
- ◆ Arunachala Apts Plot No.12,
M. G. Road, Shastri Nagar,
Adyar, Chennai 600 020
Tel : 4914360 / 4901345 / 46.
Fax : 4901345
- ◆ Block "Y", Number 206,
Plot No.4522,
Anna Nagar, Chennai 600 040
Tel : 6287445 / 446.
Fax : 6287448
- ◆ Plot No.8, Arcot Rd,
Valsaravakham,
Chennai 600 087
Tel : 4868601-5.

COIMBATORE

- ◆ Damodar Centre, 1049-50,
Avanashi Road,
Coimbatore 641 018
Tel : 213713 / 215641.
Fax : 215605

BANGALORE

- ◆ 24/3 HDFC House,
Kasturba Road,
Bangalore 560001
Tel : 2275571-5.
Fax : 2216874
- ◆ 63/1, 3rd Main, 18th Cross,
Malleswaram,
Bangalore 560 003
Tel : 3461462 / 9
- ◆ No. 6, Royal Arcade*,
Koramangala Indl. Area,
Koramangala,
Bangalore 560 095
(*Opening shortly)

EAST ZONE

CALCUTTA

- ◆ Stephen House,
4, **BBD Bag (East)**,
Calcutta 700 001
Tel : 2810813-24 / 2803517/ 6 / 8.
Fax : 2430618
- ◆ 9B, **Wood Street**,
Calcutta 700 016
Tel : 2803515-24.
Fax : 2409202
- ◆ BA3, **Salt Lake**,
Next to Punjab National Bank,
Calcutta
Tel : 3583203-4 / 3635 / 91/
3340212.
Fax : 3584320
- ◆ 132/A, **Southern Avenue**,
Opp. Ramkrishna Mission,
Calcutta 700 029
Tel : 4631381-5.
Fax : 4631384
- ◆ 174A **New Alipore**, Block -G,
Calcutta-700053
Tel : 4463941 / 4463942.
Fax : 4463940
- ◆ Rohini, **Sodepur Road**,
Madhyamgram, 24 PGS North
Tel : 4632047.
Fax : 5389071
- ◆ Dhariwal House,
VIP Road, **Raghunathpur**,
Dist- 24 Parganas.
Tel : 594500 / 02 / 499 / 5594525

◆ *These branches also provide depository participant services.*

HDFC BANK LIMITED

ENTRANCE PASS

(To be presented at the entrance)

5TH ANNUAL GENERAL MEETING ON 1ST JUNE, 1999 AT 3.30 p.m.
at Patkar Hall, SNDT Women's University, 1, Nathibai Thakersey Road, New Marine Lines, Mumbai - 400 020.

Folio No DPID No..... Client ID No.....

Name of the Shareholder :

Signature :

Only shareholders / proxies / representatives are allowed to attend the meeting.

HDFC BANK LIMITED

PROXY FORM

I/ Weofin the district of being a member(s) of the above named Bank, hereby appoint of in the district of as my/our proxy to attend and vote for me / us and on my / our behalf at the Fifth Annual General Meeting of HDFC Bank Limited to be held on Tuesday, 1st June, 1999 and at any adjournment thereof.

Ledger Folio Client ID DP ID No.....

No. of shares held

Signed this day of May, 1999. Signature:

affix 30
paise
Revenue
Stamp

BANK ACCOUNT PARTICULARS / ECS MANDATE FORM

I / We are holding shares against Folio No. HB..... (Physical mode) and shares (Demat mode) against Client ID No. DP ID No. and do hereby authorise HDFC Bank Limited

1. To print the following details on my / our dividend warrant
2. To credit my dividend amount directly to my Bank Account in accordance with RBI's scheme (Strike out whichever is not applicable)

Particulars of Bank Account:

- A. Bank Name :
- B. Branch Name :
- Address (for Mandate only) :
- C. 9 Digit Code number of the bank & branch name appearing on the MICR cheque :
- D. Account Type (Saving/Current) :
- E. Account No. as appearing on the cheque book :
- F. STD Code & Telephone No. :

I/We shall not hold the Bank responsible if the ECS could not be implemented or the Bank discontinue the ECS, for any reason.

MAIL TO

MCS Limited, Unit: HDFC Bank.
Sri Venkatesh Bhavan, Plot-27, Road-11,
M.I.D.C., Andheri (E.), Mumbai - 400 093

Signature of the Shareholder

Please attach the photocopy of a cheque or a blank cancelled cheque issued by your Bank relating to your above account for verifying the accuracy of the code number.

We serve you at these locations ...



BOOK-POST

If undelivered, please return to :

HDFC BANK LTD.

P.O. Box No.8970,
Sakinaka Post Office,
Andheri (East)
Mumbai 400 072.