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## AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

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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 March 31, 2007 as stipulated in Clause 49 of the Listing Agreement of the Bank with the Stock Exchanges.

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

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

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

**For Haribhakti & Co.**  
Chartered Accountants

Shailesh V. Haribhakti  
Partner

*Membership No : 30823*

Place : Mumbai  
Date : May 17, 2007

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# Corporate Governance

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

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

## BOARD OF DIRECTORS

The Composition of the Board of Directors of the Bank is governed by the Companies Act, 1956, the Banking Regulation Act, 1949 and the listing requirements of the Indian Stock Exchanges where the securities issued by the Bank are listed. The Board has a strength of 9 Directors as on March 31, 2007. All Directors other than Mr Aditya Puri are non-executive directors. The Bank has four independent directors and five non-independent directors. The Board consists of eminent persons with considerable professional expertise and experience in banking, finance, agriculture, small scale industries and other related fields.

None of the Directors on the Board is a member of more than 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. Jagdish Capoor, Mr. Aditya Puri, Mr. Keki Mistry, Mrs. Renu Karnad and Mr. Vineet Jain are non-independent Directors on the Board.
- Mr. Arvind Pande, Mr. Ashim Samanta, Mr. Gautam Divan and Mr. C. M. Vasudev are independent directors on the Board.
- Mr. Keki Mistry and Mrs. Renu Karnad represent HDFC Limited on the Board of the Bank.
- Mr. Vineet Jain is nominated by the Bennett, Coleman Group on the Board of the Bank.
- The Bank has not entered into any materially significant transactions during the year, which could have a potential conflict of interest between the Bank and its promoters, directors, management and/or their relatives, etc. other than the transactions entered into in the normal course of business. The Senior Management have made disclosures to the Board confirming that there are no material, financial and/or commercial transactions between them and the Bank which could have potential conflict of interest with the Bank at large.

## COMPOSITION OF THE BOARD OF DIRECTORS

Composition of the Board of Directors of the Bank as on March 31, 2007 is as under:

### Mr. Jagdish Capoor

Mr. Jagdish Capoor holds a Masters degree in Commerce and is a Certified Associate of the Indian Institute of Bankers. Prior to joining the Bank, Mr. Capoor was the Deputy Governor of the Reserve Bank of India. He retired as Deputy Governor of the Reserve Bank of India after serving for 39 years. While with Reserve Bank of India, Mr. Capoor was the Chairman of the Deposit Insurance and Credit Guarantee Corporation of India and Bharatiya Reserve Bank

Note Mudran Limited. He was also on the boards of Export Import Bank of India, National Housing Bank, National Bank for Agriculture and Rural Development (NABARD) and State Bank of India.

Mr. Capoor is on the Boards of the Indian Hotels Company Limited, Bombay Stock Exchange Limited, GHCL Limited and Assets Care Enterprise Limited. He is also a member of the Board of Governors of the Indian Institute of Management, Indore and of the Academic Advisory Board of Asian Business School, Bangalore.

Mr. Capoor is a member of the Audit Committee of Indian Hotels Company Limited, GHCL Limited and Assets Care Enterprises Limited. He is chairman of Shareholders' Committee of Bombay Stock Exchange Limited.

Mr. Capoor does not hold equity shares in the Bank as on March 31, 2007.

#### **Mr. Aditya Puri**

Mr. Aditya Puri holds a Bachelors degree in Commerce from Punjab University and is an associate member of the Institute of Chartered Accountants of India. Mr. Aditya Puri is a member of SAMEA (South Asia, Middle East and Africa) Board of Master Card International. Mr. Aditya Puri has been the Managing Director of the Bank since September 1994. He has about 33 years of banking experience in India and abroad.

Prior to joining the Bank, Mr. Puri was the Chief Executive Officer of Citibank, Malaysia from 1992 to 1994.

Mr. Puri holds 3,37,953 equity shares in the Bank as on March 31, 2007.

#### **Mr. Keki Mistry**

Mr. Keki Mistry holds a Bachelor of Commerce degree in Advanced Accountancy and Auditing and is also a Chartered Accountant. He was actively involved in setting up of several HDFC group companies including HDFC Bank. Mr. Mistry has been deputed on consultancy

assignments for the Commonwealth Development Corporation (CDC) in Thailand, Mauritius, Caribbean Islands and Jamaica. He has also worked as a consultant for the Mauritius Housing Company and Asian Development Bank.

Mr. Mistry is the Managing Director of Housing Development Finance Corporation Limited (HDFC) and the Chairman of GRUH Finance Limited. He is also a Director on the Board of HDFC Developers Limited, HDFC Trustee Company Limited, HDFC Standard Life Insurance Company Limited, HDFC Chubb General Insurance Company Limited, Infrastructure Leasing & Financial Services Limited, Sun Pharmaceutical Industries Limited, The Great Eastern Shipping Company Limited, NexGen Publishing Limited, Intelenet Global Services Private Limited and India Value Fund Advisors Private Limited.

In Housing Development Finance Corporation Limited, Mr. Mistry is member of Investors Grievance Committee. In HDFC Standard Life Insurance Company Limited, he is member of Audit Committee. In HDFC Chubb General Insurance Company Limited, he is Chairman of Audit Committee. In HDFC Trustee Company Limited, he is member of Audit Committee, Customer Service Committee and Risk Management Committee. In Gruh Finance Limited, he is member of Audit Committee, Remuneration Committee and Investment Committee. In Great Eastern Shipping Company Limited, he is chairman of Audit Committee. In Infrastructure Leasing and Financial Services Limited, he is member of Audit Committee and Share Transfer Committee. In Sun Pharmaceutical Industries Limited, he is chairman of Audit Committee.

Mr. Mistry holds 58,001 equity shares in the Bank as on March 31, 2007.

#### **Mrs. Renu Karnad**

Mrs. Renu Karnad is a Law graduate and also holds a Masters Degree in Economics from Delhi University.

Mrs. Karnad is Director of Credit Information Bureau (India) Limited, GRUH Finance Limited, HDFC Limited, HDFC Asset Management Company Limited, HDFC Chubb General Insurance Company

Limited, HDFC Property Ventures Limited, HDFC Realty Limited, HDFC Standard Life Insurance Company Limited, HDFC Venture Capital Limited, ICI India Limited, Indraprastha Medical Corporation Limited, Sparsh BPO Services Limited, Home Loan Services India Private Limited, Intelenet Global Services Private Limited, Feedback Ventures Private Limited, Mother Dairy Fruits & Vegetables Private Limited, Ascendas Pte. Limited, Singapore, Egyptian Housing Finance Company, SAE.

