HDFC BANK LTD
Form 20-F
September 29, 2008

As filed with the Securities and Exchange Commission on September 29, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended March 31, 2008

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report

For the transition period from________________________ to __________________________

Commission file number 001-15216

HDFC BANK LIMITED

(Exact name of registrant as specified in its charter)

Not Applicable

(Translation of Registrant s name into English)

India
(Jurisdiction of incorporation or organization)

HDFC Bank House,

Senapati Bapat Marg, Lower Parel, Mumbai- 400 013, India
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing three equity shares, par value Rs. 10 per share	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act.

Not Applicable

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

Not Applicable

(Title of Class)

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

354,432,920 Equity **Shares**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. x Yes ¨ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. ¨ Yes x No

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes ¨ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing: U.S. GAAP x International Financial Reporting Standards as issued by the International Accounting Standards Board ¨ Other ¨

If other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. ¨ Item 17 ¨ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes x No

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CROSS REFERENCE SHEET

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EXCHANGE RATES AND CERTAIN DEFINED TERMS

In this document, all references to we, us, our, HDFC Bank or the Bank shall mean HDFC Bank Limited or where the context requires also t subsidiaries whose financials are consolidated for accounting purposes. References to the U.S. or United States are to the United States of America, its territories and its possessions. References to India are to the Republic of India. References to $ or US$ or dollars or U.S. dollars to the legal currency of the United States and references to Rs. or rupees or Indian rupees are to the legal currency of India.

Our financial statements are presented in Indian rupees and in some cases translated into U.S. dollars. The financial statements and all other financial data included in this report, except as otherwise noted, are prepared in accordance with United States generally accepted accounting principles, or U.S. GAAP. References to a particular fiscal year are to our fiscal year ended March 31 of such year.

Fluctuations in the exchange rate between the Indian rupee and the U.S. dollar will affect the U.S. dollar equivalent of the Indian rupee price of the equity shares on the Indian stock exchanges and, as a result, will affect the market price of our American Depositary Shares (ADSs) in the United States. These fluctuations will also affect the conversion into U.S. dollars by the depositary of any cash dividends paid in Indian rupees on the equity shares represented by ADSs.

From 1980 until fiscal 2003, the rupee consistently depreciated against the dollar. In fiscal 2004 and 2005, the Indian rupee appreciated compared to fiscal 2003. However, in 2006, the rupee depreciated against the U.S. dollar. During fiscal 2007 and fiscal 2008, the rupee appreciated against the U.S. dollar. Now, since April 2008, we are again witnessing a depreciation of the rupee against the U.S. dollar.

The following table sets forth, for the periods indicated, information concerning the exchange rates between Indian rupees and U.S. dollars based on the noon buying rate in The City of New York for cable transfers of Indian rupees, as certified for customs purposes by the Federal Reserve Bank of New York:

Fiscal Year	Period End(1)	Average(2)	High	Low
2004	43.40	45.78	47.46	43.40
2005	43.62	44.87	46.45	43.27
2006	44.48	44.17	46.26	43.05
2007	43.10	45.11	46.83	42.78
2008	40.02	40.13	43.05	38.48

(1) The noon buying rate at each period end and the average rate for each period differed from the exchange rates used in the preparation of our financial statements.

(2) Represents the average of the noon buying rate for all days during the period.

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The following table sets forth the high and low noon buying rate for the Indian rupee for each of the previous six months:

Month	Period	Average	High	Low
March 2008	40.02	40.15	40.46	39.76
April 2008	40.45	39.97	40.45	39.73
May 2008	42.15	42.00	42.93	40.45
June 2008	42.93	42.76	42.97	42.38
July 2008	42.47	42.70	43.29	41.10
August 2008	43.25	42.91	43.74	42.01

Although we have translated selected Indian rupee amounts in this document into U.S. dollars for convenience, this does not mean that the Indian rupee amounts referred to could have been, or could be, converted to U.S. dollars at any particular rate, the rates stated above, or at all. Unless otherwise stated, all translations from Indian rupees to U.S. dollars are based on the noon buying rate in the City of New York for cable transfers in Indian rupees at US$1.00 = Rs. 40.02 on March 31, 2008. The Federal Reserve Bank of New York certifies this rate for customs purposes on each date the rate is given. The noon buying rate on September 22, 2008 was Rs. 45.30 per US$1.00.

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FORWARD-LOOKING STATEMENTS

We have included statements in this report which contain words or phrases such as will, aim, will likely result, believe, expect, will continu anticipate, estimate, intend, plan, contemplate, seek to, future, objective, goal, project, should, will pursue and similar e of these expressions, that are forward-looking statements. Actual results may differ materially from those suggested by the forward-looking statements due to certain risks or uncertainties associated with our expectations with respect to, but not limited to, our ability to implement our strategy successfully, the market acceptance of and demand for various banking services, future levels of our non-performing loans, our growth and expansion, the adequacy of our allowance for credit and investment losses, technological changes, volatility in investment income, our ability to market new products, cash flow projections, the outcome of any legal, tax or regulatory proceedings in India and in other jurisdictions we are or become a party to, the future impact of new accounting standards, our ability to pay dividends, the impact of changes in banking regulations and other regulatory changes in India and other jurisdictions on us, our ability to roll over our short-term funding sources and our exposure to market and operational risks. By their nature, certain of the market risk disclosures are only estimates and could be materially different from what may actually occur in the future. As a result, actual future gains, losses or impact on net income could materially differ from those that have been estimated.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this document include, but are not limited to: general economic and political conditions, instability or uncertainty in India and the other countries which have an impact on our business activities or investments, caused by any factor including terrorist attacks in India, the United States or elsewhere, anti-terrorist or other attacks by the United States, a United States-led coalition or any other country, tensions between India and Pakistan related to the Kashmir region, military armament or social unrest in any part of India, the monetary and interest rate policies of the government of India, natural calamities, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in Indian and foreign laws and regulations, including tax, accounting and banking regulations, changes in competition and the pricing environment in India, and regional or general changes in asset valuations. For further discussion on the factors that could cause actual results to differ, see Risk Factors.

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BUSINESS

Overview

We are a leading private sector bank and financial services company in India. Our goal is to be the preferred provider of financial services to upper- and middle-income individuals and leading corporations in India. Our strategy is to provide a comprehensive range of financial products and services for our customers through multiple distribution channels, with high quality service and superior execution. We have three principal business activities: retail banking, wholesale banking and treasury operations.

We have grown rapidly since commencing operations in January 1995. In the five years ended March 31, 2008, we expanded our operations from 231 branches and 732 ATMs in 122 cities to 761 branches and 1,977 ATMs in 327 cities. During the same five years, our customer base grew from 3.4 million customers to 11.6 million customers. As our geographical reach and market penetration have expanded, so too have our assets, which grew from Rs. 311.8 billion as of March 31, 2003 to Rs. 1,508.0 billion as of March 31, 2008. Our net income has increased from Rs. 3.5 billion for fiscal 2003 to Rs. 13.2 billion for fiscal 2008 at a compounded annual growth rate of 30.2%.

Notwithstanding our pace of growth, we have maintained a strong balance sheet and a low cost of funds. As of March 31, 2008, net non-performing customer assets (which consist of loans and credit substitutes) constituted 0.4% of net customer assets as per Indian generally accepted accounting principles, or Indian GAAP. In addition, our net customer assets represented 71.6% of our deposits and customer deposits represented 66.7% of our total liabilities and shareholders equity. The average non-interest bearing current accounts and low-interest savings accounts represented 51.7% of total deposits for fiscal 2008. These low-cost deposits, which include the cash float associated with our transactional services, led to an average cost of funds including equity (calculated under Indian GAAP) for fiscal 2008 of 4.1%.

We are part of the HDFC group of companies founded by our principal shareholder, Housing Development Finance Corporation Limited (HDFC Limited), a public limited company established under the laws of India. HDFC Limited and its subsidiaries owned approximately 23.3% of our outstanding equity shares as of March 31, 2008. See also Principal Shareholders.

The Bank has two subsidiaries: HDFC Securities Limited (HSL) and HDB Financial Services Limited (HDBFS). HSL is primarily in the business of providing brokerage services through the internet and other channels. HDBFS is a non-deposit taking non-bank finance company (NBFC), for the establishment of which the Bank received Reserve Bank of India (RBI) approval during the fiscal 2008. We have consolidated the accounts of Atlas Documentary Facilitators Company Private Ltd. (ADFC), which provides back office transaction processing services, in our U.S. GAAP financial statements.

Our principal corporate and registered office is located at HDFC Bank House, Senapati Bapat Marg, Lower Parel, Mumbai 400 013, India. Our telephone number is 91-22-6652-1000. Our agent in the United States is Depositary Management Corporation, 570 Lexington Avenue, 44th Floor, New York, NY 10022.

Our Competitive Strengths

We attribute our growth and continuing success to the following competitive strengths:

We are a leader among Indian banks in our use of technology

Since our inception, we have made substantial investments in our technology platform and systems. We have built multiple distribution channels, including an electronically linked branch network, automated telephone banking, Internet banking and banking by mobile phone, to offer customers convenient access to our products. Our technology platform has also driven the development of innovative products and reduced our operating costs.

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We deliver high quality service with superior execution

Through intensive training of our staff and the use of our technology platform, we deliver efficient service with rapid response time. Our focus on knowledgeable and personalized service draws customers to our products and increases existing customer loyalty.

We offer a wide range of products to our clients in order to service their banking needs

Whether in retail or wholesale banking, we consider ourselves a one-stop shop for our customers banking needs. Our wide range of products creates multiple cross-selling opportunities for us and improves our customer retention rates.

We have an experienced management team

Many of the members of our senior management team have been with us since inception. They have substantial experience in multinational banking and share our common vision of excellence in execution. We believe this team is well suited to leverage the competitive strengths we have already developed as well as to create new opportunities for our business.

Our Business Strategy

Our business strategy emphasizes the following elements:

Increase our market share of India s expanding banking and financial services industry

In addition to benefiting from the overall growth in India s economy and financial services industry, we believe we can increase our market share by continuing to focus on our competitive strengths. We also aim to increase geographic and market penetration by expanding our branch and ATM networks and increasing our efforts to cross-sell our products.

Maintain strong asset quality through disciplined credit risk management

We have maintained high quality loan and investment portfolios through careful targeting of our customer base, a comprehensive risk assessment process and diligent risk monitoring and remediation procedures. Our ratio of gross non-performing assets to customer assets was 1.3% as of March 31, 2008 and our net non-performing assets amounted to 0.4% of net customer assets as per Indian GAAP. We believe we can maintain strong asset quality appropriate to the loan portfolio composition, while achieving growth.

Maintain a low cost of funds

As of March 31, 2008, our average cost of funds excluding equity was 4.5%. We believe we can maintain a relatively low-cost funding base as compared to our competitors, by expanding our base of retail savings and current deposits and increasing the free float generated by transaction services, such as cash management and stock exchange clearing.

Focus on high earnings growth with low volatility

Our aggregate earnings have grown at a compound average rate of 30.2% per year during the five-year period ending March 31, 2008 and our basic earnings per share grew from Rs. 35.10 for fiscal 2007 to Rs. 38.24 for fiscal 2008. We intend to maintain our focus on steady earnings growth through conservative risk management techniques and low cost funding. In addition, we aim not to rely heavily on revenue derived from trading so as to limit earnings volatility.

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Our Principal Business Activities

Our principal business activities consist of retail banking, wholesale banking and treasury operations. The following table sets forth our net revenues attributable to each area for the last three years.

	Year ended March 31,			
	2006	2007	2008	2008
	(in millions, except percentages)			
Retail banking	Rs. 23,293.2	Rs. 30,542.1	Rs. 42,342.8	68.5%
Wholesale banking	8,256.0	11,808.1	18,040.4	29.2%
Treasury operations	(527.1)	1,315.7	1,431.4	2.3%
Net revenue	Rs. 31,022.1	Rs. 43,665.9	Rs. 61,814.6	100%

Retail Banking

Overview

We consider ourselves a one-stop shop for the financial needs of upper- and middle-income individuals. We provide a comprehensive range of financial products including deposit products, loans, credit cards, debit cards, third-party mutual funds and insurance products, investment advice, bill payment services and other services. We offer high quality service and greater convenience by leveraging our technology platforms and multiple distribution channels. Our goal is to provide banking and financial services to our retail customers on an anytime, anywhere, anyhow basis.

We market our services aggressively through our branches and direct sales associates, as well as through our relationships with automobile dealers and corporate clients. We seek to establish a relationship with a retail customer and then expand it by offering more products and expanding our distribution channels so as to make it easier for the customer to do business with us. We believe this strategy, together with the general growth of the Indian economy and the Indian upper and middle classes, affords us significant opportunities for growth. We consider upper- and middle-income individuals to be those with Rs. 100,000 or more per year in income.

As of March 31, 2008, we had 761 branches, including 22 extension counters, and 1,977 ATMs in 327 cities. We also provide telephone banking in 292 cities as well as Internet and mobile banking. We plan to continue to expand our branch and ATM network as well as our other distribution channels, subject to receiving regulatory approvals.

Retail Loans and Other Asset Products

We offer a wide range of retail loans, including loans for the purchase of automobiles, personal loans, retail business banking loans, loans for the purchase of commercial vehicles and construction equipment finance, two-wheeler loans, credit cards and loans against securities. Our retail loans were 60.6% of our gross loans as of March 31, 2008. Apart from our branches we use our ATM screens and the Internet to promote our loan products and we employ additional sales methods depending on the type of products. We perform our own credit analyses of the borrowers and the value of the collateral. See Risk Management Credit Risk Retail Credit Risk. We also buy mortgage and other asset-backed securities and invest in retail loan portfolios through assignments. In addition to taking collateral in many cases, we generally obtain post-dated checks covering all payments at the time a retail loan is made. It is a criminal offense in India to issue a bad check. We also sometimes obtain irrevocable instructions to debit the customer s account directly for the making of payments.

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The following table shows the value and share of our retail credit products:

	As of March 31, 2008			
	Number of Loans (in thousands)	Value (in millions)		% of Total Value
Retail Loans:				
Auto loans (1)	513	Rs. 132,145.2	US$ 3,302.0	28.2%
Personal loans	761	71,900.1	1,796.6	15.3%
Retail business banking	31	86,053.8	2,150.3	18.3%
Commercial vehicles and construction equipment finance (1)	145	67,864.5	1,695.8	14.5%
Two wheeler loans	1,109	18,734.7	468.1	4.0%
Credit cards (2)	3,819	31,566.1	788.8	6.7%
Loans against securities	27	13,355.7	333.7	2.8%
Other retail loans	449	19,692.3	492.1	4.2%
Total retail loans	6,854	441,312.4	11,027.4	94.0%
Mortgage-backed securities (home loans) (3)		11,643.4	290.9	2.5%
Asset-backed securities (3)		15,949.1	398.5	3.5%
Total retail assets		Rs. 468,904.9	US$ 11,716.8	100.0%

(1) Excludes securitized receivables.
(2) Number of cards in force.
(3) Reflected at fair value.

Auto Loans

We offer secured loans at fixed interest rates for financing new and used automobile purchases. In addition to our general marketing efforts for retail loans, we market this product through our relationships with car dealers, corporate packages and joint promotion programs with automobile manufacturers.

Personal Loans

We offer unsecured personal loans at fixed rates to specific customer segments, including salaried individuals and self-employed professionals. In addition, we offer unsecured personal loans to small businesses and individuals.

Retail Business Banking

We address the borrowing needs of the community of small businessmen near our bank branches by offering facilities such as credit lines, term loans for expansion or addition of facilities and discounting of credit card receivables. We classify these business banking loans as a retail product. Such lending is typically secured with current assets as well as immovable property and fixed assets in some cases. We also offer letters of credit, guarantees and other basic trade finance products and cash management services to such businesses.

Commercial Vehicles and Construction Equipment Finance

We provide secured financing for commercial vehicles and provide working capital, bank guarantees and trade advances to customers who are transportation operators. In addition to funding domestic assets, we also finance imported assets for which we open foreign letters of credit and offer treasury services such as forward exchange cover. We coordinate with manufacturers to jointly promote our financing options to their clients.

Two Wheeler Loans

We offer loans for financing the purchase of scooters or motorcycles. We market this product in ways similar to our marketing of auto loans.

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Credit Cards

We offer credit cards from the VISA and MasterCard stable including gold, silver, corporate, platinum and titanium credit cards. We had approximately 3.8 million cards outstanding as of March 31, 2008 as against 2.9 million as of March 31, 2007.

Loans against Securities

We offer loans against equity shares, mutual fund units, bonds issued by the RBI and other securities that are on our approved list. We limit our loans against equity shares to Rs. 2.0 million per retail customer in line with regulatory guidelines and limit the amount of our total exposure secured by particular securities. We lend only against shares in book-entry (dematerialized) form, which ensures that we obtain perfected and first-priority security interests. The minimum margin for lending against shares is prescribed by the RBI.

Other Retail Loans

Such loans primarily include overdrafts against time deposits, health care equipment financing loans, tractor loans, loans against gold and ornaments and small loans to farmers.

Mortgage-backed Securities (Home Loans)

In fiscal 2003 we entered the home loan business through an arrangement with HDFC Limited. Under this arrangement, we sell home loans provided by HDFC Limited, which approves and disburses the loans. The loans are booked in the books of HDFC Limited, and we are paid a sourcing fee. Under the arrangement, HDFC Limited is obligated to offer us up to 70% of the fully disbursed home loans sourced under the arrangement through the issue of mortgage-backed pass-through certificates (PTCs). We have the option to purchase the mortgage-backed PTCs at the underlying home loan yields less a spread of 1.25% payable towards the administration and servicing of the loans. A part of the home loans also qualifies for our directed lending requirement.

We also invest in mortgage-backed securities of other originators. These mortgages are generally in India. Most of these securities also qualify toward our directed lending obligations.

Asset-backed Securities

We invest in auto, two-wheeler, commercial vehicle and other asset-backed securities, represented by PTCs. These securities are normally credit-enhanced and sometimes qualify for our directed lending requirements. The assets are generally in India.

Loan Assignments

We purchase loan portfolios, generally in India, from other banks, financial institutions and financial companies, which are similar to asset-backed securities, except that such loans are not represented by PTCs. Some of these loans also qualify toward our directed lending obligations. Such loans are included within the categories described above based on underlying exposures.

Sale/Transfer of Receivables

We securitize our retail loan receivables through independent special purpose vehicles (SPVs) from time to time. In respect of these transactions, we provide credit enhancements generally in the form of cash collaterals/guarantees/interest spreads and/or by subordination of cash flows to senior PTCs. We also enter into sale transactions, which are similar to asset-backed securitization transactions through the SPV structure, except that such portfolios of retail loan receivables are assigned directly to the purchaser and are not represented by PTCs. During fiscal 2007 and 2008, we securitized retail loans with carrying values of Rs. 6.5 billion and Rs. 2.9 billion, respectively.