In Credit Information Bureau (India) Limited, she is chairperson of Audit Committee and member of Remuneration Committee. In GRUH Finance Limited, she is member of Investment Committee, Compensation Committee, Compensation-ESOS Committee and Committee of Directors. In HDFC Asset Management Company Limited, she is member of Customer Service Committee and Risk Management Committee. In ICI (India) Limited, she is chairperson of Remuneration Committee. In Sparsh BPO Services Limited, she is member of Remuneration Committee. In Intelenet Global Services Private Limited, she is member of Audit Committee. In Mother Dairy Fruits & Vegetables Private Limited, she is chairperson of Audit Committee.

Mrs. Karnad is Chairperson of the Audit Committee of ICI India Limited and Credit Information Bureau (India) Limited.

Mrs. Karnad holds 58,924 equity shares in the Bank as on March 31, 2007.

### **Mr. Arvind Pande**

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

Mr. Pande is a Director of Sandhar Locking Devices Limited, Visa Steel Limited, Era Construction (India) Limited and Burnpur Cement Limited. He is member of the Audit Committee of Visa Steel 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 equity shares in the Bank as on March 31, 2007.

### **Mr. Vineet Jain**

Mr. Vineet Jain holds a Bachelor of Science degree and a degree in International Business Administration - Marketing.

Mr. Jain is Managing Director of Bennett, Coleman & Co. Ltd. and Director in Bennett, Coleman & Co Ltd., Times Infotainment Media Ltd, Entertainment Network (India) Limited, Optimal Media Solutions Limited, The Press Trust of India Ltd, Times Internet Ltd, Times Global Broadcasting Company Limited, Bharat Nidhi Limited, Times Journal India Private Limited, Worldwide Media Pvt. Ltd.(formerly Magz International Ltd) 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 on the Board of the Bank.

Mr. Jain is the Chairman of Investments and Loans Committee and member of Share Transfer Committee of Bennett, Coleman & Co. Ltd. He is member of the "Committee of Board" of The Press Trust of India Ltd.

Mr. Jain holds 2,60,869 equity shares in the Bank as on March 31, 2007.

### **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 27 years. He has vast experience in the field of bulk drugs and pharmaceutical formulations. He is a Director of Samanta Organics Private Limited, Nautilus Trading & Leasing Private Limited, Ashish Rang Udyog Private Limited, Samanta Movies Private Limited and Shakti Cine Studios Private Limited. 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 is liable to retire by rotation and being eligible offers himself for re-appointment at the ensuing Annual General Meeting.

Mr. Samanta holds 600 equity shares in the Bank as on March 31, 2007.

#### **Mr. C. M. Vasudev**

Mr. C. M. Vasudev holds a Masters Degree in Economics and Physics. He joined the Indian Administrative Services in 1966. Mr. Vasudev has worked as Executive Director of World Bank representing India, Bangladesh, Sri Lanka and Bhutan. Mr. Vasudev has extensive experience of working at policy making levels in the financial sector and was responsible for laying down policies and oversight of management. He chaired World Bank's committee on development effectiveness with responsibility of ensuring effectiveness of World Bank's operations. Mr. Vasudev has also worked as Secretary, Ministry of Finance and has undertaken various assignments viz. Secretary, Department of Economic Affairs, Department of Expenditure, Department of Banking and was Additional Secretary Budget with responsibility for framing budget of Government and monitoring its implementation. He has also worked as Joint Secretary of Ministry of Commerce with responsibility for state trading, trade policy including interface with WTO.

Mr. Vasudev is Director on the Board of Directors of Bombay Stock Exchange Limited, Central Depository Services Limited, ICRA Management Consultancy Services Limited, NOIDA Power Company Limited and Noesis Consultancy Services Pvt. Ltd. He is a member of Audit Committee and Remuneration Committee of Bombay Stock Exchange Limited, member of Audit Committee and chairman of Remuneration Committee of ICRA Management Consultancy Services Limited and member of Audit Committee of NOIDA Power Company Limited.

Mr. Vasudev does not hold equity shares in the Bank as on March 31, 2007.

#### **Mr. Gautam Divan**

Mr. Gautam Divan holds a Bachelors degree in Commerce and is a Fellow Member of the Institute of Chartered Accountants of India. Mr. Divan is a partner in Rahul Gautam Divan & Associates, Chartered Accountants. Mr. Divan has wide experience in financial and taxation planning of individuals and limited companies and auditing accounts of large public limited companies and nationalized Banks. Mr. Divan enjoys substantial experience in structuring overseas investments to and from India.

Mr. Divan is on the Board of PI Industries Limited, Baltic Consultancy and Services Private Limited, Bell Ceramics Limited, Chandanbhoj and Jassoobhoj Consultants Private Limited, Serendib Investments Private Limited, HDFC Standard Life Insurance Company Limited and Ascent Hotels Private Limited. He is chairman of Audit Committee and member of Remuneration Committee and Shareholders/Investors Grievance Committee of PI Industries Limited. He is chairman of both the Audit Committee and Remuneration Committee of Bell Ceramics Limited. He is the chairman of Audit Committee of HDFC Life Insurance Company Limited.

Mr. Divan does not hold equity shares in the Bank as on March 31, 2007.

### RECENT APPOINTMENT

#### Dr. Pandit Palande

Dr. Pandit Palande has been appointed as additional director on April 24, 2007 pursuant to Section 260 of the Companies Act, 1956.

Dr. Palande has Ph.D. degree in Business Administration and completed an Advanced Course in Management from Oxford University and the Warwick University in UK. Dr. Palande has worked as a director of school of Commerce and Management for 15 years in Yashwantrao Chavan Maharashtra Open University (YCMOU). At present, Dr. Palande is Pro-Vice Chancellor of YCMOU.

Dr. Palande has extensive experience of working in the fields of business administration, management and agriculture. Under the guidance of Dr. Palande, YCMOU has become one of the green universities in India. As a project Director of Indian Space Research Organisation (ISRO) GAP-3 of YCMOU, Dr. Palande has been serving the agriculture community on a large scale through satellite.

Dr. Palande is neither a director on the Board of any other company nor a member and chairman of any committee of the Board of Directors.

Dr. Palande does not hold equity shares in the Bank on March 31, 2007 as well as on the date of his appointment.

### BOARD MEETINGS

During the year under review, eight Board Meetings were held on April 17, 2006; May 30, 2006; July 14, 2006; August 29, 2006; October 17, 2006; December 5, 2006; January 11, 2007 and March 29, 2007.