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Retail Deposit Products

Retail deposits provide us with a low cost, stable funding base and have been a key focus area for us since commencing operations. Retail deposits represented 60.0% of our total deposits as of March 31, 2008 as per Indian GAAP. The following chart shows the number of accounts and value of our retail deposits by our various deposit products:

	At March 31, 2008				
	Value (in millions)		% of total	Number of accounts (in thousands)	% of total
Savings	Rs. 245,785.0	US$ 6,141.6	40.6%	6,291	74.7%
Current	112,970.0	2,822.8	18.7%	787	9.3%
Time	246,277.0	6,153.8	40.7%	1,345	16.0%
Total	Rs. 605,032.0	US$ 15,118.2	100.0%	8,423	100.0%

Our individual retail account holders have access to the benefits of a wide range of direct banking services, including debit and ATM cards, access to our growing branch and ATM network, access to our other distribution channels and eligibility for utility bill payments and other services. Our retail deposit products include the following:

Savings accounts, which are demand deposits in checking accounts designed primarily for individuals and trusts. These accrue interest at a fixed rate set by the RBI (currently 3.5% per annum).

Current accounts, which are non-interest bearing checking accounts designed primarily for small businesses. Customers have a choice of regular and premium product offerings with different minimum average quarterly account balance requirements.

Time deposits, which pay a fixed return over a predetermined time period.

We also offer special value-added accounts, which offer our customers added value and convenience. These include a time deposit account that allows for automatic transfers from a time deposit account to a savings account, as well as a time deposit account with an automatic overdraft facility. E-Broking accounts are offered as current accounts to customers of stock brokers where all transactions are routed electronically between the broker and beneficiaries.

Other Retail Services and Products

Debit Cards

Our debit cards may be used with more than 345,000 merchant point-of-sale machines and over 25,000 ATMs in India and more than 26.0 million merchant outlets and 1.0 million ATMs worldwide. We were the first in India to issue international Visa Electron debit cards on a nationwide basis and currently issue both Visa and MasterCard debit cards.

Individual Depositary Accounts

We provide depositary accounts to individual retail customers for holding debt and equity instruments. Securities traded on the Indian exchanges are generally not held through a broker s account or in street name. Instead, an individual will have his own account with a depositary participant for the particular exchange. Depositary participants, including us, provide services through the major depositaries established by the two major stock exchanges. Depositary participants record ownership details and effectuate transfers in book-entry form on behalf of the buyers and sellers of securities. We provide a complete package of services, including account opening, registration of transfers and other transactions and information reporting.

Mutual Fund Sales

We offer our retail customers units in most of the large and reputable mutual funds in India. We earn front-end commissions for new sales and in some cases additional fees in subsequent years. We distribute mutual fund products primarily through our branches and our private banking advisors.

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Insurance

We have arrangements with HDFC Standard Life Insurance Company and Bajaj Allianz General to distribute their life insurance products and general insurance products to our customers. We earn upfront commissions on new premiums collected as well as some trailing income in subsequent years while the policy is still in force.

Precious Metals

We import gold bars for sale to our retail customers through our branch network.

Investment Advice

We offer our customers a broad range of investment advice including advice regarding the purchase of Indian debt, equity shares, and mutual funds. We provide our high net worth private banking customers with a personal investment advisor who can consult with them on their individual investment needs.

Bill Payment Services

We offer our customers utility bill payment services for leading utility companies including electricity, telephone, mobile telephone and Internet service providers. Customers can also review and access their bill details through our direct banking channels. This service is valuable to customers because utility bills must otherwise be paid in person in India. We offer these services to customers through multiple distribution channels ATMs, telephone banking, Internet banking and mobile telephone banking.

Corporate Salary Accounts

We offer Corporate Salary Accounts, which allow employers to make salary payments to a group of employees with a single transfer. We then transfer the funds into the employees individual accounts, and offer them preferred services, such as preferential loan rates, and in some cases lower minimum balance requirements. As of March 31, 2008, these accounts constituted approximately 50.0% of our total retail savings accounts by number and approximately 38.0% of our retail savings deposits by value.

Non-Resident Indian Services

Non-resident Indians are an important target market segment for us given their relative affluence and strong ties with family members in India. Our non-resident deposits amounted to Rs. 53.0 billion as of March 31, 2008.

Retail Foreign Exchange

We purchase foreign currency from and sell foreign currency to retail customers in the form of cash, traveler s checks, demand drafts and other remittances. We also carry out foreign currency check collections.

Customers and Marketing

Our target market for our retail services comprises upper- and middle-income persons and high net worth customers. We also target small businesses, trusts and non-profit corporations. As of March 31, 2008, 11.8% of our retail deposit customers contributed approximately 58.0% of our retail deposits. We market our products through our branches, telemarketing and a dedicated sales staff for niche market segments. We also use third-party agents and direct sales associates to market certain products and to identify prospective new customers.

Additionally, we obtain new customers through joint marketing efforts with our wholesale banking department, such as our Corporate Salary Account package. We cross-sell many of our retail products to our customers. We also market our auto loan and two-wheeler loan products through joint efforts with relevant manufacturers and distributors.

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We have programs that target other particular segments of the retail market. For example, our private and preferred banking programs provide customized financial planning to high net worth individuals in order to preserve and enhance their wealth. Private banking customers receive a personal investment advisor who serves as their single-point HDFC Bank contact, and who compiles personalized portfolio tracking products, including mutual fund and equity tracking statements. Our private banking program also offers equity investment advisory products. While not as service-intensive as our private banking program, preferred banking offers similar services to a slightly broader target segment. Top revenue-generating customers of our preferred banking program are channeled into our private banking program.

Wholesale Banking

Overview

We provide our corporate and institutional clients a wide array of commercial banking products and transactional services with an emphasis on high quality customer service and relationship management.

Our principal commercial banking products include a range of financing products, documentary credits (primarily letters of credit) and bank guarantees, foreign exchange and derivative products and corporate deposit products. Our financing products include loans, bill discounting and credit substitutes, such as commercial papers, debentures, preference shares and other funded products. Our foreign exchange and derivatives products assist corporations in managing their currency and interest rate exposures.

For our commercial banking products, we target the top end of the Indian corporate sector, including companies that are part of private sector business houses, public sector enterprises and multinational corporations, as well as leading small and mid-sized businesses. We also target suppliers and distributors of top-end corporations as part of a supply chain initiative for both our commercial banking products and transactional services whereby we provide credit facilities to these suppliers and distributors and thereby establish relationships with them. We aim to provide our corporate customers with high quality customized service. We have relationship managers who focus on particular clients and who work with teams that specialize in providing specific products and services, such as cash management and treasury advisory services.

Wholesale banking also includes microfinance lending to very small businesses in rural India. Toward this end, we have partnered with micro-finance institutions and non-governmental organizations involved in rural lending.

Our principal transactional services include cash management services, capital markets transactional services and correspondent banking services. We provide physical and electronic payment and collection mechanisms to a range of corporations, financial institutions and government entities. Our capital markets transactional services include custodial services for mutual funds and clearing bank services for the major Indian stock exchanges and commodity exchanges. In addition, we provide correspondent banking services, including cash management services and funds transfers, to foreign banks and cooperative banks.

Commercial Banking Products

Commercial Loan Products and Credit Substitutes

Our principal financing products are working capital facilities and term loans. Working capital facilities primarily consist of cash credit facilities and bill discounting. Cash credit facilities are revolving credits provided to our customers that are secured by working capital such as inventory and accounts receivable. Bill discounting consists of short-term loans which are secured by bills of exchange that have been accepted by our customers or drawn on another bank. In many cases, we provide a package of working capital financing that may consist of loans and a cash credit facility as well as documentary credits or bank guarantees. Term loans consist of short- and medium-term loans which are typically loans of up to five years in duration. More than 90% of our loans are denominated in rupees with the balance being denominated in various foreign currencies, principally the U.S. dollar. All of our commercial loans have been made to customers in India.

We also purchase credit substitutes, which are typically comprised of commercial paper, debentures and preference shares issued by the same customers with whom we have a lending relationship in our wholesale banking business. Investment decisions for credit substitute securities are subject to the same credit approval processes as loans, and we bear the same customer risk as we do for loans extended to these customers. Additionally, the yield and maturity terms are generally directly negotiated by us with the issuer. Our credit substitutes have declined over the last three years primarily due to our customers increased preference for loans which may have resulted from regulations that require the listing and rating of corporate paper.

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The following table sets forth the asset allocation of our commercial loans and financing products by asset type. For accounting purposes, we classify cash credit facilities and bill discounting as working capital loans, and commercial paper, debentures and preference shares as credit substitutes (which in turn are classified as investments).

	As of March 31,			
	2006	2007	2008	2008
	(in millions)			
Gross commercial loans:				
Working capital	Rs. 78,693.4	Rs. 76,421.6	Rs. 118,766.9	US$ 2,967.7
Term loans	92,932.8	149,717.7	168,002.0	4,198.0
Total commercial loans	Rs. 171,626.2	Rs. 226,139.3	Rs. 286,768.9	US$ 7,165.7
Credit substitutes:				
Commercial paper	Rs.	Rs. 99.4	Rs. 349.8	US$ 8.7
Non-convertible debentures	9,308.1	6,382.4	4,645.0	116.1
Preference shares	443.2	277.2	52.1	1.3
Total credit substitutes	Rs. 9,751.3	Rs. 6,759.0	Rs. 5,046.9	US$ 126.1
Customer assets	Rs. 181,377.5	Rs. 232,898.3	Rs. 291,815.8	US$ 7,291.8

While we generally lend on a cash-flow basis, we also require collateral from a large number of our borrowers. All borrowers must meet our internal credit assessment procedures, regardless of whether the loan is secured. See Risk Management Credit Risk Wholesale Credit Risk.

We price our loans based on a combination of our own cost of funds, market rates, our rating of the customer and the overall revenues from the customer. An individual loan is priced on a fixed or floating rate based on a margin that depends on the credit assessment of the borrower.

The RBI requires banks to lend to specific sectors of the economy. For a detailed discussion of these requirements, see Supervision and Regulation Regulations Relating to Making Loans Directed Lending.

Bill Collection, Documentary Credits and Bank Guarantees

We provide bill collection, documentary credit facilities and bank guarantees for our corporate customers. Documentary credits and bank guarantees are typically provided on a revolving basis. The following table sets forth, for the periods indicated, the value of transactions processed with respect to our bill collection, documentary credits and bank guarantees:

	As of March 31,			
	2006	2007	2008	2008
	(in millions)			
Bill collection	Rs. 381,657.9	Rs. 443,458.6	Rs. 526,461.8	US$ 13,155.0
Documentary credits	46,106.1	67,116.4	194,879.8	4,869.6
Bank guarantees	21,949.0	22,368.6	42,578.8	1,063.9
Total	Rs. 449,713.0	Rs. 532,943.6	Rs. 763,920.4	US$ 19,088.5

Bill collection. We provide bill collection services for our corporate clients in which we collect bills on behalf of a corporate client from the bank of our client s customer. We do not advance funds to our client until receipt of payment.

Documentary credits. We issue documentary credit facilities on behalf of our customers for trade financing, sourcing of raw materials and capital equipment purchases.

Bank guarantees. We provide bank guarantees on behalf of our customers to guarantee their payment or performance obligations. A large part of our guarantee portfolio consists of margin guarantees to brokers issued in favor of stock exchanges.

Foreign Exchange and Derivatives

We offer our corporate customers foreign exchange and derivative products including spot and forward foreign exchange contracts, interest rate swaps, currency swaps, currency options and other derivatives. We are a leading participant in many of these markets in India and believe we are among a few Indian banks with significant expertise in derivatives, a market currently dominated by foreign banks.

Precious Metals

We are in the business of importing gold and silver bullion to leverage our distribution and servicing strengths and cater to the domestic bullion trader segment. We generally import bullion on a consignment basis so as to minimize price risk.

Wholesale Deposit Products

As of March 31, 2008, we had wholesale deposits totaling Rs. 402.7 billion, which represented 40.0% of our total deposits and 30.2% of our total liabilities, including shareholders equity as per Indian GAAP. We offer both non-interest bearing current accounts and time deposits. We are allowed to vary the interest rates on our wholesale deposits based on the size of the deposit (for deposits greater than Rs. 1.5 million) so long as the rates booked on a day are the same for all customers of that deposit size for that maturity. See Selected Statistical Information for further information about our total deposits.

Transactional Services

Cash Management Services

We are a leading provider of cash management services in India. Our services make it easier for our corporate customers to expedite inter-city check collections, make payments to their suppliers more efficiently, optimize liquidity and reduce interest costs. In addition to benefiting from the cash float, which reduces our overall cost of funds, we also earn commissions for these services.

Our primary cash management service is check collection and payment. Through our electronically linked branch network, correspondent bank arrangements and centralized processing, we can effectively provide nationwide collection and disbursement systems for our corporate clients. This is especially important because there is no nationwide payment system in India, and checks must generally be returned to the city from which written, in order to be cleared. Because of mail delivery delays and the variations in city-based inter-bank clearing practices, check collections can be slow and unpredictable, and can lead to uncertainty and inefficiencies in cash management. We believe we have a strong position in this area relative to most other participants in this market. Although the public sector banks have extensive branch networks, many of their branches typically are still not electronically linked. The foreign banks are also restricted in their ability to expand their branch network.

As of March 31, 2008, over 10,000 wholesale banking clients used our cash management services. These clients include leading Indian private sector companies, public sector undertakings and multinational companies. We also provide these services to most Indian insurance companies, many mutual funds, brokers, financial institutions and various government entities.

We have also implemented a straight-through processing solution to link our wholesale banking and retail banking systems. This has led to reduced manual intervention in transferring funds between the corporate accounts which are in the wholesale banking system and beneficiary accounts residing in retail banking systems. This initiative will help reduce transaction costs.

We have a large number of commercial clients using our corporate Internet banking for financial transactions with their vendors, dealers and employees who bank with us.

In 2005, the RBI introduced an inter-bank settlement system called the Real Time Gross Settlement (RTGS) system. The RTGS system facilitates real time settlements primarily between banks and therefore could have an adverse impact on our cash management services. However, we believe our cash management services offer certain advantages not present in RTGS, including the provision of greater information to our clients regarding the source and identity of payments. In addition, through our cash management services our clients receive checks from their customers, which we believe many of our clients prefer because the issuance of a bad check is a criminal offense in India. See Risk Factors Risks Relating to Our Business We could be adversely affected by the development of a nationwide inter-bank settlement system.

Clearing Bank Services for Stock and Commodity Exchanges

We serve as a cash-clearing bank for major stock exchanges in India, including the National Stock Exchange of India Limited (National Stock Exchange) and the Bombay Stock Exchange Limited. As a clearing bank, we provide the exchanges or their clearing corporations with a means for collecting cash payments due to them from their members or custodians and a means of making payments to these institutions. We make payments once the broker or custodian deposits the funds with us. In addition to benefiting from the cash float, which reduces our cost of funds, in certain cases we also earn commissions on such services.

Custodial Services

We provide custodial services principally to Indian mutual funds, as well as to domestic and international financial institutions. These services include safekeeping of securities and collection of dividend and interest payments on securities. Most of the securities under our custody are in book-entry (dematerialized) form, although we provide custody for securities in physical form as well for our wholesale banking clients. We earn revenue from these services based on the value of assets under safekeeping and the value of transactions handled.

Correspondent Banking Services

We act as a correspondent bank for cooperative banks, cooperative societies and foreign banks. We provide cash management services, funds transfers and services such as letters of credit, foreign exchange transactions and foreign check collection. We earn revenue on a fee-for-service basis and benefit from the cash float, which reduces our cost of funds.

We are well positioned to offer this service to cooperative banks and foreign banks in light of the structure of the Indian banking industry and our position within it. Cooperative banks are generally restricted to a particular state, and foreign banks have limited branch networks. The customers of these banks frequently need services in other areas of the country that their own banks cannot provide. Because of our technology platforms, geographical reach and the electronic connectivity of our branch network, we can provide these banks with the ability to provide such services to their customers. By contrast, although the public sector banks have extensive branch networks and also provide correspondent banking services, many of them have not yet created electronically connected networks and their branches typically operate independently of one another.

Tax Collections

We were the first private sector bank to be appointed by the government of India to collect direct taxes. In fiscal 2007 and fiscal 2008, we collected more than Rs. 365.5 billion and Rs. 610.3 billion, respectively, of direct taxes for the government of India. We are also appointed to collect sales, excise and service tax within certain jurisdictions in India. In fiscal 2007 and fiscal 2008, we collected more than Rs. 73.5 billion and Rs. 127.0 billion, respectively, of such indirect taxes for the government of India and relevant state governments. We earn a fee from each tax collection and benefit from the cash float. We hope to expand our range of transactional services by providing more services to government entities.

Treasury

Our Treasury Group manages our balance sheet, including our maintenance of reserve requirements and our management of market and liquidity risk. Our Treasury Group also provides advice and execution services to our corporate and institutional customers with respect to their foreign exchange and derivatives transactions. In addition, our Treasury Group seeks to optimize profits from our proprietary trading, which is principally concentrated on Indian government securities.

Our client-based activities consist primarily of advising corporate and institutional customers and transacting spot and forward foreign exchange contracts and derivatives. Our primary customers are multinational corporations, large- and medium-sized domestic corporations, financial institutions, banks and public sector undertakings. We also advise and enter into foreign exchange contracts with some small companies and non-resident Indians.

The following describes our activities in the foreign exchange and derivatives markets, domestic money markets and debt securities desk and equities market. See also Risk Management for a discussion of our management of market risk including liquidity risk, interest rate risk and foreign exchange risk.

Foreign Exchange

We trade spot and forward foreign exchange contracts, primarily with maturities of up to three years, with our customers. To support our clients activities, we are an active participant in the Indian inter-bank foreign exchange market. We also trade, to a more limited extent, for our own account. We believe we are a market maker in the dollar-rupee segments. Although spreads are very narrow, our total volume of trading is significant with US$ 671.3 billion in foreign exchange traded in fiscal 2008.

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Derivatives

We believe we are among the few Indian banks that are significant participants in the derivatives market, which is dominated by foreign banks. We offer rupee-based interest rate swaps, cross-currency swaps, forward rate agreements, options and other products. We also engage in proprietary trades of rupee-based interest rate swaps and use them as part of our asset liability management.

Domestic Money Market and Debt Securities Desk

Our principal activity in the domestic money market and debt securities market is to ensure that we comply with our reserve requirements. These consist of a cash reserve ratio, which we meet by maintaining balances with the RBI, and a statutory liquidity ratio, which we meet by purchasing Indian government securities. See also Supervision and Regulation Legal Reserve Requirements. Our local currency desk primarily trades Indian government securities for our own account. We also participate in the inter-bank call deposit market and engage in limited trading of other debt instruments.