Details of attendance at the Bank's Board Meetings held during the year under review, directorship, membership and chairmanship in other companies for each director of the Bank are as follows:

Name of Director	Attendance at the Bank's Board Meetings	Directorship of other Indian Public Limited Companies	Membership of Other Companies' Committees	Chairmanship of Other Companies' Committees
Mr. Jagdish Capoor	8	4	4	1
Mr. Aditya Puri	8	Nil	Nil	Nil
Mr. Keki Mistry	7	10	8	3
Mr. Vineet Jain	2	8	Nil	Nil
Mrs. Renu Karnad	7	12	3	2
Mr. Arvind Pande	7	4	1	Nil
Mr. Ashim Samanta	8	Nil	Nil	Nil
Mr. C. M. Vasudev*	4	4	5	1
Mr. Gautam Divan*	4	3	4	3
Mr. Bobby Parikh**	4	N.A.	N.A.	N.A.
Dr. V. R. Gadwal***	7	Nil	Nil	Nil
Dr. Pandit Palande****	0	Nil	Nil	Nil

\* Appointed as Additional Director(s) w.e.f. October 17, 2006.

\*\* Resigned w.e.f. October 17, 2006.

\*\*\* Relinquished Office as Director w.e.f. March 14, 2007.

\*\*\*\* Appointed as Additional Director w.e.f. April 24, 2007.

Note : As per Clause-49, the memberships / chairmanships of directors in Audit Committee and Shareholders' / Investors' Committee have been considered.

### ATTENDANCE AT LAST AGM

All Directors of the Bank other than Mr. Keki Mistry and Mr. Vineet Jain attended the last Annual General Meeting held on May 30, 2006.

### REMUNERATION OF DIRECTORS

Mr. Aditya Puri has been re-appointed as Managing Director of the Bank for three years with effect from April 1, 2007. The details of the remuneration paid to the Managing Director during the year 2006-07 are as under:

<b>Break up of remuneration</b>	<b>Amount Paid (Rs.)</b>
Basic	90,00,000
Allowances	13,83,247
Performance Bonus (for FY 2005-06)	51,46,020
Provident Fund	10,80,000
Superannuation	13,50,000

The Bank provides for gratuity in the form of lump-sum payment on retirement or on death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service. The Bank makes annual contributions to funds administered by trustees and managed by insurance companies for amounts notified by the said insurance companies. The Bank accounts for the liability for future gratuity benefits based on an independent external actuarial valuation carried out annually.

Perquisites (evaluated as per Income Tax Rules wherever applicable and at actual cost to the Bank otherwise) such as the benefit of the Bank's furnished accommodation, gas, electricity, water and furnishings, club fees, personal accident insurance, use of car and telephone at residence, medical reimbursement, leave and leave travel concession, provident fund, super annuation and gratuity were provided in accordance with the rules of the Bank in this regard. No sitting fees are paid to Mr. Puri for attending meetings of Board or its Committees.

During the year, no stock options have been granted to any of the Directors of the Bank. During the year, Mr. Aditya Puri has exercised entire 150000 stock options, which were granted to him in the year 2003-04.

During the year Mr. Capoor was paid remuneration of Rs. 9,00,000/-. Mr. Capoor has not availed of the benefit of Bank's leased accommodation. 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 criteria for making payment to non-executive directors is the number of Board/Committee meetings attended by the non-executive directors. Sitting fees for attending each meeting of the Board and its various Committees, is Rs. 20,000/- except for Investor Grievance (Share) Committee. At the Board Meeting held on October 17, 2006, sitting fees for attending each meeting of the Investor Grievance (Share) Committee has been increased from Rs. 5,000/- to Rs. 10,000/-.

During the year under review, stock options were granted to certain confirmed employees of the Bank pursuant to SEBI (Employee Stock Options Scheme and Employees Stock Purchase Scheme ) Guidelines, 1999. None of the Directors were granted any stock options.

#### **DETAILS OF REMUNERATION / SITTING FEES PAID TO DIRECTORS**

The Bank does not pay any remuneration to any non-executive directors except to Mr. Capoor. No stock options have been granted to any of the non-executive directors. The sitting fees paid to non-executive directors during the year are as under :

<b>Name of the Director</b>	<b>( Rs.)</b>
Mr. Jagdish Capoor	420000
Mr. Keki Mistry	320000
Mr. Vineet Jain	40000
Mrs. Renu Karnad	300000
Mr. Arvind Pande	500000
Mr. Ashim Samanta	500000
Mr. C. M. Vasudev*	200000
Mr. Gautam Divan*	260000
Mr. Bobby Parikh**	280000
Dr. V. R. Gadwal***	520000

\* Appointed as Additional Director(s) w.e.f. October 17, 2006.

\*\* Resigned w.e.f. October 17, 2006.

\*\*\* Relinquished Office as Director w.e.f. March 14, 2007.



### COMPOSITION OF COMMITTEES OF DIRECTORS AND 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. Various committees of the Board were reconstituted during the year due to resignation of Mr. Bobby Parikh and induction of additional directors namely; Mr. C. M. Vasudev and Mr. Gautam Divan. The Board's Committees are as follows:

#### Audit and Compliance Committee

The Audit and Compliance Committee of the Bank is chaired by Mr. Arvind Pande. The other members of the Committee are Mr. Ashim Samanta, Mr. C. M. Vasudev and Mr. Gautam Divan. Mr. Bobby Parikh and Dr. V. R. Gadwal ceased to be members of the Committee w. e. f. October 17, 2006 and March 14, 2007 respectively. Mr. C. M. Vasudev and Mr. Gautam Divan were inducted as members of the Committee w.e.f. October 17, 2006. All the members of the Committee are independent directors and Mr. Gautam Divan is a financial expert.

The Committee met 9 (nine) times during the year.

The terms of reference of the Audit Committee are in accordance with Clause 49 of the Listing Agreement entered into with the Stock Exchanges in India, and interalia 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;

- d) Reviewing the adequacy of the Audit and Compliance functions, including their policies, procedures, techniques and other regulatory requirements; and
- e) Any other terms of reference as may be included from time to time in clause 49 of the listing agreement.

The Board has also adopted a charter for the audit committee in connection with certain United States regulatory standards as the Bank's securities are also listed on New York Stock Exchange.

#### Compensation Committee

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

The Bank's compensation policy is to provide a fair and consistent basis for motivating and rewarding employees appropriately according to their job / role size, performance, contribution, skill and competence.