Equities Market

We trade a limited amount of equities of Indian companies for our own account. As of March 31, 2008, we had an internal approved limit of Rs. 300 million for secondary market purchases and Rs. 100 million for primary purchases of equity investments for proprietary trading. Our exposure as of March 31, 2008 was approximately Rs. 91.4 million. We set limits on the amount invested in any individual company as well as stop-loss limits.

Distribution Channels

We deliver our products and services through a variety of distribution channels, including branches, ATMs, telephone and mobile telephone banking and internet banking.

Branches

As of March 31, 2008, we had an aggregate of 761 branches, including 22 extension counters. Our branch network covers 327 cities in India, with 214 branches concentrated in the four largest cities, Mumbai, Delhi, Chennai and Kolkata (Calcutta). We centralize our processing of transactions and back office operations in Mumbai and Chennai. This structure enables the branch staff to focus on customer service and selling our products. All of our branches are electronically linked so that our customers can access their accounts from any branch regardless of where they have their accounts.

Almost all of our branches focus exclusively on providing retail services and products, though a few also provide wholesale services. The range of products and services available at each branch depends in part on the size and location of the branch. Our extension counters typically are small offices, primarily within office buildings, that provide specific commercial and retail banking services.

As part of its branch licensing conditions, the RBI requires that at least 25% of our branches (not including extension counters) be located in semi-urban or rural areas. A semi-urban area is defined as a center with a population of greater than 10,000 but less than 100,000 people. A rural area is defined as a center with a population of less than 10,000 people. These population figures relate to the 2001 census conducted by the government of India. As of March 31, 2008, a total of 195 of our branches (not including extension counters) were in such semi-urban or rural areas.

We offer various banking services to our customers through our arrangements with correspondent banks and exchange houses in overseas locations. We have a representative office in the United Arab Emirates and also have recently obtained a Wholesale Branch license to establish a banking branch and commence banking operations in Bahrain. The branch in Bahrain commenced operations in September 2008.

Automated Teller Machines

As of March 31, 2008, we had a total of 1,977 ATMs, of which 1,026 were located at our branches or extension counters and 951 were located off site, including at large residential developments, or on major roads in metropolitan areas.

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Customers can use our ATMs for a variety of functions including withdrawing cash, monitoring bank balances and, at most of our ATMs, ordering demand drafts and paying utility bills. Customers can access their accounts from any of our ATMs. Our ATM cards cannot be used in non-HDFC Bank ATMs, although our debit cards can be. ATM cards issued by other banks in the Plus, Cirrus and Amex networks can be used in our ATMs and we receive a fee for each transaction.

Telephone Banking

We provide telephone banking services to our customers in 292 cities. Customers can access their accounts over the phone through our 24-hour automated voice response system and can order check books, inquire as to balances and order stop payments. In select cities, customers can also engage in financial transactions (such as cash transfers, opening deposits and ordering demand drafts). In certain cities, we also have staff available during select hours to assist customers who want to speak directly to one of our telephone bankers.

Mobile Telephone Banking

We launched mobile telephone banking services in January 2000, making us the first bank to do so in India. Customers in certain locations are eligible to sign up for mobile telephone banking, which allows them to access their accounts on their mobile telephone screens and to conduct a variety of banking transactions including balance inquiries, stop payment orders and utility bill payments.

Internet Banking

Through our Net Banking channel, customers can access account information, track transactions, transfer funds between accounts and to third parties who maintain accounts with us, make fixed deposits, give instructions for the purchase and sale of units in mutual funds, pay bills, request stop payments and make demand draft requests. We encourage use of our internet banking service by offering some key services for free or at a lower cost.

Risk Management

Risk is inherent in our business and sound risk management is critical to our success. The major types of risk we face are credit risk, market risk (which includes liquidity risk and price risk) and operational risk. We have developed and implemented comprehensive policies and procedures to identify, monitor and manage risk throughout the Bank.

Credit Risk

Credit risk is the possibility of loss due to the failure of any counterparty to abide by the terms and conditions of any financial contract with us. We identify and manage this risk through (a) our target market definitions, (b) our credit approval process, (c) our post-disbursement monitoring, and (d) our remedial management procedures.

Wholesale Credit Risk

The Wholesale Credit Risk team, within the Credit & Market Risk Department, is primarily responsible for implementing the risk strategy approved by the Board, developing procedures and systems for managing risk, carrying out an independent assessment of credit risk, approving individual credit exposures and ensuring portfolio composition and quality. In addition to the credit approval process, there is also a framework for review and approval of credit ratings.

For our wholesale banking products, we seek to target the leaders in each of the segments that we operate in. Thus, we target leading private businesses and public sector enterprises in the country, subsidiaries of multinational corporations and leaders in the Small & Medium Enterprises (SME) segment. We also have product specific offerings to entities engaged in the capital markets and commodities businesses.

We consider credit risk of a counter-party comprehensively, and thus, our credit policies and procedures apply to not only credit exposures but also credit substitutes and contingent exposures. The Bank s Credit Policies & Procedure Manual and Credit Programs, (Credit Policies) where applicable are central in controlling credit risk in various activities and products. These articulate the credit risk strategy of the Bank and thereby the approach for credit origination, approval and maintenance. The Policies/Programs generally address such areas as target markets, portfolio mix, prudential exposure ceilings, concentration limits, price and non-price terms, structure of limits, approval authorities, exception reporting system, prudential accounting and provisioning norms.

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Each credit is evaluated by the business units against the credit standards prescribed in the Credit Policies of the Bank. They are then subjected to a greater degree of risk analysis by the Credit & Market Risk Department s credit risk specialists also based on criteria such as product type and customer profile.

The Bank has in place a process of grading each borrower according to its financial health and the performance of its business, and each borrower is assigned a rating on a scale of 1 to 10 (1 indicating the best and 10 the worst). We have specific models applicable to each significant segment of wholesale credit (e.g. large corporate model, SME manufacturing, SME Services, and NBFC). Each model assesses the overall risk in four major categories industry risk, business risk, management risk and financial risk. The inputs in each of the categories are combined to provide an aggregate numerical rating, which is a function of the aggregate weighted scores based on the assessment under each of these four risk categories.

Based on an adequately comprehensive risk assessment, credit exposure limits are set on individual counterparties. These limits take into account the overall potential exposure on the counterparty, be it on balance sheet or off balance sheet, across the banking book and the trading book. These are reviewed in detail at annual or more frequent intervals.

We do not extend credit on the judgment of one officer alone. The credit approval process at the Bank is based on a three initial system that combines credit approval authorities and discretionary powers. The required three initials are provided by Credit Approvers who derive their authority from their credit skills and experience. The level for approval of a credit varies depending upon the grading of the Borrower, the quantum of facilities required and whether we have been dealing with the customer by providing him credit facilities in the past. Thus, initial approvals would typically require a higher level of approval for a borrower with the same grading and for sanctioning the same facility.

To ensure adequate diversification of risk, concentration limits have been set up in terms of:

a) *Borrower / business group* Exposure to a borrower/business group is subject to the general ceilings established by Reserve Bank of India (RBI) from time to time, or specific approval by RBI. The exposure-ceiling limit for a single borrower is 15 percent of the capital funds. This limit may be exceeded by an additional 5 percent (i.e. up to 20 percent) provided the additional credit exposure is on account of infrastructure. The exposure-ceiling limit in the case of a borrower group is 40 percent of the capital funds. This limit may be exceeded by an additional 10 per cent (i.e. up to 50 percent) provided the additional credit exposure is on account of extensions of credit for infrastructure projects. In addition to the above exposure limit, the Bank may, in exceptional circumstances, with the approval of the Board, consider increasing its exposure to a borrower up to an additional 5 percent of the capital funds. For certain blue chip clients and reputed groups or in particular for entities whose borrowings / bonds qualify as Priority Sector Lending, the Bank may approach RBI for single/group borrower ceilings higher than the prescribed limits.

b) *Industry* Exposure to any one industry cannot exceed 12 percent of aggregate exposures for this purpose advances and investments (customer assets) would be aggregated together. Retail advances would be exempt from such ceiling. Further, exposure to banks and state sponsored financial institutions is capped at a higher level of 25 percent.

c) *Risk grading* The Bank may not assume any incremental exposures on borrowers with an internal risk grading of 7 or worse, except on a highly secured basis or as part of a rehabilitation/restructuring plan. Further, the Bank has set quantitative ceilings on aggregate funded exposure (excluding Retail Assets) specific to each rating category.

While we primarily make our credit decisions on a cash flow basis, we also obtain security for a significant portion of credit facilities extended by the Bank as a second potential remedy. This can take the form of a floating charge on the movable assets of the borrower or a (first or residual) charge on the fixed assets and properties owned by him. We may also require guarantees and letter of support from the flagship companies of the group in cases where facilities are granted based on our comfort level or relationship with the parent company.

We have a process for regular monitoring of all accounts at several levels. These include periodic calls to the customer, plant visits, credit reviews and monitoring of secondary data. These are designed to detect any early warning signals of deterioration in credit quality so that we can take timely corrective action.

RBI restricts us from lending to companies with which we have any directors in common. Also, RBI directs a portion of our lending to certain specified sectors (priority sector lending). See Supervision and Regulation Regulations Relating to Making Loans Directed Lending .

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Retail Credit Risk

The Bank offers a range of retail products such as auto loans, personal loans, two-wheeler loans, loans against securities, commercial vehicle loans, construction equipment loans, loans to transport operators, etc. Our retail credit policy and approval process are designed for the fact that we have high volumes of relatively homogeneous, small value transactions in each retail loan category. There are product programs for each of these products, which define the target markets, credit philosophy, process, detailed underwriting criteria for evaluating individual credits, exception reporting systems and individual loan exposure caps.

For individual customers to be eligible for a loan, minimum credit parameters, so defined, are to be met for each product. Any deviations therefrom need to be approved at the designated levels. The product parameters have been selected based on the perceived risk characteristics specific to the product. The quantitative parameters considered include income, residence stability, nature of employment/business, while the qualitative parameters include accessibility, contactability and profile. Our credit policies/product programs are based on statistical analysis of our own experience and industry data, in combination with the judgment of our senior officers.

The Retail Credit Risk team manages Credit Risk in retail assets and has the following constituents:

Central Risk Unit: The Central Risk Unit drives credit risk management centrally for retail assets. It is responsible for formulating policies and evaluates proposals for launch of new products and new geographies. The Central Risk Unit also conducts periodic reviews that cover Portfolio MIS, Credit MIS and Post Approval Reviews. The product risk teams conduct detailed studies on portfolio performance in each customer segment.

Retail Underwriting: The unit is primarily responsible for approving individual credit exposures and ensuring portfolio composition and quality. The unit ensures implementation of all policies/procedures, as applicable.

Risk Intelligence and Control: This unit is responsible for sampling of documents to ensure prospective borrowers with fraudulent intent are prevented from availment of loans. The unit initiates market reference checks to avoid recurrence of frauds and financial loss to the Bank.

Retail Collections Unit: This unit is responsible for remedial management of problem exposures in retail assets. The collections unit uses specific strategies for various segments and products for remedial management.

We mine our borrower account behavior and static data regularly to monitor the portfolio performance of each product segment regularly, and use these as inputs in revising our product programs, target market definitions and credit assessment criteria to meet our twin objectives of combining volume growth and maintenance of asset quality.

Our retails loans are generally either secured by a charge on the asset financed (in two-wheeler, car, commercial vehicle loans and loans against securities), or we obtain direct debit instructions or post-dated checks from the customer (in the case of unsecured personal loans). It is a criminal offence in India to issue a bad check.

Foreign Exchange, Derivatives and Trading Activities We consider any contingent exposure that could arise from foreign exchange and derivatives in the same manner as credit exposure of the customer. Thus, any facility approval goes through the same credit assessment process, risk grading and approvals by three credit approvers as any other credit facility granted to a customer. With respect to debt securities, we primarily trade Indian government securities for our own account.

Market Risk

Market risk refers to the potential loss on account of adverse change in market variables or other risk factors which affect the value of financial instruments which the bank or organization holds. The financial instruments include of investment in money market instruments, equities, bonds and positions in foreign exchange spot, forwards and derivative instruments, interest rates swaps and currency swaps and options. The other major source of exposure arises on account of mismatch in loans and advance book.

The market variables which affect the valuation of these instruments typically include interest rates, equity prices, commodity prices, exchange rates and volatility curves. Any change in the relevant market risk variable has an adverse or favourable

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impact on the valuation depending on the direction of the change and the type of position held (long or short). While the positions are taken with a view to earning from the upside potential, there is always a possibility of downside risk. Thus, one has to constantly review the positions to ensure that the risk of such positions is within the bank s overall risk appetite. The bank s risk appetite is set through pre-approved treasury limit, counterparty exposure limit and ALM limit. The process for monitoring and review of risk exposure is set in the risk management procedural manual and policies.

The board of directors reviews and approves the policies for the management of market risks and dealing with authorities and limits. The Risk Monitoring Committee of the board of directors monitors market risk policies and procedures and reviews market risk limits. The board of directors has delegated the responsibility for ongoing balance sheet market risk management to the Asset Liability Committee. This committee, which is chaired by the Managing Director and includes the heads of the business groups, meets every alternate week and more often when conditions require. The Asset Liability Committee reviews the product pricing for deposits and assets as well as the maturity profile and mix of our assets and liabilities. It articulates the interest rate view and decides on future business strategy with respect to interest rates. It reviews and sets funding policy and also reviews developments in the markets and the economy and their impact on the balance sheet and business. Finally, it ensures adherence to market risk limits and decides on the inter-segment transfer pricing policy. The Market Risk Department specifies the risk valuation methodology of various treasury products, formulates procedures for portfolio risk valuation, assesses market risk factors and assists in monitoring market risks for various treasury desks. The treasury mid-office is responsible for reporting market risks of the treasury desks.

The Financial Control Department is responsible for collecting data, preparing regulatory and analytical reports and monitoring whether the interest rate and other policies and limits established by the Asset Liability Committee are being observed. Our Treasury Group also assists in implementing asset liability strategy and in providing information to the Asset Liability Committee.

The following briefly describes our policies and procedures with respect to asset liability management, liquidity risk, price risk and other risks such as foreign exchange and equities risks.

Asset Liability Management

We fund core customer assets, consisting of loans and credit substitutes, with core customer liabilities, consisting principally of deposits. We also borrow in the inter-bank market and use such borrowings principally for funding certain short-term assets and for managing short-term maturity mismatches. Most of our liabilities and assets are short and medium term.

We maintain a substantial portfolio of liquid, high-quality Indian government securities. We prepare regular maturity gap analyses to review our liquidity position, and must submit a monthly analysis to the RBI.

We measure our exposure to fluctuations in interest rates primarily by way of a gap analysis. We classify all rate sensitive assets and liabilities into various time period categories according to contracted residual maturities or anticipated repricing dates, whichever is earlier. The difference in the amount of assets and liabilities maturing or being repriced in any time period category gives us an indication of the extent to which we are exposed to the risk of potential changes in the margins on new or repriced assets and liabilities. We place limits on the gap between the assets and liabilities that may be reset in any particular period.

Our Asset Liability Committee addresses the two principal aspects of our asset liability management program as follows:

First, the Asset Liability Committee monitors the liquidity gap and, at the corporate level, recommends appropriate financing or asset deployment strategies depending on whether the gap is a net asset position or a net liability position, respectively. Operationally, in the short-term, our Treasury Group implements these recommendations through transactions in the money market.

Second, the Asset Liability Committee monitors our interest rate gap and, at the corporate level, recommends repricing of our asset or liability portfolios. Operationally, in the short-term, our Treasury Group implements these recommendations by entering into transactions in the money market and interest rate swaps market.

In the longer term, our wholesale banking and retail banking groups implement these recommendations through changes in the interest rates offered by us for different time period categories to either attract or discourage deposits and loans in those time period categories.

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See Selected Statistical Information for information on our asset-liability gap and the sensitivity of our assets and liabilities to changes in interest rates.

Liquidity Risk

The purpose of liquidity management is to ensure sufficient cash flow to meet all financial commitments and to capitalize on opportunities for business expansion. This includes our ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature and to make new loans and investments as opportunities arise.

Liquidity is managed on a daily basis by the Treasury Group under the direction of the Asset Liability Committee. The Treasury Group is responsible for ensuring that we have adequate liquidity, ensuring that our funding mix is appropriate so as to avoid maturity mismatches and price and reinvestment rate risk in case of a maturity gap, and monitoring local markets for the adequacy of funding liquidity.

Price Risk

Price risk is the risk arising from price fluctuations due to market factors, such as changes in interest rates and exchange rates. Our Treasury Group is responsible for implementing the price risk management process within the limits approved by the board of directors. These limits are independently monitored by the treasury operations group. We measure price risk through a three-stage process, the first part of which is to estimate the sensitivity of the value of a position to changes in market factors to which our business is exposed. We then estimate the volatility of market factors. Finally, we aggregate portfolio risk. We manage price risk principally by establishing limits set by our board of directors for our money market activities, foreign exchange activities, interest rate and equities and derivatives activities. In addition, certain limits are also prescribed by the RBI.

We monitor and manage our exchange rate risk through a variety of limits on our foreign exchange activities. The RBI also limits the extent to which we can deviate from a near square position at the end of the day (where sales and purchases of each currency are matched). Our own policies set limits on maximum open positions in any currency during the course of the day as well as on overnight positions. We also have gap limits that address the matching of forward positions in various maturities and for different currencies. In addition, the RBI approves the aggregate gap limit for us. This limit is applied to all currencies. We also have stop-loss limits that require our traders to realize and restrict losses. We evaluate our risk on foreign exchange gap positions on a daily basis using a Value at Risk model applied to all of our outstanding foreign exchange instruments.

We impose position limits on our trading portfolio of marketable securities. These limits, which vary by tenor, restrict the holding of marketable securities of all kinds depending on our expectations about the yield curve. We also impose trading limits such as stop-loss limits and aggregate contract limits, which require that trading losses be kept below prescribed limits and as a result may require the realization of losses and elimination of positions.

The day-to-day monitoring and reporting of market risk and counterparty risk limits is carried out independently by the treasury mid-office department. The treasury mid-office department is independent of the treasury department and has a separate reporting line to the Managing Director through the head of credit and market risk.

Our derivatives risk is managed by the fact that we do not enter into or maintain unmatched positions with respect to non-rupee-based derivatives. Our proprietary derivatives trading is primarily limited to rupee-based interest rate swaps and rupee currency options.

Operational Risk

Operational risks are risks arising from matters such as non-adherence to systems and procedures or from frauds resulting in financial or reputation loss. Our Internal Audit and Compliance Department plays an essential role in monitoring and limiting our operational risk. The primary focus of the Audit Department is:

- to independently evaluate the adequacy of all internal controls;
- to ensure adherence to the operating guidelines, including regulatory and legal requirements; and

to recommend operation process improvements.

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The department also performs special investigations and ad hoc reviews. In addition, our Internal Audit and Compliance department liaises with statutory auditors, central bank authorities and other regulatory bodies.

In order to ensure total independence, the Internal Audit and Compliance Department reports directly to the Chairman of the board of directors and the Audit and Compliance Committee of the board of directors as well as indirectly to the Managing Director. The Audit and Compliance Committee meets at least once per quarter to review all procedures, the effectiveness of the controls and compliance with RBI regulations. In addition, the committee conducts a semiannual review of the performance of the department itself.

Pursuant to RBI guidelines, some activities are required to be audited continuously. More than half of our business, measured by transaction volume, is subject to concurrent auditing, including foreign exchange, derivatives, equities, securities transactions, depositary services, retail liability operations, reversals to the profit and loss account and monitoring of inter-branch routing accounts. All other lines of business, our information technology department, branches, services and products are audited on a set schedule, which is usually quarterly or half-yearly. Our information technology is also subject to audit review and certification of all software, including application software and system controls.

We are also subject to inspections conducted by the RBI under the Indian Banking Regulation Act. The RBI has adopted the global practice of subjecting banks to examination on the basis of the CAMELS model, a model that assigns confidential ratings to banks based on their capital adequacy, asset quality, management, earnings, liquidity and systems.

In 2006, the Securities Exchange Board of India (SEBI) investigated whether certain persons had submitted, in violation of SEBI rules, multiple applications for allocations of shares in certain initial public offerings. Based on these investigations, SEBI found that a number of depositary participants, including the Bank, had failed to adhere to the (KYC) norms laid down by SEBI in connection with the opening of certain dematerialized accounts, and that this contributed to certain persons being able to open multiple accounts in certain cases. Also in 2006, in connection with the same matters, the RBI investigated whether various banks had followed RBI directions and guidelines regarding savings account opening procedures and related matters. The RBI reported that prudent banking practices were not followed by the Bank, resulting in the Bank failing to comply with certain RBI directions and guidelines in respect of account openings, KYC norms and the monitoring of large transactions. We believe, and we advised SEBI and the RBI accordingly, that we obtained in a timely manner the documents required by the applicable RBI and SEBI rules. However, we acknowledged that certain employees had not exercised the required degree of prudence in that they had failed to go beyond the documents and make inquiries beyond what was technically required. In connection with these matters, the RBI levied a penalty of Rs. 3 million on the Bank, which the Bank has paid. In April 2006, SEBI issued an interim order against 12 depository participants, including the Bank, directing them to cease opening fresh dematerialized accounts until further directions were issued. This ban on the opening of new dematerialized accounts was lifted in November 2006 and the Bank resumed opening such accounts. SEBI also issued an order directing the depositories and some of the depository participants (including the Bank) to disgorge an amount of Rs. 900.18 million. The Bank s share of such amount was 1.82% or Rs. 16.4 million. We appealed the order to the Securities Appellate Tribunal, which passed an interim order staying SEBI s disgorgement order. Subsequently, Security Appellate Tribunal on 22nd October 2007 has set aside the order of SEBI. In order to avoid similar problems in the future, we further tightened our internal control processes and instituted additional measures to ensure strict adherence to the KYC guidelines and other anti-money laundering requirement. We also took disciplinary action against certain employees, including dismissals in some cases.

Operational Risk Management as per Basel II norms:

The Bank is developing a detailed Operational Risk Management (ORM) Policy in line with RBI s guidance note on Management of Operational Risk and the Basel II Accord. As a part of this initiative, a comprehensive Operational Risk Management system is being developed along with CRISIL (one of the oldest rating agencies in India whose majority shareholder is Standard & Poor s), and the policies are being revisited to align fully with Basel II / RBI norms.

The Bank has already achieved significant progress in terms of ORM system implementation, and is now working towards implementing the comprehensive set of Basel II/RBI norm-specific Operational Risk Management policies across the bank.

Competition

We face strong competition in all of our principal lines of business. Our primary competitors are large public sector banks, other private sector banks, foreign banks and, in some product areas, non-banking financial institutions.

Retail Banking

In retail banking, our principal competitors are the large public sector banks, which have much larger deposit bases and branch networks, other new private sector banks and foreign banks in the case of retail loan products. The retail deposit share of the foreign banks is quite small by comparison to the public sector banks, and has also declined in the last few years, which we attribute principally to competition from new private sector banks. However, some of the foreign banks have a significant presence among non-resident Indians and also compete for non-branch-based products such as auto loans and credit cards.

We face significant competition primarily from foreign banks in the debit and credit card segment. In mutual fund sales and other investment related products, our principal competitors are brokers, foreign banks and new private sector banks.

Wholesale Banking

Our principal competitors in wholesale banking are public and new private sector banks as well as foreign banks. The large public sector banks have traditionally been the market leaders in commercial lending. Foreign banks have focused primarily on serving the needs of multinational companies and Indian corporations with cross-border financing requirements including trade and transactional services and foreign exchange products and derivatives, while the large public sector banks have extensive branch networks and large local currency funding capabilities.

Treasury

In our treasury advisory services for corporate clients, we compete principally with foreign banks in foreign exchange and derivatives, as well as public sector banks and new private sector banks in the foreign exchange and money markets business.

Employees

Our number of employees increased from 21,477 as of March 31, 2007 to 37,836 as of March 31, 2008, primarily as a result of us directly employing staff to perform activities that were formerly outsourced to third parties, including our affiliate, HBL Global Private Limited (HBL), in order to have more control over the marketing of our products and facilitate compliance with the KYC norms. Our overall expense did not increase because the fees we previously paid to HBL were reduced. See Related Party Transactions. Headcount also increased due to general growth in our business. The increase in our number of employees also resulted from the expansion of our branch network, an increase in the territories we cover and substantial growth in our retail business, particularly in the credit card market. Almost all our employees are located in India. As of March 31, 2008, approximately 14% of our employees were managers or senior managers, and approximately 3% were assistant vice presidents, vice presidents or group heads. More than 99% of our employees have university degrees.

We consider our relations with our employees to be good. Our employees do not belong to any union.

We use incentives in structuring compensation packages and have established a performance-based bonus scheme under which permanent employees have a variable pay component of their salary.

In addition to basic compensation, employees are eligible to participate in our provident fund and other employee benefit plans. The provident fund, to which both we and our employees contribute, is a savings scheme, required by government regulation, under which the fund is required to pay to employees a minimum annual return, which at present is 8.5%. If the return is not generated internally by the fund, we are liable for the difference. Our provident fund has generated sufficient funds internally to meet the annual return requirement since inception of the fund. We have also set up a superannuation fund to which we contribute defined amounts. In addition, we contribute specified amounts to a gratuity fund set up pursuant to Indian statutory requirements.

We focus on training our employees on a continuous basis. We have a training center in Mumbai, where we conduct regular training programs for our employees. Management and executive trainees generally undergo up to eight-week training modules covering every aspect of banking. We offer courses conducted by both internal and external faculty. In addition to ongoing on-the-job training, we provide employees courses in specific areas or specialized operations on an as-needed basis.

Properties

Our registered office and corporate headquarters is located at HDFC Bank House, Senapati Bapat Marg, Lower Parel, Mumbai 400 013, India.

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Close to the corporate headquarters is the administrative center at Kamala Mills Compound in Lower Parel, Mumbai. As of March 31, 2008, we had a network consisting of 761 branches, including 22 extension counters, and 1,977 ATMs, including 951 at non-branch locations. These facilities are located throughout India. We also rent property in Bangalore to house our disaster recovery site, which we would use to replicate our core banking and transaction systems in the event of a regional calamity in Mumbai.

Legal Proceedings

We are involved in a number of legal proceedings in the ordinary course of our business. However, we are currently not a party to any proceedings which, if adversely determined, might have a material adverse effect on our financial condition or results of operations.

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RISK FACTORS

You should carefully consider the following risk factors as well as the other information contained in this report in evaluating us and our business.

Risks Relating to Our Business

If we are unable to manage our rapid growth, our business could be adversely affected.

Our asset growth rate has been significantly higher than India s gross domestic product (GDP) growth rate as well as the growth rate in the Indian banking industry over the last three fiscal years. For example, our total assets in the three-year period ended March 31, 2008 grew at a compounded annual growth rate of 41.2%. We also recently acquired Centurion Bank of Punjab and it may be challenging to effectively and expeditiously integrate its operations. See we may not realize possible benefits from the merger of Centurion Bank of Punjab Limited with us. Our rapid growth has placed, and if it continues will place, significant demands on our operational, credit, financial and other internal risk controls such as:

- recruiting, training and retaining sufficient skilled personnel;
- upgrading and expanding our technology platform;
- developing and improving our products and delivery channels;
- preserving our asset quality as our geographical presence increases and customer profile changes;
- complying with regulatory requirements such as the Know Your Customer (KYC) norms; and
- maintaining high levels of customer satisfaction.

An inability to manage our growth effectively could have a material adverse effect on our business, our future financial performance and the price of our equity shares and ADSs.

Our business is vulnerable to volatility in interest rates.

Our results of operations depend to a great extent on our net interest revenue. During fiscal 2008, net interest revenue after allowances for credit losses represented 67.1% of our net revenue. Changes in market interest rates could affect the interest rates charged on our interest-earning assets differently from the interest rates paid on our interest-bearing liabilities and also affect the value of our investments. This difference could result in an increase in interest expense relative to interest revenue, leading to a reduction in our net interest revenue and net interest margin. In addition, a rise in interest rates could negatively affect demand for our loans and other products.

Interest rates are highly sensitive to many factors beyond our control, including the monetary policies of the RBI, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors. Yields on the Indian government s ten-year bonds were 7.5%, 8.0% and 8.0% as of March 31, 2006, March 31, 2007 and March 31, 2008, respectively. Any volatility in interest rates could adversely affect our business, our future financial performance and the price of our equity shares and ADSs.

If the level of non-performing loans in our portfolio increases, then our business could suffer.

Our gross non-performing loans and impaired credit substitutes represented 1.2% of our gross customer assets as of March 31, 2008. Our non-performing loans and impaired credit substitutes net of specific loan loss provisions represented 0.4% of our net customer assets portfolio as of March 31, 2008. As of March 31, 2008, we had provided for 144.2% of our total non-performing loans. We cannot assure you that our provisions will be adequate to cover any further increase in the amount of non-performing loans or any further deterioration in our non-performing loan portfolio. In addition, we are a relatively young bank and we have not experienced a significant and prolonged downturn in the economy.

A number of factors outside of our control could affect our ability to control and reduce non-performing loans. These factors include developments in the Indian economy, movements in global commodity markets, global competition, changes in interest rates and exchange rates and changes in regulations, including with respect to regulations requiring us to lend to certain sectors identified by the RBI, or the government of India. In addition, the expansion of our business may cause our non-performing loans to increase and the overall quality of our loan portfolio to deteriorate. If our non-performing loans increase, we may be required to increase our provisions, which may affect our earnings and may result in us being unable to execute our business plan as expected, which could adversely affect the price of our equity shares and ADSs.

We have high concentrations of customer exposures to certain customers and sectors and if any of these exposures were to become non-performing, the quality of our portfolio could be adversely affected.

We calculate customer and industry exposure in accordance with the policies established by Indian GAAP and the RBI. In the case of customer exposures, we aggregate the higher of the outstanding balances of, or limits on, funded and non-funded exposures. Funded exposures include loans and investments (excluding investments in government securities, units of mutual funds, deposit certificates issued by banks and equity shares). As of March 31, 2008, our largest single customer exposure as of that date was Rs. 26.06 billion, representing approximately 19.4% of our capital funds valuation, and our 10 largest customer exposures totaled approximately Rs. 113.42 billion, representing approximately 84.3% of our capital funds valuation, in each case as per RBI guidelines based on Indian GAAP figures. In accordance with RBI regulations, we received approval from our board of directors for the fact that our top two single customer exposures exceeded the RBI prescribed limit of 15.0% of our capital funds. None of the 10 largest customer exposures were classified as non-performing as on March 31, 2008 based on Indian GAAP figures. However, if any of our 10 largest customer exposures were to become non-performing, the quality of our portfolio and our business could be adversely affected.

We monitor concentration of exposures to individual industries as a proportion of funded exposures. As of March 31, 2008, our largest industry concentrations, in each case based on Indian GAAP figures, were as follows: automobiles and auto ancillaries (7.0%), transport (6.9%), trading (5.5%), banks and financial institutions (4.2%) and agriculture (3.7%). In addition, as of that date approximately 44.6% of the concentration of our exposure was retail (except where otherwise included in the above classification). As of that date, our total non-performing loans and investments were concentrated in the following industries: transport (13.9%), automobiles and auto ancillaries (7.3%), textiles (2.5%) and gems and jewelry (1.5%).

Industry-specific difficulties in these or other sectors could increase our level of non-performing customer assets and adversely affect our business, our future financial performance and the price of our equity shares and ADSs.

We face greater credit risks than banks in more developed countries.

One of our principal activities is providing financing to our customers, almost all of whom are based in India. We are subject to the credit risk that our borrowers may not pay us in a timely fashion or at all. The credit risk of all our borrowers is higher than in other developed countries due to the higher uncertainty in our regulatory, political and economic environment. Higher credit risk may expose us to greater potential losses, which would adversely affect our business, our future financial performance and the price of our equity shares and ADSs.

We may be unable to foreclose on collateral when borrowers default on their obligations to us, which may result in failure to recover the expected value of collateral security.

Although we typically lend on a cash-flow basis, we take collateral for a large proportion of our loans, consisting of liens on inventory, receivables and other current assets, and in some cases, charges on fixed assets such as real property, movable assets such as vehicles, and financial assets such as marketable securities.

Although there has been recent legislation which may strengthen the rights of creditors and lead to faster realization of collateral in the event of default, we cannot guarantee that we will be able to realize the full value of our collateral, due to, among other things, delays on our part in taking immediate action, delays in bankruptcy foreclosure proceedings, stock market downturns, defects in the perfection of collateral and fraudulent transfers by borrowers. In the event a specialized regulatory agency gains jurisdiction over the borrower, creditor actions can be further delayed.

In addition, the RBI has set forth guidelines on corporate debt restructuring. The guidelines envisage that for debt amounts of Rs. 1 billion and above, 60% of the creditors by number in addition to 75% of creditors by value, can decide to restructure the debt and such a decision would be binding on the remaining creditors. In situations where we own 20% or less of the debt of a borrower, we could be forced to agree to an extended restructuring of debt, instead of foreclosure of security or a one-time settlement, which has generally been our practice.

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Our success depends in large part upon our management team and skilled personnel and our ability to attract and retain such persons.

We are highly dependent on our management team, including the continued efforts of our Chairman, our Managing Director and members of our senior management. Our future performance will be affected by the continued service of these persons. We also face a continuing challenge to recruit and retain a sufficient number of skilled personnel, particularly if we continue to grow. Competition for management and other skilled personnel in our industry is intense, and we may not be able to attract and retain the personnel we need in the future. The loss of key personnel may have a material adverse effect on our business, results of operations, financial condition and ability to grow.

In order to sustain our growth, we will need to maintain a minimum capital adequacy ratio. There is no assurance that we will be able to access the capital markets when necessary to do so.

The RBI requires a minimum capital adequacy ratio of 9% of our total risk-weighted assets. We must maintain this minimum capital adequacy level to support our continuous growth. Our capital adequacy ratio, calculated in accordance with Indian GAAP, was 13.60% as of March 31, 2008. The RBI has come out with the final guidelines based on the Basel II capital adequacy standards. These guidelines will be applicable to us from March 31, 2009 and would also result in a decline in our capital adequacy ratio. Our ability to support and grow our business could be limited by a declining capital adequacy ratio if we are unable to or have difficulty accessing the capital markets.

Material changes in Indian banking regulations could harm our business.

We operate in a highly regulated environment in which the RBI extensively supervises and regulates all banks. Our business could be directly affected by any changes in policies for banks in respect of directed lending, reserve requirements and other areas. For example, the RBI could change its methods of enforcing directed lending standards so as to require more lending to certain sectors, which could require us to change certain aspects of our business. In addition, we could be subject to other changes in laws and regulations, such as those affecting the extent to which we can engage in specific businesses or those affecting foreign investment in the banking industry, as well as changes in other governmental policies and enforcement decisions, income tax laws, foreign investment laws and accounting principles. We cannot assure you that laws and regulations governing the banking sector will not change in the future or that any changes will not adversely affect our business, our future financial performance or the price of our equity shares and ADSs. For example, the RBI recently revised its regulations pertaining to capital market exposure and as a result our capital market exposure exceeds the new limits. See Because of our many transactions with stock market participants, our business could suffer if there is a prolonged or significant downturn on the Indian stock exchanges.

We compete directly with banks that are much larger than we are.

We face strong competition in all areas of our business, and many of our competitors are much larger than we are. We compete directly with the large public sector banks, which generally have much larger customer and deposit bases, larger branch networks and more capital than we do. These banks will become more competitive as they improve their customer services and technology. One of the other private sector banks in India is also larger than we are, based on such measurements. In addition, we compete directly with foreign banks, which include some of the largest multinational financial companies in the world. Due to competitive pressures, we may be unable to execute our growth strategy successfully and offer products and services that generate reasonable returns, which may impact our business and our future financial performance.

Consolidation in the banking industry could adversely affect us.

The Indian banking industry may experience greater consolidation. The government has indicated its desire to consolidate certain public sector banks. In addition, there may be mergers and consolidations among private banks. We may face more competition from larger banks as a result of any such consolidation.

Our funding is primarily short- and medium- term and if depositors do not roll over deposited funds upon maturity our business could be adversely affected.

Most of our funding requirements are met through short-term and medium-term funding sources, primarily in the form of retail deposits. However, a portion of our assets have long-term maturities, creating a potential for funding mismatches. In our experience, a substantial portion of our customer deposits has been rolled over upon maturity and has been, over time, a stable source of funding. However, if a substantial number of our depositors do not roll over deposited funds upon maturity, our liquidity position could be adversely affected and we may be required to seek more expensive sources of funding to finance our operations, which could have a material adverse effect on our business.

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We could be subject to volatility in revenue from our treasury operations.

Treasury revenue is vulnerable to volatility in the market caused by changes in interest rates, exchange rates, equity prices, commodity prices and other factors. Any increase in interest rates would have an adverse effect on the value of our fixed income securities portfolio and may have an adverse effect on our net revenue. Any decrease in our income due to volatility in revenue from these activities could have a material adverse effect on the price of our equity shares and ADSs.

We could be adversely affected by the development of a nationwide inter-bank settlement system.

Currently, there is no nationwide payment system in India, and checks must generally be returned to the city from which they were written in order to be cleared. Because of mail delivery delays and the variation in city-based inter-bank clearing practices, check collections can be slow and unpredictable. Through our electronically linked branch network, correspondent bank arrangements and centralized processing, we effectively provide a nationwide collection and disbursement system for our corporate clients. We enjoy cash float and earn fees from these services. In 2005, the RBI introduced the RTGS inter-bank settlement system which facilitates real time settlements primarily between banks. Although we believe our services offer advantages not offered by the RTGS system, the RTGS system could have an adverse impact on the cash float and fees we have enjoyed from some of our cash management services and therefore could adversely affect our future financial performance and the price of our equity shares and ADSs.