Mr. Jagdish Capoor, Mr. Ashim Samanta and Mr. Gautam Divan are the members of the Committee. Mr. Bobby Parikh and Dr. V. R. Gadwal ceased to be members of the Committee w. e. f. October 17, 2006 and March 14, 2007 respectively. The Committee is chaired by Mr. Jagdish Capoor. All the members of the Committee other than Mr. Capoor are independent directors.

The Committee met 3 (three) times during the year.

#### Investor Grievance (Share) Committee

The Committee approves and monitors transfer, transmission, splitting and consolidation of shares and bonds 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 Report, dividends etc.

The Committee consists of Mr. Jagdish Capoor, Mr. Aditya Puri and Mr. Gautam Divan. Mr. Gautam Divan was inducted as member of the Committee w.e.f. October 17, 2006.

The Committee is chaired by Mr. Capoor and met 13 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, 2007, 54 instruments of transfer representing 4571 shares were pending and since then the same have been processed. The details of the transfers are reported to the Board of Directors from time to time.

During the year, the Bank received 206 complaints from shareholders, which have been attended to.

#### **Risk Monitoring Committee**

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

The Committee consists of Mrs. Renu Karnad, Mr. Aditya Puri and Mr. C. M. Vasudev and is chaired by Mrs. Renu Karnad. Mr. Bobby Parikh ceased to be member of the Committee w.e.f. October 17, 2006 and Mrs. Renu Karnad was

inducted as Chairperson of the Committee on October 17, 2006.

The Committee met 6 (six) times during the year.

#### **Credit Approval Committee**

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

The Committee consists of Mr. Jagdish Capoor, Mr. Aditya Puri, Mr. Keki Mistry and Mr. Gautam Divan. The Committee is chaired by Mr. Capoor.

The Committee met 2 (two) times during the year.

#### **Premises Committee**

The Premises Committee approves purchases and leasing of premises for the use of Bank's branches, back offices, ATMs and residence of executives in accordance with the guidelines laid down by the Board. The committee consists of Mr. Aditya Puri, Mr. Ashim Samanta and Mrs. Renu Karnad. Dr. V. R. Gadwal ceased to be member and chairman of the Committee w. e. f. March 14, 2007. The Committee is chaired by Mrs. Renu Karnad.

The Committee met 3 (three) 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 scrutinises the nominations for independent / non-executive directors with reference to their qualifications and experience. For identifying 'Fit and Proper' persons, the Committee adopts the following criteria to assess competency of the persons nominated:

## Corporate Governance

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

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

The members of the Committee are Mr. Arvind Pande and Mr. Ashim Samanta. Dr. V. R. Gadwal ceased to be member of the committee w.e.f. March 14, 2007. All the members of the Committee are independent directors.

The Committee met 3 (three) times during the year.

### Fraud Monitoring Committee

Pursuant to the directions of the Reserve Bank of India, the Bank has constituted a Fraud Monitoring Committee, exclusively dedicated to the monitoring and following up of cases of fraud involving amounts of Rs.1 crore and above. 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:

- Identify the systemic lacunae, if any, that facilitated perpetration of the fraud and put in place measures to plug the same;
- Identify the reasons for delay in detection, if any, reporting to top management of the Bank and RBI;
- Monitor progress of 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 and Mr. Arvind Pande. Mr. Bobby Parikh has ceased to be member of the Committee w.e.f. 17<sup>th</sup> October, 2006.

The Committee is chaired by Mr. Capoor and met 3 (three) times during the year.

### Customer Service Committee

The Committee monitors the quality of services rendered to the customers and also ensures implementation of directives received from RBI in this regard. The terms of reference of the Committee are to formulate comprehensive deposit policy incorporating the issues arising out of death of a depositor for operations of his account, the product approval process, the annual survey of depositor satisfaction and the triennial audit of such services.

The members of the Committee are Mr. Keki Mistry and Mr. Arvind Pande. Dr. Venkat Rao Gadwal ceased to be member of the Committee w.e.f. March 14, 2007.

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

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

### AUDIT & COMPLIANCE COMMITTEE

Total 9 meetings held

Name	No. of Meetings Attended
Mr. Arvind Pande	8
Mr. Ashim Samanta	9
Mr. C. M. Vasudev <sup>1</sup>	4
Mr. Gautam Divan <sup>2</sup>	4
Mr. Bobby Parikh <sup>3</sup>	4
Dr. V. R. Gadwal <sup>4</sup>	8

### RISK MONITORING COMMITTEE

Total 6 meetings held

Name	No. of Meetings Attended
Mr. Aditya Puri	6
Mrs. Renu Karnad	6
Mr. Bobby Parikh <sup>3</sup>	3
Mr. C. M. Vasudev <sup>1</sup>	2

### COMPENSATION COMMITTEE

Total 3 meetings held

Name	No. of Meetings Attended
Mr. Jagdish Capoor	3
Dr. V. R. Gadwal <sup>4</sup>	3
Mr. Bobby Parikh <sup>3</sup>	1
Mr. Ashim Samanta <sup>5</sup>	2
Mr. Gautam Divan <sup>2</sup>	2

### CREDIT APPROVAL COMMITTEE

Total 2 meetings held

Name	No. of Meetings Attended
Mr. Jagdish Capoor	2
Mr. Keki Mistry	2
Mr. Bobby Parikh <sup>3</sup>	1
Mr. Aditya Puri	2
Mr. Gautam Divan <sup>2</sup>	0

### INVESTOR GRIEVANCE (SHARE) COMMITTEE

Total 13 meetings held

Name	No. of Meetings Attended
Mr. Jagdish Capoor	13
Mr. Aditya Puri	13
Mr. Gautam Divan <sup>2</sup>	6

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

### PREMISES COMMITTEE

Total 3 meetings held

Name	No. of Meetings Attended
Mr. Aditya Puri	3
Dr. V. R. Gadwal <sup>4</sup>	2
Mr. Ashim Samanta	3
Mrs. Renu Karnad	2

### CUSTOMER SERVICE COMMITTEE

Total 4 meetings held

Name	No. of Meetings Attended
Mr. Arvind Pande	4
Mr. Keki Mistry	4
Dr. V. R. Gadwal <sup>4</sup>	4

### NOMINATION COMMITTEE

Total 3 meetings held

Name	No. of Meetings Attended
Dr. V. R. Gadwal <sup>4</sup>	2
Mr. Arvind Pande	3
Mr. Ashim Samanta	3

### FRAUD MONITORING COMMITTEE

Total 3 meetings held

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

#### NOTE

1. Mr. C. M. Vasudev has been inducted as member w.e.f. October 17, 2006.
2. Mr. Gautam Divan has been inducted as member w.e.f. October 17, 2006.
3. Mr. Bobby Parikh ceased to be director w.e.f. October 17, 2006.
4. Dr. V. R. Gadwal relinquished his office as director w.e.f. March 14, 2007.
5. Mr. Ashim Samanta has been inducted as member w.e.f. October 17, 2006.