Because of our many transactions with stock market participants, our business could suffer if we fail to meet certain regulatory limits or if there is a prolonged or significant downturn on the Indian stock exchanges.

The Bank provides a variety of services and products to participants involved with the Indian stock exchanges.

These include working capital funding and margin guarantees to share brokers, personal loans secured by shares and initial public offering finance for retail customers, stock exchange clearing services and depositary accounts. The Bank is required to maintain its capital market exposures within the limits as prescribed by the RBI. The Bank s capital market exposures are comprised primarily of investments in equity shares, loans to share brokers and financial guarantees issued to stock exchanges on behalf of share brokers.

With effect from 1 April 2007, the RBI has revised the limits for banks, which is now linked to the net worth of the bank. The news norms require that a bank s capital market exposure be limited to 40.0% of its net worth, both on a consolidated and non-consolidated basis. Based on the new norms, the Bank s capital market exposure as at 31 March 2008, was Rs. 44.8 billion or 44.6% of its net worth on a non-consolidated basis and was slightly higher at 45.2% on a consolidated basis. The RBI has approved the Bank s request for a time extension until 31 December 2008 to comply with the new norms. If the Bank fails to meet the norms before 31 December 2008, the Bank will have difficulty in getting other regulatory approvals necessary to do business in the normal course which could have a material adverse effect on its business and the price of our equity shares and ADSs. In addition, as a result of the Bank s capital market exposure, a significant or prolonged downturn on the Indian stock exchanges could have a material adverse effect on the Bank s business and cause the price of equity shares and ADSs to go down.

Significant fraud, system failure or calamities could adversely impact our business.

We seek to protect our computer systems and network infrastructure from physical break-ins as well as fraud and system failures. Computer break-ins and power and communication disruptions could affect the security of information stored in and transmitted through our computer systems and network infrastructure. We employ security systems, including firewalls and password encryption, designed to minimize the risk of security breaches. Although we intend to continue to implement security technology and establish operational procedures to prevent fraud, break-ins, damage and failures, there can be no assurance that these security measures will be adequate. A significant failure of security measures or operational procedures could have a material adverse effect on our business and our future financial performance.

In addition, both our centralized data center and our back-up systems are separately located in the greater Mumbai area. In the event of a regional disaster, such as an earthquake, it is possible that both systems could be simultaneously damaged or destroyed. Although we have established a remote disaster recovery site at Bangalore that replicates our network and certain applications currently based in Mumbai, and believe that we will be able to retrieve critical applications within an optimal time frame, it would still take some time to make the system fully operational in the event of a disaster.

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HDFC Limited controls a significant percentage of our share capital and exercises substantial influence over board decisions.

HDFC Limited and its subsidiaries owned 23.26% of our equity as of March 31, 2008. So long as HDFC Limited and its subsidiaries hold at least a 20.0% equity stake in us, HDFC Limited is entitled to nominate the two directors who are not required to retire by rotation to our board, including the Chairman and our Managing Director, subject to RBI approval. Accordingly, HDFC Limited may be able to exercise substantial control over our board and over matters subject to a shareholder vote.

There have been reports in the Indian media suggesting that we may merge with HDFC Limited. We consider business combination opportunities as they arise. At present, we are not actively considering a business combination with HDFC Limited. Any significant business combination would involve compliance with regulatory requirements and shareholder and regulatory approvals. Were such a combination to occur, we cannot predict the impact it would have on our business, growth prospects or the prices of our equity shares and ADSs.

We may face potential conflicts of interest relating to our principal shareholder, HDFC Limited.

Although we currently have no agreements with HDFC Limited or any other HDFC group companies that restrict us from offering products and services that are offered by them, our relationship with these companies may cause us not to offer products and services that are already offered by other HDFC group companies or may effectively prevent us from taking advantage of business opportunities. As a result, any conflicts of interest between HDFC Limited and us or any other HDFC group companies and us could adversely affect our business and the price of our equity shares and ADSs.

RBI guidelines relating to ownership in private banks could discourage or prevent a change of control or other business combination involving us.

The RBI has issued guidelines concerning ownership in private sector banks. The guidelines state that no entity or group of related entities will be permitted to own or control, directly or indirectly, more than 10% of the paid up capital of a private sector bank without RBI approval. The implementation of such a restriction will discourage or prevent a change in control, merger, consolidation, takeover or other business combination involving us, which might be beneficial to our shareholders. Further RBI approval is required before we can register the transfer of 5% or more of our shares (paid up capital) to an individual or group.

We may face increased competition as a result of revised guidelines that relax restrictions on the presence of foreign banks in India.

In March 2004, the Ministry of Commerce and Industry of India revised guidelines on foreign investors in the Indian banking sector. The revised guidelines permit up to 74% of the paid-up capital of a bank to be held by foreign investors and allow foreign banks to operate in India through branches, wholly owned subsidiaries or subsidiaries that hold an aggregate foreign investment of up to 74% in a private bank. Implementation of the revised guidelines will take place in two phases. From March 2005 to March 2009, foreign banks will be permitted to establish a presence in India only through wholly owned subsidiaries that meet certain criteria, and the acquisition of holdings in private sector Indian banks will be permitted only with respect to banks identified by the RBI for restructuring. The second phase of implementation of the revised guidelines will commence in April 2009 after a review of the first phase. Any growth in the presence of foreign banks or in foreign investments in Indian banks may increase the competition that we face and could have a material adverse effect on our business.

We need to obtain prior RBI approval for opening new branches to increase our infrastructure and expand our reach into different geographical segments. Delay in getting approval for branches could have a negative impact on our future financial performance.

The RBI introduced a liberalized branch licensing policy in September 2005. We have applied for branches under the policy in the past and obtained approvals for opening branches under the policy. Any prolonged delay in the receipt of such licences could adversely affect our future financial performance.

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If we fail to comply with Section 404 of the Sarbanes-Oxley Act of 2002, our reputation and the value of our securities may be adversely affected.

Section 404 of the Sarbanes Oxley Act of 2002 (Section 404) requires us to include in our Annual Report on Form 20-F management s assessment of the effectiveness of our internal controls over financial reporting, together with an attestation report from our auditors. While we have complied with Section 404 in a timely manner so far, there is no assurance that we will continue to be able to do so in the future.

We may not realize possible benefits from the merger of Centurion Bank of Punjab Limited with us.

On February 23, 2008, the Bank and Centurion Bank agreed in principle to the Merger (the Proposed Merger) of the two banks. Subsequently, on obtaining requisite approvals, Centurion Bank of Punjab Ltd. merged with us effective May 23, 2008 as per the order of the Reserve Bank of India (RBI) dated May 20, 2008.

While we believe that the benefits of the Proposed Merger will outweigh the overall costs of such a merger, as with any merger, the risk exists that the final outcome of the Proposed Merger may not produce the benefits we anticipate. The success of the Proposed Merger depends, in part, on our ability to realize potential synergies, growth opportunities and cost savings from combining the businesses of Centurion Bank with that of our own. The realization of such benefits of the Proposed Merger may be blocked, delayed or reduced as a result of numerous factors, some of which will be outside our control. These factors include difficulties in integrating our existing operations with those of Centurion Bank, including personnel policies and procedures, overlapping branch networks, information systems and management and administrative functions, unforeseen contingent risks or latent liabilities that may only become apparent after the integration process is completed, loss of our and Centurion Bank s customers and loss of key personnel. The Bank will incur costs in connection with such integration process. There can be no assurance that these or other issues connected with the Proposed Merger will not emerge and have a material adverse effect on the Bank s financial condition and operations in the future.

Our overseas operations are subject to international legal and regulatory risk which may adversely affect our business.

We have and also seek to establish banking operations in countries other than India. As a result of our overseas operations and given that we may expand our geographic presence globally in the future, we are and will be subject to a wide variety of international banking and financial services laws and regulations and a large number of regulatory and enforcement authorities in the jurisdictions in which we operate. The laws and regulations governing the banking and financial services industry have become increasingly complex governing a wide variety of issues, including interest rates, liquidity, capital adequacy, securitization, investments, ethical issues, money laundering, privacy, record keeping, outsourcing and marketing and selling practices, with sometimes overlapping jurisdictional or enforcement authorities.

Despite our best efforts to comply with all applicable regulations, there are a number of risks that cannot be completely controlled. Regulators in the jurisdictions in which we operate have the power to bring administrative or judicial proceedings against us (or our employees, representatives, agents and third party service providers), which could result, among other things, in suspension or revocation of one or more of our licences, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action which could materially harm our results of operations and financial condition. Failure to comply with applicable regulations in various jurisdictions, including unauthorized actions by employees, representatives, agents and third parties, suspected or perceived failures and media reports, and future inquiries or investigations by regulatory and enforcement authorities, may result in regulatory action including financial penalties and restrictions on or suspension of the related business operations. In addition, failure to comply with the applicable regulations in various jurisdictions by our employees, representatives, agents and third party service providers, our overseas offices, either in or outside the course of their services, or suspected or perceived failures by them, may result in inquiries or investigations by regulatory and enforcement authorities, in regulatory or enforcement action against either, us, our overseas offices or such employees, representatives, agents and third party service providers. Such actions may, amongst other consequences, impact our reputation, result in adverse media reports, lead to increased or enhanced regulatory or supervisory concerns, lead to additional costs, penalties, claims and expenses being incurred by us or impact adversely our ability to conduct business owing to implications on business continuity, possible distraction, lack of proper attention or time by such employees, representatives, agents and third party service providers to their official roles and duties, or suspension or termination by us of their services and having to find suitable replacements apart from personal liability, financial or other penalties and restrictions that may be imposed on or suffered by them including personal liability for criminal violation.

The U.S. banking industry has experienced significant deterioration and volatility recently, which has had negative repercussions on the international banking industry and the global economy and, as a result, could present new challenges for our business.

Commencing in 2007 and continuing into 2008, certain adverse financial developments have impacted the U.S. and global financial markets, and the U.S. and global banking industries in particular. These developments include a general slowing of economic growth both in the U.S. and globally, substantial volatility in equity securities markets, and volatility and tightening of liquidity in credit markets. While it is difficult to predict how long these conditions will exist and which markets and businesses of our company may be affected, these developments could continue to present risks for an extended period of time for our industry and our Bank.

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Risks Relating to Investments in Indian Companies

A slowdown in economic growth in India could cause our business to suffer.

Our performance and the quality and growth of our assets are necessarily dependent on the health of the overall Indian economy. The estimated growth rate in the Indian economy has fallen from 9% in 2008 to 7.9% in 2009. A continued slowdown in the Indian economy could adversely affect our business, including our ability to grow our asset portfolio, the quality of our assets and our ability to implement our strategy. In particular, because India depends significantly on imported oil for its energy needs, the Indian economy could be adversely affected by the continuing high oil prices. India s economy has already been adversely affected by rising inflation (12% in 2008) and could also be adversely affected by a general rise in interest rates, weather conditions adversely affecting agriculture or other factors. In addition, the Indian economy is in a state of transition. The share of the services sector of the economy is rising, while that of the industrial, manufacturing and agricultural sectors is declining. Finally, India faces major challenges in sustaining its growth, which include the need for substantial infrastructure development and improving access to healthcare and education. It is difficult to gauge the impact of these fundamental economic changes on our business.

Political instability or changes in the government in India could delay the liberalization of the Indian economy and adversely affect economic conditions in India generally, which could impact our financial results and prospects.

Since 1991, successive Indian governments have pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. Nevertheless, the role of the Indian central and state governments in the Indian economy as producers, consumers and regulators have remained significant. The leadership of India has changed many times since 1996. The current coalition-led central government, which came to power in May 2004, has announced policies and taken initiatives that support the economic liberalization policies that have been pursued by previous central governments. However, we cannot assure you that these liberalization policies will continue in the future. The rate of economic liberalization could change, and specific laws and policies affecting banking and finance companies, foreign investment, currency exchange and other matters affecting investment in our securities could change as well. Any significant change in India s economic liberalization and deregulation policies could adversely affect business and economic conditions in India generally and our business in particular.

Terrorist attacks, civil unrest and other acts of violence or war involving India and other countries could adversely affect the financial markets and our business.

Terrorist attacks and other acts of violence or war may negatively affect the Indian markets on which our equity shares trade and also adversely affect the worldwide financial markets. These acts may also result in a loss of business confidence, make travel and other services more difficult and ultimately adversely affect our business. In addition, any deterioration in relations between India and Pakistan might result in investor concern about stability in the region, which could adversely affect the price of our equity shares and ADSs.

India has also witnessed civil disturbances in recent years and it is possible that future civil unrest as well as other adverse social, economic and political events in India could have an adverse impact on us. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse impact on our business and the price of our equity shares and ADSs.

Natural calamities could have a negative impact on the Indian economy and cause our business to suffer.

India has experienced natural calamities such as earthquakes, a tsunami, floods and drought in the past few years. The extent and severity of these natural disasters determine their impact on the Indian economy. For example, as a result of drought conditions in the country during fiscal 2003, the agricultural sector recorded a negative growth of 5.2%. Further prolonged spells of below normal rainfall or other natural calamities could have a negative impact on the Indian economy, adversely affecting our business and the price of our equity shares and ADSs.

Any downgrade of India s debt rating by an international rating agency could have a negative impact on our business.

Any adverse revisions to India s credit ratings for domestic and international debt by international rating agencies may adversely impact our ability to raise additional financing and the interest rates and other commercial terms at which such additional financing is available. This could have an adverse effect on our business and future financial performance and our ability to obtain financing and fund our growth.

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Risks Relating to the ADSs and Equity Shares

Historically, our ADSs have traded at a premium to the trading prices of our underlying equity shares, a situation which may not continue.

Historically, our ADSs have traded on the New York Stock Exchange (the NYSE) at a premium to the trading prices of our underlying equity shares on the Indian stock exchanges, although this premium has declined in recent years. See Price Range of Our American Depositary Shares and Equity Shares for the underlying data. We believe that this price premium has resulted from the relatively small portion of our market capitalization previously represented by ADSs, restrictions imposed by Indian law on the conversion of equity shares into ADSs, and an apparent preference for investors to trade dollar-denominated securities. Over time some of the restrictions on issuance of ADSs imposed by Indian law have been relaxed and we expect that other restrictions may be relaxed in the future. It is possible that in the future our ADSs will not trade at any premium to our equity shares and could even trade at a discount to our equity shares.

You will not be able to vote.

Investors in ADSs will have no voting rights, unlike holders of the equity shares. Under the deposit agreement, the depositary will abstain from voting the equity shares represented by the ADSs. If you wish, you may withdraw the equity shares underlying the ADSs and seek to vote (subject to Indian restrictions on foreign ownership) the equity shares you obtain upon withdrawal. However, this withdrawal process may be subject to delays and you may not be able to redeposit the equity shares. For a discussion of the legal restrictions triggered by a withdrawal of the equity shares from the depositary facility upon surrender of ADSs, see Restrictions on Foreign Ownership of Indian Securities .

Your ability to withdraw equity shares from the depositary facility is uncertain and may be subject to delays.

India s restrictions on foreign ownership of Indian companies limit the number of equity shares that may be owned by foreign investors and generally require government approval for foreign investments. Investors who withdraw equity shares from the ADS depositary facility for the purpose of selling such equity shares will be subject to Indian regulatory restrictions on foreign ownership upon withdrawal. It is possible that this withdrawal process may be subject to delays. For a discussion of the legal restrictions triggered by a withdrawal of equity shares from the depositary facility upon surrender of ADSs, see Restrictions on Foreign Ownership of Indian Securities .

There is a limited market for the ADSs.

Although our ADSs are listed and traded on the NYSE, we cannot be certain that any trading market for our ADSs will be sustained, or that the present price will correspond to the future price at which our ADSs will trade in the public market. Indian legal restrictions may also limit the supply of ADSs. The only way to add to the supply of ADSs would be through an additional issuance. We cannot guarantee that a market for the ADSs will continue.

Conditions in the Indian securities market may affect the price or liquidity of our equity shares and ADSs.

The Indian securities markets are smaller and more volatile than securities markets in more developed economies. The Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities. The governing bodies of the Indian stock exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Future fluctuations could have a material adverse effect on the price of our equity shares and ADSs.

Settlement of trades of equity shares on Indian stock exchanges may be subject to delays.

The equity shares represented by our ADSs are listed on the National Stock Exchange and Bombay Stock Exchange Limited. Settlement on these stock exchanges may be subject to delays and an investor in equity shares withdrawn from the depositary facility upon surrender of ADSs may not be able to settle trades on these stock exchanges in a timely manner.

You may be unable to exercise preemptive rights available to other shareholders.

A company incorporated in India must offer its holders of equity shares preemptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages prior to the issuance of any new equity shares, unless these rights have been waived by at least 75% of the company s shareholders present and voting at a shareholders general meeting. U.S. investors in our ADSs may be unable to exercise preemptive rights for our equity shares underlying our ADSs unless a

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registration statement under the Securities Act of 1933 (the Securities Act) is effective with respect to those rights or an exemption from the registration requirements of the Securities Act is available. Our decision to file a registration statement will depend on the costs and potential liabilities associated with any registration statement as well as the perceived benefits of enabling U.S. investors in our ADSs to exercise their preemptive rights and any other factors we consider appropriate at the time. We do not commit to filing a registration statement under those circumstances. If we issue any securities in the future, these securities may be issued to the depositary, which may sell these securities in the securities markets in India for the benefit of the investors in our ADSs. There can be no assurance as to the value, if any, the depositary would receive upon the sale of these securities. To the extent that investors in our ADSs are unable to exercise preemptive rights, their proportional interests in us would be reduced.

Because the equity shares underlying our ADSs are quoted in rupees in India, you may be subject to potential losses arising out of exchange rate risk on the Indian rupee and risks associated with the conversion of rupee proceeds into foreign currency.

Fluctuations in the exchange rate between the U.S. dollar and the Indian rupee may affect the value of your investment in our ADSs. Specifically, if the relative value of the Indian rupee to the U.S. dollar declines, each of the following values will also decline:

- the U.S. dollar equivalent of the Indian rupee trading price of our equity shares in India and, indirectly, the U.S. dollar trading price of our ADSs in the United States;

- the U.S. dollar equivalent of the proceeds that you would receive upon the sale in India of any equity shares that you withdraw from the depositary; and

- the U.S. dollar equivalent of cash dividends, if any, paid in Indian rupees on the equity shares represented by our ADSs.

Financial instability in other countries, particularly emerging market countries, could disrupt our business and affect the price of our equity shares and ADSs.

Although economic conditions are different in each country, investors reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets may cause increased volatility in Indian financial markets and indirectly in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy, including the movement of exchange rates and interest rates in India, which could adversely affect the Indian financial sector, including us. Any financial disruption could have an adverse effect on our business, our future financial performance, our shareholders equity and the price of our equity shares and ADSs.

You may not be able to enforce a judgment of a foreign court against us.