## 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 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 of equity shares held by him.
- As per Banking Regulation Act, 1949, the voting rights on a poll of a shareholder of a banking company are capped at 10% of the total voting rights of all the shareholders of the banking company.
- To demand poll alongwith other shareholder(s) who collectively hold 5,000 shares or are not less than 1/10<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.
- To move amendments to resolutions proposed at meetings
- To receive dividend and other corporate benefits like rights, bonus shares etc. as and when declared / announced.
- To inspect various registers of the company
- To inspect the minute books of general meetings and to receive copies thereof after

complying with the procedure prescribed in the Companies Act, 1956.

- 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.

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

## PROMOTERS' RIGHTS

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

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 Bank's organisational 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. At present, the two directors so nominated by HDFC Limited are the Chairman and the Managing Director of the Bank.

For detailed provisions, the Memorandum and Articles of Association of the Bank may be referred, which are available on the website of the Bank i.e. [www.hdfcbank.com](http://www.hdfcbank.com).

## Corporate Governance

### GENERAL BODY MEETINGS

(During previous three financial years)

Meeting	Date and Time	Venue	Special Resolutions passed
12th AGM	May 30, 2006 at 3.30 p.m.	Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020	Re-appointment of Mr. Aditya Puri as Managing Director on revised terms and conditions.
11th AGM	June 17, 2005 at 3.30 p.m.	Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020	i) Approval for payment of sitting fees to the Directors of the Bank pursuant to amended Clause 49. ii) Further issue of shares under Employee Stock Option Scheme (ESOS).
EGM	November 30, 2004 at 11.00 a.m..	Amar Gian Grover Auditorium, Lala Lajpatrai College, Haji Ali, Mumbai 400 034.	Issue of American Depository Shares (ADS).
10th AGM	May 26, 2004 at 3.30 p.m.	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.

No resolution was passed with the use of postal ballots.

### KEY SHAREHOLDERS' RIGHTS PURSUANT TO AGREEMENTS

HDFC Limited, Bennett, Coleman & Co. Ltd. and its group companies (the promoters of erstwhile Times Bank Limited) 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 its holding exceeds 5% of the share capital of the Bank. Currently, as on March 31, 2007, the Bennett Coleman Group holds 5.15% of the share capital of the Bank and Mr. Vineet Jain represents the group on the Board of the Bank.

### DISCLOSURES

- During the year, the Bank has not entered into any materially significant transactions, which could have a potential conflict of interest between the Bank and its promoters, directors, management and/ or their relatives, etc. other than the transactions entered into in the normal course of business. Details of related party transactions entered into in the normal course of business are given in Note No.25 forming part of 'Notes to Accounts'.
- During the year, the Reserve Bank of India, Securities & Exchange Board of India and National Securities Depository Limited have

levied penalties on the Bank details of which are given in Note No.24 of the Notes to Accounts. Other than this, no penalties or strictures were imposed on the Bank by any of the Stock Exchanges or any statutory authority, on any matter relating to capital markets, during the last three years.

- The Bank follows Accounting Standards issued by the Institute of Chartered Accountants of India and in the preparation of financial statements, the Bank has not adopted a treatment different from that prescribed in any Accounting Standard.
- The Bank has adopted the Whistle Blower Policy. The Audit and Compliance Committee of the Bank reviews the functioning of the Whistle Blower mechanism. None of the personnel has been denied access to the Audit and Compliance Committee.

#### **COMPLIANCE WITH MANDATORY REQUIREMENTS**

The Bank has complied with all the mandatory requirements of the Code of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India. The Bank has also complied with the requirements of amended Clause 49 after the amendment came into force.

#### **COMPLIANCE WITH NON-MANDATORY REQUIREMENTS**

##### **a) Board of Directors**

The Bank maintains the expenses relating to the office of non-executive Chairman of the Bank and reimburses all the expenses incurred in performance of his duties. Pursuant to Section 10(2A) of the Banking Regulation Act, 1949, all the directors, other than its Chairman and/or whole-time director, cannot hold office continuously for a period exceeding 8 (eight) years.

##### **b) Remuneration Committee**

The Bank has set-up a Compensation Committee of Directors to determine the Bank's policy on remuneration packages for all employees. The Committee is comprising

majority of independent directors. Mr. Jagdish Capoor is the Chairman of the Committee and is not an independent Director.

##### **c) Shareholder's Rights**

The Bank publishes its results on its website at [www.hdfcbank.com](http://www.hdfcbank.com) which is accessible to the public at large. Besides, the same are also available on [www.sebiedifar.nic](http://www.sebiedifar.nic). A half-yearly declaration of financial performance including summary of the significant events is presently not being sent to each household of shareholders. The Bank's half yearly results are published in English newspaper having a wide circulation and in a Marathi newspaper having a wide circulation in Maharashtra. Hence, they are not sent to the shareholders individually.

##### **d) Audit Qualifications**

During the period under review, there is no audit qualification in Bank's financial statements. The Bank continues to adopt best practices to ensure regime of unqualified financial statements.

##### **e) Training of Board Members**

Bank's Board of Directors consists of professionals with expertise in their respective fields and industry. They endeavor to keep themselves updated with changes in global economy and legislation. They attend various workshops and seminars to keep themselves abreast with the changes in the business environment.

##### **f) Mechanism for evaluating non-executive Board Members**

The Nomination Committee evaluates the non-executive Board members every year. The performance evaluation of the members of the Nomination Committee is done by the Board of Directors excluding the Directors being evaluated.

##### **g) Whistle Blower Policy**

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

The Audit and Compliance Committee of the Bank has reviewed the functioning of the Whistle Blower mechanism.



### CODE OF CONDUCT

All the Directors and senior management personnel have affirmed compliance with the Code of Conduct/ Ethics as approved and adopted by the Board of Directors.

SHAREHOLDERS HOLDING MORE THAN 1% OF THE SHARE CAPITAL OF THE BANK AS AT MARCH 31, 2007			
Sr. No.	Name of the shareholder	No. of shares	% to share capital
1	J P Morgan Chase Bank (Depository for ADS)	60,338,247	18.89
2	Housing Development Finance Corporation Limited	38,860,000	12.17
3	HDFC Investments Limited	30,000,000	9.39
4	DBS Bank Ltd	11,620,886	3.64
5	Crown Capital Limited	8,983,076	2.81
6	Bennett Coleman & Co Ltd	7,336,886	2.30
7	Life Insurance Corporation of India	6,479,162	2.03
8	The Growth Fund of America, Inc.	6,347,000	1.99
9	CLSA Merchant Bankers Limited A/c CLSA (Mauritius) Limited	5,586,971	1.75
10	ICICI Prudential Life Insurance Company Ltd	5,405,800	1.69
11	JP Morgan Asset Management (Europe) S.A.R.L. A/c Flagship Indian Investment Company (Mauritius) Limited	4,743,636	1.49
12	BMF - Bank Bees - Investment A/c	4,478,264	1.40
13	Indocean Financial Holding Limited	3,982,752	1.25
14	Europacific Growth Fund	3,936,258	1.23
15	Smallcap World Fund, Inc.	3,231,000	1.01

### DISTRIBUTION OF SHAREHOLDING AS AT MARCH 31, 2007

No. of equity shares	Folios		Shares	
	Numbers	% to Total Holders	Numbers	% to Total Shares
Upto 00500	179020	96.09	20561114	6.44
00501 to 01000	3928	2.11	2973304	0.93
01001 to 02000	1338	0.72	1948020	0.61
02001 to 03000	541	0.29	1373529	0.43
03001 to 04000	265	0.14	955242	0.30
04001 to 05000	207	0.11	942519	0.30
05001 to 10000	390	0.21	2813355	0.88
10001 to 50000	408	0.22	8542107	2.67
50001 and above	216	0.12	279280418	87.44
Total	186313	100.00	319389608	100.00

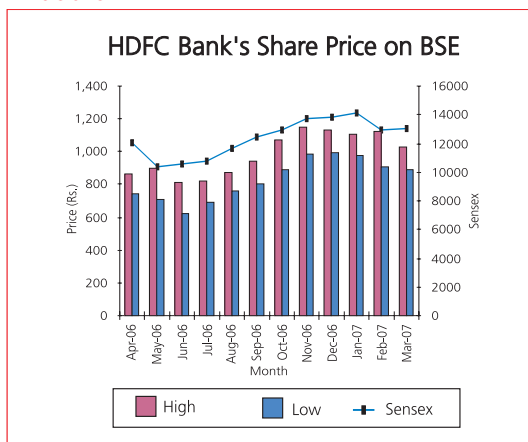
- 1,26,260 folios comprising of 29,13,74,825 shares forming 91.23% of the share capital are in demat form.
- 60,053 folios comprising of 2,80,14,783 shares forming 8.77% of the share capital are in physical form.

CATEGORIES OF SHAREHOLDERS			
SHAREHOLDING PATTERN AS AT MARCH 31, 2007			
Sr. No.	Category	No. of Shares	Total Shares % to Capital
<b>A</b>	<b>Promoters</b>		
i	Housing Development Finance Corporation Limited	38860000	
ii	HDFC Investments Limited	30000000	
iii	HDFC Holdings Limited	1000	<b>68861000 21.56</b>
<b>B</b>	<b>Foreign Institutional Investors</b>		
i	DBS Bank Ltd	11620886	
ii	Crown Capital Limited	8983076	
iii	The Growth Fund of America, Inc	6347000	
iv	CLSA Merchant Bankers Ltd. A/c CLSA (Mauritius) Ltd.	5586971	
v	JP Morgan Asset Management (Europe) S.A.R.L. A/c Flagship Indian Investment Company (Mauritius) Ltd.	4743636	
vi	Europacific Growth Fund	3936258	
vii	Smallcap World Fund, Inc	3231000	
viii	Others (less than 1%)	53704123	<b>98152950 30.73</b>
<b>C</b>	<b>J P Morgan Chase Bank (as ADS Depository)</b>		<b>60338247 18.89</b>
<b>D</b>	<b>Bennett Coleman Group</b>		
i	Bennett, Coleman and Co. Limited	8849929	
ii	Dharmayug Investments Limited	2486956	
iii	Satyam Properties & Finance Ltd	1739130	
iv	Vardhaman Publishers Limited	1739130	
v	Bharat Nidhi Limited	573913	
vi	PNB Finance & Industries Ltd	431743	
vii	Samir Jain	260869	
viii	Times Publishing House Limited	75956	
ix	Rajdhani Printers Ltd	34782	<b>16192408 5.07</b>
<b>E</b>	<b>Life Insurance Corporation of India</b>		<b>6479162 2.03</b>
<b>F</b>	<b>Other Bodies Corporate</b>		<b>9369461 2.93</b>
<b>G</b>	<b>Banks, Mutual Funds and Financial Institutions</b>		<b>12519022 3.92</b>
<b>H</b>	<b>Indocean Financial Holding Limited</b>		<b>3982752 1.25</b>
<b>I</b>	<b>GIC &amp; its subsidiaries</b>		<b>1377557 0.43</b>
<b>J</b>	<b>Overseas Corporate Bodies</b>		<b>1255330 0.39</b>
<b>K</b>	<b>Directors *</b>		<b>716347 0.22</b>
<b>L</b>	<b>Non Resident Indians</b>		<b>633576 0.20</b>
<b>M</b>	<b>Others</b>		<b>39511796 12.38</b>
	<b>Total</b>		<b>319389608 100.00</b>
* Includes 260869 shares (representing 0.08% of the share capital) held by Mr. Vineet Jain, representative of Bennett, Coleman Group on the Board of the Bank.			