We are a limited liability company incorporated under the laws of India. All of our directors and members of our senior management and some of the experts named in this report are residents of India and almost all of our assets and the assets of these persons are located in India. It may not be possible for investors in our ADSs to effect service of process outside India upon us or our directors and members of our senior management and experts named in the report that are residents of India or to enforce judgments obtained against us or these persons in foreign courts predicated upon the liability provisions of foreign countries, including the civil liability provisions of the federal securities laws of the United States. Moreover, it is unlikely that a court in India would award damages on the same basis as a foreign court if an action were brought in India or that an Indian court would enforce foreign judgments if it viewed the amount of damages as excessive or inconsistent with Indian practice.

There may be less company information available on Indian securities markets than securities markets in developed countries.

There is a difference between the level of regulation and monitoring of the Indian securities markets and the activities of investors, brokers and other participants and that of markets in the United States and other developed economies. SEBI and the stock exchanges are responsible for improving disclosure and other regulatory standards for the Indian securities markets. SEBI has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in developed economies.

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PRICE RANGE OF OUR AMERICAN DEPOSITARY SHARES AND EQUITY SHARES

Our ADSs, each representing three equity shares, par value Indian Rs. 10 per share, are listed on the NYSE under the symbol HDB. Our equity shares, including those underlying the ADSs, are listed on the National Stock Exchange under the symbol HDFCBANK and the Bombay Stock Exchange Limited under the code 500180. Our fiscal quarters end on June 30 of each year for the first quarter, September 30 for the second quarter, December 31 for the third quarter and March 31 for the fourth quarter.

Trading Prices of Our ADSs on the NYSE

The following table shows:

- the reported high and low prices for our ADSs in U.S. dollars on the NYSE; and
- the average daily trading volume for our ADSs on the NYSE.

Fiscal	Price per ADS High	Low	Average daily ADS trading volume (Number of ADSs)
2004	U.S.$ 34.9	U.S.$ 15.4	68,228
2005	50.0	19.6	105,071
2006	59.7	40.0	166,883
2007			
First Quarter	63.6	43.0	281,986
Second Quarter	61.8	47.3	164,589
Third Quarter	77.7	59.1	182,341
Fourth Quarter	80.0	61.0	293,883
2008			
First Quarter	88.4	63.5	252,881
Second Quarter	107.8	70.9	420,506
Third Quarter	145.4	103.3	503,605
Fourth Quarter	140.7	85.3	664,692
Most Recent Six Months			
March 2008	108.0	85.3	797,115
April 2008	115.5	93.5	515,436
May 2008	119.5	96.0	398,167
June 2008	97.5	69.3	735,010
July 2008	92.0	61.2	1,163,955
August 2008	95.5	77.2	684,757

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Trading Prices of Our Equity Shares on the National Stock Exchange

The following table shows:

- the reported high and low market prices for our equity shares in rupees on the National Stock Exchange;
- the imputed high and low closing sales prices for our equity shares translated into U.S. dollars; and
- the average daily trading volume for our equity shares on the National Stock Exchange.

	Price per equity share		Price per equity share		Average daily equity share trading volume
	High	Low	High	Low	
Fiscal Year					
2004	Rs. 406.8	Rs. 231.0	U.S.$ 10.2	U.S.$ 5.8	294,090
2005	628.6	256.2	15.7	6.4	325,118
2006	812.0	448.0	20.3	11.2	423,339
2007					
First Quarter	895.0	615.2	22.4	15.4	533,957
Second Quarter	954.7	680.0	23.9	17.0	354,892
Third Quarter	1,150.0	886.3	28.7	22.1	598,122
Fourth Quarter	1,160.0	883.6	29.0	22.1	604,502
2008					
First Quarter	1168.4	901.4	29.2	22.5	643,169
Second Quarter	1435.6	1068.1	35.9	26.7	516,689
Third Quarter	1784.1	1366.4	44.6	34.1	540,627
Fourth Quarter	1789.0	1226.0	44.7	30.6	733,692
Most Recent Six Months					
March 2008	1439.2	1226.0	36.0	30.6	830,818
April 2008	1547.8	1293.9	38.7	32.3	799,322
May 2008	1542.9	1319.6	38.6	33.0	555,049
June 2008	1310.5	1007.4	32.7	25.2	906,586
July 2008	1213.9	903.6	30.3	22.6	1,659,921
August 2008	1311.5	1108.3	32.8	27.7	1,556,858

The closing price for our equity shares on the National Stock Exchange was Rs. 1,233.75 (US$30.8) per share on September 23, 2008.

As of March 31, 2008 there were 203,091 holders of record of our equity shares, excluding ADSs, of which 54 had registered addresses in the United States and held an aggregate of 32,209 of our equity shares representing 0.01%. In our books only the Depository, J.P. Morgan Chase Bank, is the shareholder with respect to equity shares underlying ADSs. We are unable to estimate the number of record holders of ADSs in the United States.

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DESCRIPTION OF EQUITY SHARES

The Company

We are registered under number 11-80618 of 1994 with the Registrar of Companies, Maharashtra State, India. Our Articles permit us to engage in a wide variety of activities, including all of the activities in which we currently engage or intend to engage, as well as other activities in which we currently have no intention of engaging.

Dividends

Under Indian law, a company pays dividends upon a recommendation by its board of directors and approval by a majority of the shareholders at the annual general meeting of shareholders held within six months of the end of each fiscal year. The shareholders have the right to decrease but not increase the dividend amount recommended by the board of directors. Dividends are generally declared as a percentage of par value and distributed and paid to shareholders in proportion to the paid up value of their equity shares. The Companies Act provides that shares of a company of the same class must receive equal dividend treatment.

These distributions and payments are required to be deposited into a separate bank account and paid to shareholders within 30 days of the annual general meeting where the resolution for declaration of dividends is approved.

The Companies Act states that any dividends that remain unpaid or unclaimed after that period are to be transferred to a special bank account. Any money that remains unclaimed for seven years from the date of the transfer is to be transferred by us to a fund created by the government of India. No claims for the payment of dividends unpaid or unclaimed for a period of seven years shall lie against the fund of the government of India or against us.

Our Articles authorize our board of directors to declare interim dividends, the amount of which must be deposited in a separate bank account within five days and paid to the shareholders within 30 days of the declaration.

Under the Companies Act, final dividends payable can be paid only in cash to the registered shareholder at a record date fixed prior to the relevant annual general meeting, to his order or to the order of his banker.

Before paying any dividend on our shares, we are required under the Indian Banking Regulation Act to write off all capitalized expenses (including preliminary expenses, organization expenses, share-selling commission, brokerage, amounts of losses incurred or any other item of expenditure not represented by tangible assets). We are permitted to declare dividends of up to 33.33% of net profit calculated under Indian GAAP without prior RBI approval subject to compliance with certain prescribed requirements. Further, upon compliance with the prescribed requirements, we are also permitted to declare interim dividends subject to the above mentioned cap computed for the relevant accounting period.

Dividends may only be paid out of our profits for the relevant year and in certain contingencies out of the reserves of the company. Before declaring dividends, we are required, under the Indian Banking Regulation Act, to transfer 25% of the balance of profits of each year to a reserve fund.

Bonus Shares

In addition to permitting dividends to be paid out of current or retained earnings calculated under Indian GAAP, the Companies Act permits our board of directors, subject to the approval of our shareholders, to distribute to the shareholders, in the form of fully paid-up bonus equity shares, an amount transferred from the capital surplus reserve or legal reserve to stated capital. Bonus equity shares can be distributed only with the prior approval of the RBI. These bonus equity shares must be distributed to shareholders in proportion to the number of equity shares owned by them.

Preemptive Rights and Issue of Additional Shares

The Companies Act gives shareholders the right to subscribe for new shares in proportion to their existing shareholdings unless otherwise determined by a resolution passed by three-fourths of the shareholders present and voting at a general meeting. Under the

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Companies Act and our Articles, in the event of an issuance of securities, subject to the limitations set forth above, we must first offer the new shares to the holders of equity shares on a fixed record date. The offer, required to be made by notice, must include:

- the right, exercisable by the shareholders of record, to renounce the shares offered in favor of any other person;
- the number of shares offered; and
- the period of the offer, which may not be less than 15 days from the date of the offer. If the offer is not accepted, it is deemed to have been declined.

Our board of directors is permitted to distribute equity shares not accepted by existing shareholders in the manner it deems beneficial for us in accordance with our Articles. Holders of ADSs may not be able to participate in any such offer. See Description of American Depositary Shares Share Dividends and Other Distributions.

General Meetings of Shareholders

There are two types of general meetings of shareholders: annual general meetings and extraordinary general meetings. We are required to convene our annual general meeting within six months after the end of each fiscal year. We may convene an extraordinary general meeting when necessary or at the request of a shareholder or shareholders holding on the date of the request at least 10% of our paid up capital. A general meeting is generally convened by our secretary in accordance with a resolution of the board of directors. Written notice stating the agenda of the meeting must be given at least 21 days prior to the date set for the general meeting to the shareholders whose names are in the register at the record date. Those shareholders who are not registered at the record date do not receive notice of this meeting and are not entitled to attend or vote at this meeting.

The annual general meeting is held in Mumbai, the city in which our registered office is located. General meetings other than the annual general meeting may be held at any location if so determined by a resolution of our board of directors.

Voting Rights

A shareholder has one vote for each equity share and voting may be by a show of hands or on a poll. However, under the Indian Banking Regulation Act, on poll, a shareholder cannot exercise voting rights in excess of 10% of the total voting rights of all shareholders. Unless a poll is demanded by a shareholder, resolutions are adopted at a general meeting by a majority of the shareholders having voting rights present or represented. The quorum for a general meeting is five members personally present. Generally, resolutions may be passed by simple majority of the shareholders present and voting at any general meeting. However, resolutions such as an amendment to the organizational documents, commencement of a new line of business, an issue of additional equity shares without preemptive rights and reductions of share capital, require that the votes cast in favor of the resolution (whether by show of hands or on a poll) are not less than three times the number of votes, if any, cast against the resolution. As provided in our Articles, a shareholder may exercise his voting rights by proxy to be given in the form prescribed by us. This proxy, however, is required to be lodged with us at least 48 hours before the time of the relevant meeting. A shareholder may, by a single power of attorney, grant general power of representation covering several general meetings. A corporate shareholder is also entitled to nominate a representative to attend and vote on its behalf at all general meetings.

The Companies Act has recently been amended to provide for the passing of resolutions in relation to certain matters specified by the government of India, by means of a postal ballot.

ADS holders have no voting rights with respect to the deposited shares. See Description of American Depositary Shares Voting Rights.

Annual Report

At least 21 days before an annual general meeting, we must circulate either a detailed or abridged version of our Indian GAAP audited financial accounts, together with the Directors Report and the Auditor s Report, to the shareholders along with a notice convening the annual general meeting. We are also required under the Companies Act to make available upon the request of any shareholder our complete balance sheet and profit and loss account.

Under the Companies Act, we must file with the Registrar of Companies our Indian GAAP balance sheet and profit and loss account within 30 days of the conclusion of the annual general meeting and our annual return within 60 days of the conclusion of that meeting.

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Register of Shareholders, Record Dates and Transfer of Shares

The equity shares are in registered form. We maintain a register of our shareholders in Mumbai. We register transfers of equity shares on the register of shareholders upon presentation of certificates in respect of the transfer of equity shares held in physical form together with a transfer deed duly executed by the transferor and transferee. These transfer deeds are subject to stamp duty, which has been fixed at 0.5% of the transfer price.

For the purpose of determining equity shares entitled to annual dividends, the register of shareholders is closed for a period prior to the annual general meeting. The Companies Act and our listing agreements with the stock exchanges permit us, pursuant to a resolution of our board of directors and upon at least 30 days advance notice to the stock exchanges, to set the record date and close the register of shareholders after seven days public notice for not more than 30 days at a time, and for not more than 45 days in a year, in order for us to determine which shareholders are entitled to certain rights pertaining to the equity shares. Trading of equity shares and delivery of certificates in respect of the equity shares may, however, continue after the register of shareholders is closed.

Transfer of Shares

Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with the regulations laid down by SEBI. These regulations provide the regime for the functioning of the depositories and the participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. Transfers of beneficial ownership of shares held through a depositary are exempt from stamp duty.

SEBI requires that our equity shares for trading and settlement purposes be in book-entry form for all investors, except for transactions that are not made on a stock exchange and transactions that are not required to be reported to the stock exchange. Transfers of equity shares in book-entry form require both the seller and the purchaser of the equity shares to establish accounts with depositary participants appointed by depositories established under the Depositaries Act, 1996. Charges for opening an account with a depositary participant, transaction charges for each trade and custodian charges for securities held in each account vary depending upon the practice of each depositary participant. Upon delivery, the equity shares shall be registered in the name of the relevant depositary on our books and this depositary shall enter the name of the investor in its records as the beneficial owner. The transfer of beneficial ownership shall be effected through the records of the depositary. The beneficial owner shall be entitled to all rights and benefits and subject to all liabilities in respect of his securities held by a depositary.

The requirement to hold the equity shares in book-entry form will apply to the ADS holders when the equity shares are withdrawn from the depositary facility upon surrender of the ADSs. In order to trade the equity shares in the Indian market, the withdrawing ADS holder will be required to comply with the procedures described above.

Our equity shares are freely transferable, subject only to the provisions of the Companies Act under which, if a transfer of equity shares contravenes the Securities and Exchange Board of India Act, 1992 or the regulations issued under it or the Sick Industrial Companies (Special Provisions) Act, 1985, or any other similar law, the Indian Company Law Board may, on application made by us, a depositary incorporated in India, an investor, SEBI or certain other parties, direct a rectification of the register of records. It is a condition of our listing that we transfer equity shares and deliver share certificates duly endorsed for the transfer within one month of the date of lodgment of transfer. If a company without sufficient cause refuses to register a transfer of equity shares within two months from the date on which the instrument of transfer is delivered to the company, the transferee may appeal to the Indian Company Law Board seeking to register the transfer of equity shares. The Indian Company Law Board may, in its discretion, issue an interim order suspending the voting rights attached to the relevant equity shares before completing its investigation of the alleged contravention. Our Articles provide for certain restrictions on the transfer of equity shares, including granting power to the board of directors in certain circumstances, to refuse to register or acknowledge transfer of equity shares or other securities issued by us. Furthermore, the RBI requires us to obtain its approval before registering a transfer of equity shares in favor of a person which together with equity shares already held by him represent more than 5.0% of our share capital.

Our transfer agent, Datamatics Financial Services Limited, is located in Mumbai. Certain foreign exchange control and security regulations apply to the transfer of equity shares by a non-resident or a foreigner. See Restrictions on Foreign Ownership of Indian Securities.

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Disclosure of Ownership Interest

The provisions of the Companies Act generally require beneficial owners of equity shares of Indian companies that are not holders of record to declare to the company details of the holder of record and holders of record to declare details of the beneficial owner. While it is unclear whether these provisions apply to holders of an Indian company s ADSs, investors who exchange ADSs for equity shares are subject to this provision. Failure to comply with these provisions would not affect the obligation of a company to register a transfer of equity shares or to pay any dividends to the registered holder of any equity shares in respect of which this declaration has not been made, but any person who fails to make the required declaration may be liable for a fine of up to Rs. 1,000 for each day this failure continues. However, under the Indian Banking Regulation Act, a registered holder of any equity shares, except in certain conditions, shall not be liable to any suit or proceeding on the ground that the title to those equity shares vests in another person.

Acquisition by the Issuer of Its Own Shares

Until recently, the Companies Act did not permit a company to acquire its own equity shares because of the resulting reduction in the company s capital. However, the government of India amended the Companies Act and consequently this reduction in capital is permitted in certain circumstances. The reduction of capital requires compliance with buy-back provisions specified in the Companies Act and by SEBI.

ADS holders will be eligible to participate in a buy-back in certain cases. An ADS holder may acquire equity shares by withdrawing them from the depositary facility and then selling those equity shares back to us. ADS holders should note that equity shares withdrawn from the depositary facility may only be redeposited into the depositary facility under certain circumstances. See Description of American Depositary Shares Deposit, Withdrawal and Cancellation.

There can be no assurance that the equity shares offered by an ADS investor in any buy-back of shares by us will be accepted by us. The position regarding regulatory approvals required for ADS holders to participate in a buy-back is not clear. ADS investors are advised to consult their Indian legal advisers prior to participating in any buy-back by us, including in relation to any regulatory approvals and tax issues relating to the buy-back.

Liquidation Rights

Subject to the rights of depositors, creditors and employees, in the event of our winding up, the holders of the equity shares are entitled to be repaid the amounts of capital paid up or credited as paid up on these equity shares. All surplus assets remaining belong to the holders of the equity shares in proportion to the amount paid up or credited as paid up on these equity shares, respectively, at the commencement of the winding up.

Acquisition of the Undertaking by the Government

Under the Indian Banking Regulation Act, the government may, after consultation with the RBI, in the interest of our depositors or banking policy or better provision of credit generally or to a particular community or area, acquire our banking business. The RBI may acquire our business if it is satisfied that we have failed to comply with the directions given to us by the RBI or that our business is being managed in a manner detrimental to the interest of our depositors. Similarly, the government of India may also acquire our business based on a report by the RBI.

Takeover Code and Listing Agreements

Under the Securities and Exchange Board of India (Substantial Acquisitions of Shares & Takeovers) Regulations, 1997 (the Takeover Code), upon the acquisition of more than 5% of the outstanding shares or voting rights of a publicly listed Indian company, a purchaser is required to notify the company and the company and the purchaser are required to notify all the stock exchanges on which the shares of such company are listed. Such notification is also required upon acquisition of 10% and 14% of the outstanding shares or voting rights of a publicly listed Indian company. An ADS holder would be subject to these notification requirements.

Upon the acquisition of 15% or more of such shares or voting rights, or a change in control of the company, the purchaser is required to make an open offer to the other shareholders, offering to purchase at least 20% of all the outstanding shares of the company at a minimum offer price as determined pursuant to the Takeover Code. Since we are a listed company in India, the

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provisions of the Takeover Code will apply to us. However, the Takeover Code provides for a specific exemption from this provision to an ADS holder and states that this provision will apply to an ADS holder only once he or she converts the ADSs into the underlying equity shares.

We have entered into listing agreements with each of the Indian stock exchanges on which our equity shares are listed. Each of the listing agreements provides that if a purchase of a listed company s shares results in the purchaser and its affiliates holding more than 5% of the company s outstanding equity shares or voting rights, the purchaser and the company must report its holding to the company and the relevant stock exchanges. The agreements also provide that if an acquisition results in the purchaser and its affiliates holding equity shares representing more than 15% of the voting rights in the company, then the purchaser must, before acquiring such equity shares, make an offer on a uniform basis to all remaining shareholders of the company to acquire equity shares that have at least an additional 20% of the voting rights of the total equity shares of the company at a prescribed price.