SHARE PRICE / CHART

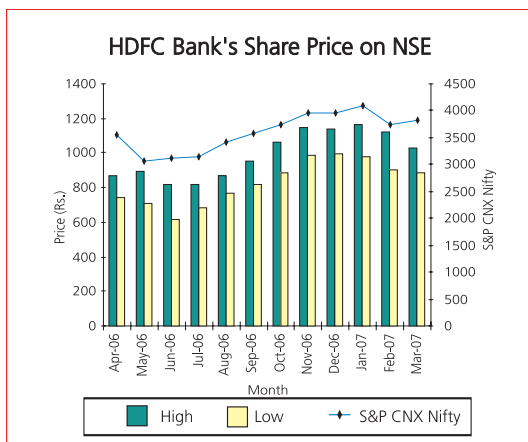
The monthly high and low quotation and the volume of Shares traded on Bombay Stock Exchange Ltd (BSE) during FY 2006-07

Month	High (Rs.)	Low (Rs.)	Sensex (Closing)
Apr-06	865	741	12043
May-06	898	710	10399
Jun-06	811	620	10609
Jul-06	819	693	10744
Aug-06	870	764	11699
Sep-06	945	805	12454
Oct-06	1,075	888	12962
Nov-06	1,150	981	13696
Dec-06	1,135	995	13787
Jan-07	1,105	981	14091
Feb-07	1,124	904	12938
Mar-07	1,030	890	13072



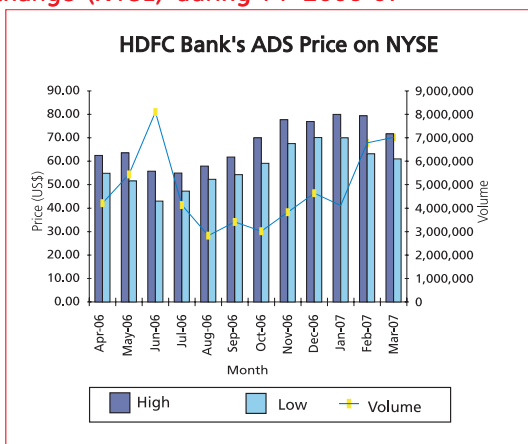
The monthly high and low quotation and the volume of Shares traded on National Stock Exchange of India Ltd (NSE) during FY 2006-07

Month	High (Rs.)	Low (Rs.)	S&P CNX NIFTY (Closing)
Apr-06	865	741	3558
May-06	895	710	3071
Jun-06	815	615	3128
Jul-06	816	680	3143
Aug-06	870	764	3414
Sep-06	955	815	3588
Oct-06	1065	886	3744
Nov-06	1150	985	3955
Dec-06	1135	991	3966
Jan-07	1160	981	4083
Feb-07	1125	900	3745
Mar-07	1032	884	3822



The monthly high and low quotation and the volume of American Depository Shares (ADS) traded on New York Stock Exchange (NYSE) during FY 2006-07

Month	High (US\$)	Low (US\$)	Monthly Volume
Apr-06	62.47	54.88	4,216,800
May-06	63.60	51.64	5,443,800
Jun-06	55.77	43.04	8,104,500
Jul-06	54.98	47.26	4,130,500
Aug-06	58.00	52.36	2,830,200
Sep-06	61.82	54.30	3,408,400
Oct-06	70.07	59.14	3,020,700
Nov-06	77.70	67.57	3,830,300
Dec-06	76.99	70.10	4,635,700
Jan-07	80.00	70.01	4,116,300
Feb-07	79.44	63.16	6,788,900
Mar-07	71.75	60.99	7,017,600



## FINANCIAL CALENDAR

### FINANCIAL YEAR *April 1, 2007 to March 31, 2008*

Board Meeting for consideration of accounts and recommendation of dividend	April 24, 2007
Posting of Annual Report	May 21, 2007 to May 22, 2007
Book closure dates	May 19, 2007 to June 12, 2007 (both days inclusive)
Last date of receipt of proxy forms	June 14, 2007 (upto 11.00 a.m.)
Date, Time and Venue of 13 <sup>th</sup> AGM	June 16, 2007 11.00 a.m. at Nehru Centre Auditorium, Discovery of India Building, Worli, Mumbai 400 018
Dividend Declaration Date	June 16, 2007
Probable date of dispatch of warrants	June 18, 2007 onwards
Board meetings for considering unaudited results for first 3 quarters of FY 2007-08	By 20 <sup>th</sup> day of the succeeding quarter.

## 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 the 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.sebidifar.nic.in](http://www.sebidifar.nic.in)

Quarterly results, press releases and presentations etc. are regularly displayed on the Bank's website.

### CODE FOR PREVENTION OF INSIDER TRADING

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

## LISTING

The equity shares of the Bank are listed at the following Stock Exchanges and the annual fees for 2006-07 have been paid:

Sr. No	Name and address of the Stock Exchange	Stock Code
1.	Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai 400 023	<b>500180</b>
2.	The National Stock Exchange of India Limited Exchange Plaza, 5 <sup>th</sup> Floor, Bandra Kurla Complex, Bandra, Mumbai 400 051	<b>HDFCBANK</b>

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

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

### INTERNATIONAL LISTING

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

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

- *J P Morgan Chase Bank, N.A.*

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

- *ICICI Bank Limited, Bandra-Kurla Complex, Mumbai 400 051.*

### SHARE TRANSFER PROCESS

The Bank's shares which are in compulsory dematerialised (demat) list are transferable through the depository system. Shares in physical form are processed by the Registrars and Share Transfer Agents, Datamatics Financial Services Ltd and approved by the Investors' Grievance (Share) Committee of the Bank or authorised officials of the Bank. The share transfers are processed within a period of 15 days from the date of receipt of the transfer documents by Datamatics Financial Services Ltd.

### INVESTOR HELPDESK

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

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

#### Mr. Ravi Bendre

Datamatics Financial Services Ltd

Unit: HDFC Bank, Plot No. A. 16 & 17,  
Part B Crosslane, MIDC, Marol,  
Andheri (East), Mumbai 400093

Tel: 66712151-56 (Extn Nos. 207, 264 and 220)  
Fax: 28213404; E-mail: [hdinvestors@dfssl.com](mailto:hdinvestors@dfssl.com)  
Counter Timing: 10 A M to 4 P M  
(Monday to Friday except public holidays)

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

Investors Helpdesk Timings 10.30 a.m to 3.30 p m  
between Mon. to Fri. (except on Bank holidays)  
Telephone : 2498 8484 , 2496 1616  
Extn: 3463 & 3476 Fax: 2496 5235  
Email: [investor.helpdesk@hdfcbank.com](mailto:investor.helpdesk@hdfcbank.com)

Queries relating to the Bank's operational and financial performance may be addressed to:

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

Name of the Compliance Officer of the Bank:

Mr. Sanjay Dongre

Executive Vice President (Legal) & Company Secretary  
Telephone: 2498 8484 Extn: 3473

### BANKING CUSTOMER HELPDESK

In the event of any queries/grievances, banking customers can directly approach the Branch Manager or can call/write to the Bank using the following contact details.

**Call at:** 1800 22 40 60 (Toll-free number accessible through BSNL / MTNL landline)  
Timings : Mon to Fri - 8.00 a.m. to 8.00 p.m.  
Sat. & Sun.- 8.00 a.m. to 4.00 p.m.