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DESCRIPTION OF AMERICAN DEPOSITARY SHARES

American Depositary Shares

JPMorgan Chase Bank, N.A., as depositary, issued the American Depositary Shares, or ADSs. Each ADS represents an ownership interest in three equity shares, which we have deposited with the custodian, as agent of the depositary, under the deposit agreement among ourselves, the depositary and each ADR holder. In the future, each ADS will also represent any securities, cash or other property deposited with the depositary but which it has not distributed directly to an ADR holder. The ADSs will be evidenced by what are known as American Depositary Receipts or ADRs.

The depositary s office is located at 4 New York Plaza, 13th Floor, New York, NY 10004.

Investors may hold ADSs either directly or indirectly through their broker or other financial institution. If an investor holds ADSs directly, by having an ADS registered in his name on the books of the depositary, he is an ADR holder. This description assumes that the investor holds his ADSs directly. If an investor holds the ADSs through his broker or financial institution nominee, he must rely on the procedures of such broker or financial institution to assert the rights of an ADR holder described in this section. Investors should consult with their broker or financial institution to find out what those procedures are.

Because the depositary s nominee will actually be the registered owner of the shares, investors must rely on it to exercise the rights of a shareholder on their behalf. The obligations of the depositary and its agents are set out in the deposit agreement. The deposit agreement and the ADSs are governed by New York law.

The following is a summary of the material terms of the deposit agreement. Because it is a summary, it does not contain all the information that may be important to investors. For more complete information, investors should read the entire deposit agreement and the form of ADR which contains the terms of their ADSs. Investors can read a copy of the deposit agreement which was filed as an exhibit to the registration statement on Form F-1 we filed on July 12, 2001. Investors may also obtain a copy of the deposit agreement at the Public Reference Room of the United States Securities and Exchange Commission (the SEC) which is located at 100 F Street, N.E., Washington, D.C. 20549. Investors may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

Share Dividends and Other Distributions

We may make various types of distributions with respect to our securities. The depositary has agreed to pay to you the cash dividends or other distributions it or the custodian receives on shares or other deposited securities, after deducting its expenses. You will receive these distributions in proportion to the number of underlying shares that your ADSs represent.

Except as stated below, to the extent the depositary is legally permitted it will deliver such distributions to ADR holders in proportion to their interests in the following manner:

Cash

The depositary will distribute any U.S. dollars available to it resulting from a cash dividend or other cash distribution if this is practicable and can be done in a reasonable manner. The depositary will attempt to distribute this cash in a practicable manner, and may deduct any taxes required to be withheld, any expenses of converting foreign currency and transferring funds to the United States and other expenses and adjustments. If exchange rates fluctuate during a time when the depositary cannot convert a foreign currency, you may lose some or all of the value of the distribution.

Shares

In the case of a distribution in shares, the depositary will issue additional ADRs to evidence the number of ADSs representing such shares. Only whole ADSs will be issued. The depositary will sell any shares which would result in fractional ADSs and distribute the net proceeds to the ADR holders entitled to them.

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Rights to Receive Additional Shares

In the case of a distribution of rights to subscribe for additional shares or other rights, if we provide satisfactory evidence that the depositary may lawfully distribute the rights, the depositary may arrange for ADR holders to instruct the depositary as to the exercise of the rights. However, if we do not furnish that evidence or if the depositary determines it is not practical to distribute the rights, the depositary may:

- sell the rights, if practicable, and distribute the net proceeds as cash, or
- allow the rights to lapse, in which case ADR holders will receive nothing.

We have no obligation to file a registration statement under the Securities Act in order to make any rights available to ADR holders.

Other Distributions

In the case of a distribution of securities or property other than those described above, the depositary may either:

- distribute such securities or property in any manner it deems equitable and practicable,
- to the extent the depositary deems distribution of such securities or property not to be equitable and practicable, sell such securities or property and distribute any net proceeds in the same way it distributes cash, or
- hold the distributed property, in which case the ADSs will also represent the distributed property.

Any U.S. dollars will be distributed by checks drawn on a bank in the United States for whole dollars and cents (fractional cents will be withheld without liability for interest and added to future cash distributions).

The depositary may choose any practical method of distribution for any specific ADR holder, including the distribution of foreign currency, securities or property, or it may retain those items, without paying interest on or investing them, on behalf of the ADR holder as deposited securities.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADR holders.

We cannot assure you that the depositary will be able to convert any currency at a specified exchange rate or sell any property, rights, shares or other securities at a specified price, or that any of such transactions can be completed within a specified time period.

Deposit, Withdrawal and Cancellation

The depositary issues ADSs upon the deposit of shares or evidence of rights to receive shares with the custodian.

Except for shares that we deposit, no shares may be deposited by persons located in India, residents of India or for, or on the account of, such persons. Under current Indian laws and regulations, the depositary cannot accept deposits of outstanding shares and issue ADRs evidencing ADSs representing such shares without prior approval of the government of India. However, an investor who surrenders an ADS and withdraws shares may be permitted to redeposit those shares in the depositary facility in exchange for ADSs and the depositary may accept deposits of outstanding shares purchased by a non-resident of India on the local stock exchange and issue ADSs representing those shares. However, in each case, the number of shares redeposited or deposited cannot exceed the number represented by ADSs converted into underlying shares.

Shares deposited in the future with the custodian must be accompanied by certain documents, including instruments showing that such shares have been properly transferred or endorsed to the person on whose behalf the deposit is being made. Only the following may be deposited with the depositary or custodian:

shares issued as a free distribution in respect of deposited securities;

shares subscribed for or acquired by holders from us through the exercise of rights distributed by us to such persons in respect of shares; and securities issued by us as a result of any change in par value, subdivision, consolidation and other reclassification of deposited securities or otherwise.

We will inform the depositary if any of the shares permitted to be deposited do not rank *pari passu* with the shares issued in any offering and the depositary will arrange for the ADSs issuable with respect to such shares to be differentiated from those issued in such offering until such time as they rank *pari passu* with the shares issued in such offering.

The custodian will hold all deposited shares for the account of the depositary. ADR holders thus have no direct ownership interest in the shares and only have such rights as are contained in the deposit agreement. The custodian will also hold any additional securities, property and cash received on or in substitution for the deposited shares. The deposited shares and any such additional items are referred to as deposited securities.

Upon each deposit of shares, receipt of related delivery documentation and compliance with the other provisions of the deposit agreement, including the payment of the fees and charges of the depositary and any taxes or other fees or charges owing, the depositary will issue an ADR or ADRs in the name of the person entitled thereto evidencing the number of ADSs to which such person is entitled. Certificated ADRs will be delivered at the depositary s principal New York office or any other location that it may designate as its transfer office.

When you turn in your ADRs at the depositary s office, the depositary will, upon payment of certain applicable fees, charges and taxes, and upon receipt of proper instructions, deliver the underlying shares in dematerialized form, for which the ADS holder will be required to open an account with a depositary participant of the National Securities Depositary Limited or Central Depositary Services (India) Limited to hold and sell the shares in dematerialized form upon payment of customary fees and expenses. See Description of Equity Shares Transfer of Shares.

The depositary may only restrict the withdrawal of deposited securities in connection with:

- temporary delays caused by closing our transfer books or those of the depositary or the deposit of shares in connection with voting at a shareholders meeting, or the payment of dividends;
- the payment of fees, taxes and similar charges; or
- compliance with any U.S. or foreign laws or governmental regulations relating to the ADRs or to the withdrawal of deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

Voting Rights

Investors who hold ADRs have no voting rights with respect to the deposited equity shares. The depositary will abstain from exercising the voting rights of the deposited equity shares. Recently, the RBI examined the matter relating to the exercise of voting rights by the depositary and issued a circular dated February 5, 2007 pursuant to which we furnished to the RBI a copy of our agreement with the depository. We have given an undertaking to the RBI stating that we will not give cognizance to voting by the depositary if the vote given by the depositary is in contravention of its agreement with us and that we or the depositary will not bring about any change in our depository agreement without the prior approval of the RBI.

Equity shares which have been withdrawn from the depositary facility and transferred on our register of shareholders to a person other than the depositary or its nominee may be voted by that person. However, such shareholders may not receive sufficient advance notice of shareholder meetings to enable them to withdraw the underlying shares and vote at such meetings.

Record Dates

The depositary may fix record dates for the determination of the ADR holders who will be entitled to receive a dividend, distribution or rights, subject to the provisions of the deposit agreement.

Reports and Other Communications

The depositary will make available for inspection by ADR holders any written communications from us which are both received by the custodian or its nominee as a holder of deposited securities and made generally available to the holders of deposited securities. We will furnish these communications in English.

Additionally, if we make any written communications generally available to holders of our shares, including the depositary or the custodian, and the depositary or the custodian actually receives those written communications, the depositary will mail copies of them, or, at its option, summaries of them to ADR holders.

Fees and Expenses

The depositary will charge ADR holders a fee for each issuance of ADSs, including issuances resulting from distributions of shares, rights and other property, and for each surrender of ADSs in exchange for deposited securities. The fee in each case is US$5.00 for each 100 ADSs (or any portion thereof) issued or surrendered. The depositary may also charge ADR holders or persons depositing shares:

- stock transfer or other taxes and other governmental charges;
- cable, telex and facsimile transmission and delivery charges incurred at your request;
- transfer or registration fees for the registration of transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities; and
- expenses of the depositary in connection with the conversion of foreign currency into U.S. dollars. The fees described above may be amended from time to time.

Payment of Taxes

ADR holders must pay any tax or other governmental charge payable by the custodian or the depositary on any ADS or ADR, deposited security or distribution. If an ADR holder owes any tax or other governmental charge, the depositary may

- deduct the amount thereof from any cash distributions, or
- sell deposited securities and deduct the amount owing from the net proceeds of such sale.

In either case the ADR holder remains liable for any shortfall. Additionally, if any tax or governmental charge is unpaid, the depositary may also refuse to effect any registration, registration of transfer, split-up or combination of deposited securities or withdrawal of deposited securities (except under limited circumstances mandated by securities regulations). If any tax or governmental charge is required to be withheld on any non-cash distribution, the depositary may sell the distributed property or securities to pay such taxes and distribute any remaining net proceeds to the ADR holders entitled to them.

Reclassifications, Recapitalizations and Mergers

If we take certain actions that affect the deposited securities, including (1) any change in par value, split-up, consolidation, cancellation or other reclassification of deposited securities or (2) any recapitalization, reorganization, merger, consolidation, liquidation, receivership, bankruptcy or sale of all or substantially all of our assets, then the depositary may choose to:

- amend the form of ADR;
- distribute additional or amended ADRs;

- distribute cash, securities or other property it has received in connection with such actions;
- sell any securities or property received and distribute the proceeds as cash; or
- take no action.

If the depositary does not choose any of the above options, any of the cash, securities or other property it receives will constitute part of the deposited securities and each ADS will then represent a proportionate interest in such property.

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Amendment and Termination

We may agree with the depositary to amend the deposit agreement and the ADSs without the consent of ADR holders for any reason. ADR holders must be given at least 30 days notice of any amendment that imposes or increases any fees or charges (other than stock transfer or other taxes and other governmental charges, transfer or registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or affects any substantial existing right of ADR holders. If an ADR holder continues to hold an ADR or ADRs after being notified of these changes, the ADR holder is deemed to agree to such amendment. Notwithstanding the foregoing, an amendment can become effective before notice is given if this is necessary to ensure compliance with a new law, rule or regulation.

No amendment will impair an ADR holder s right to surrender its ADSs and receive the underlying securities. If a governmental body adopts new laws or rules which require the deposit agreement or the ADS to be amended, we and the depositary may make the necessary amendments, which could take effect before an ADR holder receives notice thereof.

The depositary may terminate the deposit agreement by giving the ADR holders at least 30 days prior notice, and it must do so at our request. After termination, the depositary s only responsibility will be (i) to deliver deposited securities to ADR holders who surrender their ADRs, and (ii) to hold or sell distributions received on deposited securities. As soon as practicable after the expiration of six months from the termination date, the depositary will sell the deposited securities which remain and hold the net proceeds of such sales, without liability for interest, in trust for the ADR holders who have not yet surrendered their ADRs. After making those sales, the depositary shall have no obligations except to account for such proceeds and other cash. The depositary will not be required to invest such proceeds or pay interest on them.

Limitations on Obligations and Liability to ADR Holders

The deposit agreement expressly limits the obligations and liability of the depositary, ourselves and our respective agents. Neither we nor the depositary nor any such agent will be liable if:

- a change in law or regulation governing any deposited securities, act of God, war or other circumstance beyond its control shall prevent, delay or subject to any civil or criminal penalty any act which the deposit agreement or the ADRs provide shall be done or performed by it;
- it exercises or fails to exercise discretion under the deposit agreement or the ADR;
- it performs its obligations without gross negligence or bad faith;
- it takes any action or inaction in reliance upon the advice of or information from legal counsel, accountants, any person presenting shares for deposit, any registered holder of ADRs, or any other person believed by it to be competent to give such advice or information; or
- it relies upon any written notice, request, direction or other document believed by it to be genuine and to have been signed or presented by the proper party or parties.

Neither the depositary nor its agents have any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the ADRs. We and our agents shall only be obligated to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the ADRs, which in our opinion may involve us in expense or liability, if indemnity satisfactory to us against all expense (including fees and disbursements of counsel) and liability is furnished as often as we require.

The depositary will not be responsible for failing to carry out instructions to vote the deposited securities or for the manner in which the deposited securities are voted or the effect of the vote.

The depositary may own and deal in deposited securities and in ADSs.

Disclosure of Interest in ADSs

From time to time we may request ADR holders and beneficial owners of ADSs to provide information as to:

- the capacity in which you and other holders and beneficial owners own or owned ADSs;

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- the identity of any other persons then or previously interested in such ADSs; and
- the nature of such interest and various other matters.

You agree to provide any information requested by us or the depositary pursuant to the deposit agreement. The depositary has agreed to use reasonable efforts to comply with written instructions received from us requesting that it forward any such requests to you and other holders and beneficial owners and to forward to us any responses to such requests to the extent permitted by applicable law.

We may restrict transfers of the shares where any such transfer might result in ownership of shares in contravention of, or exceeding the limits under, the governmental approval which we receive from the Indian government in connection with any offering, applicable law or our organizational documents. We also may instruct ADR holders that we are restricting the transfers of ADSs where such transfer may result in the total number of shares represented by the ADSs beneficially owned by ADR holders contravening or exceeding the limits under the applicable law or our organizational documents. We reserve the right to instruct ADR holders to deliver their ADSs for cancellation and withdrawal of the shares underlying such ADSs.

Requirements for Depositary Actions

We, the depositary or the custodian may refuse to

- issue, register or transfer an ADR or ADRs;
- effect a split-up or combination of ADRs;
- deliver distributions on any such ADRs; or
- permit the withdrawal of deposited securities (unless the deposit agreement provides otherwise), until the following conditions have been met:
- the holder has paid all taxes, governmental charges and fees and expenses as required in the deposit agreement;
- the holder has provided the depositary with any information it may deem necessary or proper, including, without limitation, proof of identity and the genuineness of any signature; and
- the holder has complied with such regulations as the depositary may establish under the deposit agreement.

The depositary may also suspend the issuance of ADSs, the deposit of shares, the registration, transfer, split-up or combination of ADRs, or the withdrawal of deposited securities (unless the deposit agreement provides otherwise), if the register for ADRs or any deposited securities is closed or if we or the depositary decide it is advisable to do so.

Books of Depositary

The depositary or its agent will maintain a register for the registration, registration of transfer, combination and split-up of ADRs. ADR holders may inspect the depositary s designated records at such office during regular business hours.

The depositary will maintain facilities to record and process the registration, registration of transfer, combination and split of ADRs. These facilities may be closed from time to time, to the extent not prohibited by law.

Pre-release of ADSs

The depositary may issue ADSs prior to the deposit with the custodian of shares (or rights to receive shares). This is called a pre-release of the ADSs. A pre-release is closed out as soon as the underlying shares (or other ADSs) are delivered to the depositary. The depositary may pre-release ADSs only if:

- the depositary has received collateral for the full market value of the pre-released ADSs; and
- each recipient of pre-released ADSs agrees in writing that he or she:
  - owns the underlying shares,

assigns all rights in such shares to the depositary,

holds such shares for the account of the depositary; and

will deliver such shares to the custodian as soon as practicable, and promptly if the depositary so demands.

In general, the number of pre-released ADSs will not evidence more than 30% of all ADSs outstanding at any given time (excluding those evidenced by pre-released ADSs). However, the depositary may change or disregard such limit from time to time as it deems appropriate. The depositary may retain for its own account any earnings on collateral for pre-released ADSs and its charges for issuance thereof.

The Depositary

JPMorgan Chase Bank, N.A., a national banking association organized under the laws of the United States, is a commercial bank offering a wide range of banking and trust services to its customers in the New York metropolitan area, throughout the United States and around the world.

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DIVIDEND POLICY

We have paid dividends every year since fiscal 1997. The following table sets forth, for the periods indicated, the dividend per equity share and the total amount of dividends paid on the equity shares, both exclusive of dividend tax. All dividends were paid in rupees.

	Dividend per equity share		Total amount of dividends paid (1) (in millions)	
Relating to Fiscal Year				
2004	Rs. 3.50	US$ $0.087	Rs. 1,000.5	US$ $25.0
2005	4.50	0.112	1,400.7	$35.0
2006	5.50	0.137	1,725.3	$43.1
2007	7.00	0.175	2,235.7	$55.9
2008	8.50	$0.212	3,012.7	$75.3

(1) Includes dividends paid on shares held by the Employees Welfare Trust.

Our dividends are generally declared and paid in the fiscal year following the year to which they relate. Under Indian law, a company pays dividends upon a recommendation by its board of directors and approval by a majority of the shareholders at the annual general meeting of shareholders held within six months of the end of each fiscal year. The shareholders have the right to decrease but not to increase the dividend amount recommended by the board of directors.

Effective April 1, 2007, we pay a 15.0% direct tax in respect of dividends paid by us. In addition, we pay a 10.0% surcharge on 15.0% direct tax and a 3.0% add-on tax on such 15.0% direct tax including surcharge. These are direct taxes paid by us; these taxes are not payable by shareholders and are not withheld or deducted from the dividend payments set forth above. The tax rates imposed on us in respect of dividends paid in prior periods varied.

Future dividends will depend on our revenues, cash flows, financial condition (including capital position) and other factors. ADS holders will be entitled to receive dividends payable in respect of the equity shares represented by ADSs. Cash dividends in respect of the equity shares represented by ADSs will be paid to the depositary in Indian rupees and, except in certain instances will be converted by the depositary into U.S. dollars. The depositary will distribute these proceeds to ADS holders. The equity shares represented by ADSs will rank equally with all other equity shares in respect of dividends.

For a description of regulation of dividends, see Supervision and Regulation Requirements of the Banking Regulation Act Restrictions on Payment of Dividends.