#### Write to:

Grievance Redressal Cell, HDFC Bank Ltd,  
Old Bldg; "C" Wing' 3rd floor  
26-A Narayan Properties, Chandivali Farm Rd,  
Off Saki Vihar Road, Chandivali,  
Andheri (East), Mumbai 400 072.

*Email* : [customer\\_service@hdfcbank.com](mailto:customer_service@hdfcbank.com)

For downloading the complaint form, one can visit the domain(s) namely; "Grievance Redressal" and subsequently "Fill up the Complaint Form" available at the following website link:

[http://www.hdfcbank.com/common/customer\\_center.htm](http://www.hdfcbank.com/common/customer_center.htm)

### COMPLIANCE CERTIFICATE OF THE AUDITORS

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

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

On behalf of the Board of Directors

Mumbai,  
May 17, 2007

Jagdish Capoor  
Chairman

## Key Comparative Between U.S. and Indian Regulations

Corporate governance rules for Indian listed companies are set forth in the Clause 49 of the Listing Agreement entered into by the companies with the Indian Stock Exchanges as amended from time to time by the Securities and Exchange Board of India (SEBI). At few instances, the Indian Corporate Governance Rules differ from those applicable to U.S. listed companies under New York Stock Exchange ("NYSE") Corporate Governance Standards, as set forth in the NYSE Listed Company Manual. Following is a summary of the comparison between both the regulations:

### NYSE Corporate Governance Standards applicable to NYSE Listed Companies

### Corporate Governance Rules as per Listing Agreement with Indian Stock Exchange(s)

#### **Independent Directors**

Companies must have a majority of independent directors. *[NYSE Corporate Governance Standard 303A.01]*

There must be an optimum combination of executive and non-executive directors with not less than 50% of the directors being non-executive directors. 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 directors of the company should comprise independent directors.

The interpretation of the term "independent director" is different from the way it is interpreted under NYSE Corporate Governance Standards.

#### **Controlled Companies**

A controlled company is not required to have a majority-independent board or comply with the new requirements as to nominating / corporate governance committees or compensation committees. To avail these exemptions, the company has to disclose its choice that it is a 'controlled company' in its annual report on Form 10-K filed with Securities and Exchange Commission (SEC). *[NYSE Corporate Governance Standard 303A.01]*

There is no such concept or exemption available to the Indian listed companies. Provisions of Clause 49 are applicable to all the listed companies who have entered into Listing Agreement with the Indian Stock Exchange(s).

A "controlled company" is a company of which more than 50% of the voting power is held by an individual, a group or another company.

#### **Executive Sessions**

Non-management directors must meet at regularly scheduled executive sessions without management *[NYSE Corporate Governance Standard 303A.03]*

There is no requirement for such sessions.

## Key Comparative Between U.S. and Indian Regulations

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### NYSE Corporate Governance Standards applicable to NYSE Listed Companies

### Corporate Governance Rules as per Listing Agreement with Indian Stock Exchange(s)

#### **Nominating/Corporate Governance Committee**

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In addition to an Audit Committee, a listed Company must have a nominating/corporate governance committee composed entirely of independent directors. *[NYSE Corporate Governance Standard 303A.04]*

Constitution of Nomination Committee, is non-mandatory and need not comprise of Independent Directors.

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]*

Pursuant to Listing Agreement, constitution of nomination committee, is non-mandatory and does not require a charter for such a Committee. The performance evaluation of non-executive directors could be done by a peer group comprising the entire Board of Directors, excluding the director being evaluated.

#### **Compensation Committee**

---

Companies must have a compensation committee composed entirely of independent directors. *[NYSE Corporate Governance Standard 303A.05]*

Listed Companies may constitute a compensation/ remuneration committee consisting of at least three directors, all of whom should be non-executive directors and an independent chairman in order to avoid conflict of interest. These are non-mandatory requirements.

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. The annual corporate governance report of the companies generally provides details of the remuneration including brief details of its agreed terms of reference.

#### **Audit Committee**

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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(a)]*

Indian listing agreement requires listed companies to have a qualified and independent audit committee and stipulates the powers and role of audit committee. The audit committee needs to have all its member as non-executive director with at least 2/3 of the members to be independent. All members should be financially literate and at least one member shall have accounting or related financial management expertise. The Chairman of the committee shall be an independent director.

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(b)]*

There is no requirement in Clause 49 of the Listing Agreement of a written charter of the audit committee.



## Key Comparative Between U.S. and Indian Regulations

### NYSE Corporate Governance Standards applicable to NYSE Listed Companies

### Corporate Governance Rules as per Listing Agreement with Indian Stock Exchange(s)

#### **Internal Audit Function**

Each listed company must have an internal audit function to provide the management and audit committee with ongoing assessments of the company's risk management processes and system of internal control. A company may choose to outsource this function to a third party service provider other than its independent auditor. *[NYSE Corporate Governance Standard 303A.07(c)]*

There is no mandatory requirement for having internal audit function, however, it is advisable to have being a necessary tool for internal control. As per Clause 49, the role of audit committee shall inter alia include "reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit."

#### **Corporate Governance Guidelines/Code of Ethics**

Companies must adopt and disclose corporate governance guidelines. *[NYSE Corporate Governance Standard 303A.09]*

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 per clause 49 of Indian Listing Agreement, the company needs to adopt code of conduct / ethics for all the Board of Directors and to all senior management one level below the Board. Annual Report should disclose compliance with the Code by the Board Members and Senior Management.

#### **Certifications as to Compliance**

CEO of each listed company has to certify on an annual basis that he or she is not aware of any violation by the company of the NYSE corporate governance listing standards. This certification, as well as that the CEO/CFO certification required under Section 302 of the Sarbanes-Oxley Act of 2002, must be disclosed in the company's annual report to shareholders. *[NYSE Corporate Governance Standard 303A.12]*

Further, CEO of each listed company must promptly notify the NYSE in writing after any executive officer of the listed company becomes aware of any material non-compliance with any applicable provisions of this Section 303A.

In addition to the annual CEO/CFO certification on the true and fair view of financial statement and compliance, Indian listed companies are required to submit a quarterly compliance report to the Indian Stock Exchange(s) where their shares are listed.

There shall be a separate section of corporate governance in the annual report of the company, giving details of adoption of and compliance with the mandatory clauses, and non mandatory clauses (to the extent applicable). The Company has to obtain a certificate issued by the auditors or practising company secretaries regarding compliance of conditions of corporate governance and annex the same with the directors' report to be sent annually to the shareholders of the company and concerned stock exchanges.