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SELECTED FINANCIAL AND OTHER DATA

The following table sets forth our selected financial and operating data. Our selected income statement data for the fiscal years ended March 31, 2006, 2007 and 2008 and the selected balance sheet data as of March 31, 2007 and 2008 are derived from our audited financial statements included in this report together with the report of Deloitte Haskins & Sells, independent registered public accounting firm. Our selected balance sheet data as of March 31, 2004, March 31, 2005, March 31, 2006 and selected income data for the years ended March 31, 2004 and March 31, 2005 are derived from our audited financial statements not included in this report. For the convenience of the reader, the selected financial data as of and for the year ended March 31, 2008 have been translated into U.S. dollars at the rate on such date of Rs. 40.02 per US$1.00.

You should read the following data with the more detailed information contained in Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements. Footnotes to the following data appear below the final table. The following data does not include financial information about Centurion Bank of Punjab, which we acquired effective May 23, 2008.

	Year ended March 31,					
	2004	2005	2006	2007	2008	2008
	(in millions, except per equity share data and ADS data)					
Selected income statement data:						
Interest and dividend revenue	Rs. 24,591.5	Rs. 29,209.4	Rs. 43,528.0	Rs. 70,061.6	Rs. 104,249.7	US$ 2,605.0
Interest expense	11,983.1	13,223.7	19,621.8	33,145.1	49,414.0	1,234.7
Net interest revenue	12,608.4	15,985.7	23,906.2	36,916.5	54,835.7	1,370.3
Provisions for credit losses, net	2,343.4	3,048.2	5,032.0	8,250.3	13,367.7	334.0
Net interest revenue after provisions for credit losses	10,265.0	12,937.5	18,874.2	28,666.2	41,468.0	1,036.3
Non-interest revenue, net	4,697.6	8,211.5	12,147.9	14,999.7	20,346.6	508.4
Net revenue	14,962.6	21,149.0	31,022.1	43,665.9	61,814.6	1,544.7
Non-interest expense	8,369.3	11,413.9	17,846.8	27,426.1	42,261.8	1,056.1
Income before income tax expense	6,593.3	9,735.1	13,175.3	16,239.8	19,552.8	488.6
Income tax expense	1,838.8	3,125.4	3,965.7	5,142.9	6,307.6	157.6
Net income before minority interest	4,754.5	6,609.7	9,209.6	11,096.9	13,245.2	331.0
Minority interest			22.5	57.2	91.0	2.3
Net income	Rs. 4,754.5	Rs. 6,609.7	Rs. 9,187.1	Rs. 11,039.7	Rs. 13,154.2	US$ 328.7
Per equity share data:						
Earnings per equity share, basic	Rs. 16.87	Rs. 22.78	Rs. 29.45	Rs. 35.10	Rs. 38.24	US$ 0.96
Earnings per equity share, diluted	16.70	22.60	29.08	34.60	37.75	0.94
Dividends per share	3.50	4.50	5.50	7.00	8.50	0.21
Book value (1)	110.36	159.22	176.49	205.10	336.44	8.41
Equity share data:						
Equity shares outstanding at end of period	282.8	309.9	313.1	319.4	354.4	354.4
Weighted average equity shares outstanding basic	281.9	290.1	311.9	314.6	344.0	344.0
Weighted average equity shares outstanding diluted	284.7	292.5	315.9	319.1	348.4	348.4
ADS data (where 1 ADS represents 3 shares):						
Earnings per ADS basic	50.61	68.34	88.36	105.30	114.72	2.87

Earnings per ADS diluted	50.10	67.80	87.24	103.80	113.25	2.83

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	As of March 31, 2004 (in millions)	2005	2006	2007	2008	2008
Selected balance sheet data:						
Cash and cash equivalents	Rs. 33,010.4	Rs. 37,575.8	Rs. 61,194.3	Rs. 80,546.4	Rs. 147,208.0	US$ 3,678.4
Term placements (2)	3,565.2	8,699.6	10,243.7	12,815.8	5,917.6	147.9
Loans, net of allowance	177,681.1	256,486.9	395,274.3	536,730.9	715,345.3	17,874.7
Investments:						
Investments held for trading	6,233.8	1,278.5	2,945.6	4,284.1	113,557.8	2,837.5
Investments available for sale	133,274.6	204,292.8	273,457.0	304,241.1	419,008.8	10,470.0
Investments held to maturity (3)	36,368.4					
Total	175,876.8	205,571.3	276,402.6	308,525.2	532,566.6	13,307.5
Total assets	Rs. 426,835.6	Rs. 535,544.2	Rs. 790,969.4	Rs. 1,013,185.9	Rs. 1,507,988.9	US$ 37,680.9
Long-term debt (including current portion)	6,086.0	5,028.1	17,899.9	33,601.5	32,832.4	820.4
Short-term borrowings (excluding current portion of long-term debt)	24,064.2	62,079.1	74,805.4	95,472.4	129,330.3	3,231.6
Total deposits	304,062.0	363,542.5	557,305.4	682,348.0	1,005,910.1	25,135.2
Of which:						
Interest-bearing deposits	215,710.8	257,237.9	410,181.2	484,542.9	718,646.9	17,957.2
Non-interest bearing deposits	88,351.2	106,304.6	147,124.2	197,805.1	287,263.2	7,178.0
Total liabilities	395,619.8	486,206.2	735,476.6	947,356.2	1,388,281.6	34,689.7
Minority interest			225.3	321.6	462.0	11.5
Total Shareholders equity	31,215.8	49,338.0	55,267.5	65,508.1	119,245.3	2,979.8
Total liabilities and shareholders equity	Rs. 426,835.6	Rs. 535,544.2	Rs. 790,969.4	Rs. 1,013,185.9	Rs. 1,507,988.9	US$ 37,681.0

	Year ended March 31, 2004 (in millions)	2005	2006	2007	2008	2008
Period average (4)						
Interest-earning assets	Rs. 327,523.4	Rs. 424,620.1	Rs. 589,311.1	Rs. 841,352.1	Rs. 1,077,606.7	US$ 26,926.7
Loans, net of allowance	136,527.4	204,919.0	323,709.9	467,362.5	641,422.4	16,027.5
Total assets	357,123.8	448,029.6	621,249.5	885,171.5	1,251,281.2	31,266.4
Interest-bearing deposits	200,904.4	250,310.9	338,085.5	491,948.4	661,884.6	16,538.8
Non-interest bearing deposits	61,803.3	92,382.6	125,616.3	170,468.2	247,083.6	6,174.0
Total deposits	262,707.7	342,693.5	463,701.8	662,416.6	908,968.2	22,712.8
Interest-bearing liabilities	236,551.0	298,276.8	419,000.5	594,152.0	763,617.7	19,080.9
Long-term debt	2,605.9	5,371.3	6,669.7	26,812.5	32,218.4	805.1
Short-term borrowings	33,040.7	42,594.6	74,245.3	75,391.1	69,514.7	1,737.0
Total liabilities	328,458.9	407,265.5	572,893.7	826,187.9	1,149,483.2	28,722.7
Shareholders equity	28,664.9	40,764.1	48,355.8	58,983.6	101,797.9	2,543.7

	As of or for the year ended March 31, 2004 (in percentage)	2005	2006	2007	2008
Profitability:					
Net income (after minority interest) as a percentage of:					
Average total assets	1.3	1.5	1.5	1.2	1.1
Average shareholders equity	16.6	16.2	19.0	18.7	13.0
Dividend payout ratio (5)	21.0	21.2	18.7	20.3	22.9
Spread (6)	3.5	3.5	3.8	4.0	4.8
Net interest margin (7)	3.8	3.8	4.1	4.4	5.1

Cost-to-net revenue ratio (8)	55.9	54.0	57.5	62.8	68.4
Cost-to-average assets ratio (9)	2.3	2.5	2.9	3.1	3.4
Capital:					
Total capital adequacy ratio (10)	11.66	12.16	11.41	13.08	13.60
Tier 1 capital adequacy ratio (10)	8.03	9.60	8.55	8.57	10.30
Tier 2 capital adequacy ratio (10)	3.63	2.56	2.86	4.51	3.30
Average shareholders equity as a percentage of average total assets	8.0	9.1	7.8	6.7	8.1
Asset quality:					
Gross non-performing customer assets as a percentage of gross customer assets (11)	1.6	1.5	1.2	1.2	1.2
Net non-performing customer assets as a percentage of net customer assets (11)	0.2	0.2	0.4	0.4	0.4
Total allowance for credit losses as a percentage of gross non-performing credit assets	116.8	133.2	118.2	128.1	144.2

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1) Represents the difference between total assets and total liabilities, divided by the number of shares outstanding at the end of each reporting period.
2) Includes placements with banks and financial institutions with original maturities of greater than three months.
3) During fiscal 2005 we transferred certain securities classified as held to maturity to the available for sale category for reasons not permitted under U.S. GAAP. As a result we were required to transfer all remaining securities to the available for sale category and we are prevented from establishing a held to maturity portfolio until after March 31, 2007. See Management s Discussion and Analysis of Financial Condition and Results of Operations .
4) Average balances are the average of daily outstanding amounts. Average figures are unaudited.
5) Represents the ratio of total dividends payable on equity shares relating to each fiscal year, excluding the dividend distribution tax, as a percentage of net income of that year. Dividends of each year are typically paid in the following fiscal year. See Dividend Policy.
6) Represents the difference between yield on average interest-earning assets and cost of average interest-bearing liabilities. Yield on average interest-earning assets is the ratio of interest revenue to average interest-earning assets. Cost of average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities. For purposes of calculating spread, interest-bearing liabilities include non-interest bearing current accounts and cash floats from transactional services.
7) Represents the ratio of net interest revenue to average interest-earning assets. The difference in net interest margin and spread arises due to the difference in the amount of average interest-earning assets and average interest bearing liabilities. If average interest-earning assets exceed average interest-bearing liabilities, net interest margin is greater than the spread. If average interest-bearing liabilities exceed average interest-earning assets, net interest margin is less than the spread.
8) Represents the ratio of non-interest expense to the sum of net interest revenue and non-interest revenue.
9) Represents the ratio of non-interest expense to average total assets.
10) Tier 1 and Tier 2 capital adequacy ratios are computed in accordance with the guidelines of the RBI, based on the financial statements prepared in accordance with the Indian GAAP. See Supervision and Regulation.
11) Customer assets consist of loans and credit substitutes.

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SELECTED STATISTICAL INFORMATION

The following information should be read together with our financial statements included in this report as well as Management s Discussion and Analysis of Financial Condition and Results of Operations. All amounts presented in this section are in accordance with U.S. GAAP, other than capital adequacy ratios, and are audited, except for average amounts. Footnotes appear at the end of each related section of tables.

Average Balance Sheet

The table below presents the average balances for interest-earning assets and interest-bearing liabilities together with the related interest revenue and expense amounts, resulting in the presentation of the average yields and cost for each period. The average balance is the daily average of balances outstanding. The average yield on average interest-earning assets is the ratio of interest revenue to average interest-earning assets. The average cost on average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities. The average balances of loans include non-performing loans and are net of allowance for credit losses. We have not recalculated tax-exempt income on a tax-equivalent basis.

	Year ended March 31,								
	2006			2007			2008		
	Average balance	Interest revenue/ expense	Average yield/ cost	Average balance	Interest revenue/ expense	Average yield/ cost	Average balance	Interest revenue/ expense	Average yield/ cost
	(in millions, except percentages)								
Assets:									
Interest-earning assets:									
Cash equivalents	Rs. 36,720.2	Rs. 860.2	2.3%	Rs. 65,221.9	Rs. 1,891.1	2.9%	Rs. 30,631.2	Rs. 1,760.4	5.7%
Term placements	9,471.6	648.8	6.9	10,993.8	790.8	7.2	14,248.4	1,182.7	8.3
Investments available for sale:									
Tax free(1)	10,856.0	598.4	5.5	14,920.8	1,109.3	7.4	8,333.0	472.4	5.6
Taxable	205,220.9	12,371.2	6.0	264,519.6	18,298.7	6.9	327,523.6	24,789.0	7.6
Investments held to maturity									
Investments held for trading	3,332.4	195.6	5.9	18,333.5	1,148.2	6.3	55,448.1	3,449.3	6.2
Loans, net:									
Retail loans	157,272.2	14,864.4	9.5	250,818.9	29,662.0	11.8	361,791.4	46,794.0	12.9
Wholesale loans	166,437.7	13,989.4	8.4	216,543.6	17,161.5	7.9	279,631.0	25,801.9	9.2
Total interest-earning assets:	Rs. 589,311.0	Rs. 43,528.0	7.4%	Rs. 841,352.1	Rs. 70,061.6	8.3%	Rs. 1,077,606.7	Rs. 104,249.7	9.7%
Non-interest-earning assets:									
Cash	5,116.5			4,854.2			95,172.9		
Property and equipment	7,416.5			9,556.1			9,364.2		
Other assets	19,405.5			29,409.1			69,137.4		
Total non-interest earning assets	31,938.5			43,819.4			173,674.5		
Total assets	Rs. 621,249.5	Rs. 43,528.0	7.0%	Rs. 885,171.5	Rs. 70,061.6	7.9%	Rs. 1,251,281.2	Rs. 104,249.7	8.3%
Liabilities:									
Interest-bearing liabilities:									
Savings account deposits	Rs. 138,850.4	Rs. 3,731.6	2.7%	Rs. 178,310.4	Rs. 4,772.3	2.7%	Rs. 222,473.6	Rs. 5,757.6	2.6%
Time deposits	199,235.1	11,858.5	6.0	313,638.0	21,403.6	6.8	439,411.0	36,909.5	8.4
Short-term borrowings(2)	74,245.3	3,469.7	4.7	75,391.1	4,804.4	6.4	69,514.7	4,100.9	5.9
Long-term debt	6,669.7	562.0	8.4	26,812.5	2,164.8	8.1	32,218.4	2,646.0	8.2
Total interest-bearing liabilities	Rs. 419,000.5	Rs. 19,621.8	4.7%	Rs. 594,152.0	Rs. 33,145.1	5.6%	Rs. 763,617.7	Rs. 49,414.0	6.5%

Non-interest-bearing liabilities:														
Non-interest-bearing deposits (3)		125,616.3					170,468.2					247,083.6			
Other liabilities		28,276.9					61,567.7					138,781.9			
Total non-interest-bearing liabilities		153,893.3					232,035.9					385,865.5			
Total liabilities	Rs.	572,893.7	Rs.	19,621.8	3.4%	Rs.	826,187.9	Rs.	33,145.1	4.0%	Rs.	1,149,483.2	Rs.	49,414.0	4.3%
Shareholders equity		48,355.8					58,983.6					101,797.9			
Total liabilities and shareholders equity	Rs.	621,249.5	Rs.	19,621.8	3.2%	Rs.	885,171.5	Rs.	33,145.1	3.7%	Rs.	1,251,281.2	Rs.	49,414.0	3.9%

1) Yields on tax free securities are not on a tax equivalent basis.
2) Includes securities sold under repurchase agreements.
3) Includes current accounts and cash floats from transactional services.

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Analysis of Changes in Interest Revenue and Interest Expense Volume and Rate

The following table sets forth, for the periods indicated, the allocation of the changes in our interest revenue and interest expense between average volume and changes in average rates.

	Fiscal 2007 vs. Fiscal 2006 Increase (decrease)(1) due to			Fiscal 2008 vs. Fiscal 2007 Increase (decrease)(1) due to		
	Net change	Change in average volume	Change in average rate	Net change	Change in average volume	Change in average rate
			(in millions)			
Interest revenue:						
Cash equivalents	Rs 1,030.9	Rs. 667.7	Rs. 363.2	Rs (130.7)	Rs. 1,756.6	Rs. (1,887.3)
Term placements	142.0	104.3	37.7	391.9	234.1	157.8
Investments available for sale:						
Tax free	510.9	224.0	286.9	(636.9)	(489.8)	(147.1)
Taxable	5,927.5	3,574.7	2,352.8	6,490.3	4,358.4	2,131.9
Investments held to maturity						
Investments held for trading	952.6	880.5	72.1	2,301.1	2,324.4	(23.3)
Loans, net:						
Retail loans	14,797.6	8,841.5	5,956.1	17,132.0	13,123.7	4,008.3
Wholesale loans	3,172.1	4,211.5	(1,039.4)	8,640.4	4,999.8	3,640.6
Total interest-earning assets	Rs. 26,533.6	Rs. 18,504.2	Rs. 8,029.3	Rs. 34,188.1	Rs. 26,307.2	Rs. 7,880.9
Interest expense:						
Savings account deposits	Rs. 1,040.7	1,060.5	Rs. (19.8)	Rs. 985.3	Rs. 1,182.0	Rs. (196.7)
Time deposits	9,545.1	6,809.3	2,745.8	15,505.9	8,583.1	6,922.8
Short-term borrowings	1,306.7	86.6	1,220.1	(703.5)	(374.5)	(329.0)
Long-term debt	1,630.8	1,415.2	215.6	481.2	436.5	44.7
Total interest-bearing liabilities	Rs. 13,523.3	Rs. 9,371.6	Rs. 4,151.7	Rs. 16,268.9	Rs. 9,827.1	Rs. 6,441.8
Net interest revenue	Rs. 13,010.3	Rs. 9,132.6	Rs. 3,877.6	Rs. 17,919.2	Rs. 16,480.1	Rs. 1,439.1

1) The changes in net interest revenue between periods have been reflected as attributed either to volume or rate changes. For purposes of this table, changes which are due to both volume and rate have been allocated solely to changes in rate.

Yields, Spreads and Margins

The following table sets forth, for the periods indicated, the yields, spreads and interest margins on our interest-earning assets.

	Year ended March 31,		
	2006	2007	2008
		(in millions, except percentages)	
Interest revenue	Rs. 43,528.0	Rs. 70,061.6	Rs. 104,249.7
Average interest-earning assets	589,311.0	841,352.1	1,077,606.7
Interest expense	19,621.8	33,145.1	49,414.0
Average interest-bearing liabilities	419,000.5	594,152.0	763,617.7
Average total assets	621,249.5	885,171.5	1,251,281.2
Average interest-earning assets as a percentage of average total assets	94.9%	95.0%	86.1%

Average interest-bearing liabilities as a percentage of average total assets	67.4%	67.1%	61.0%
Average interest-earning assets as a percentage of average interest-bearing liabilities	140.6%	141.6%	141.1%
Yield	7.4%	8.3%	9.7%
Cost of funds[1]	3.4%	4.0%	4.3%
Spread[2]	3.8%	4.0%	4.8%
Net interest margin[3]	4.1%	4.4%	5.1%

1) Excludes shareholders equity.
2) Represents the difference between yield on average interest-earning assets and cost of average interest-bearing liabilities. Yield on average interest-earning assets is the ratio of interest revenue to average interest-earning assets. Cost of average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities. For purposes of calculating spread, interest-bearing liabilities include non-interest bearing current accounts and cash floats from transactional services.
3) Net interest margin is the ratio of net interest revenue to average interest-earning assets. The difference in net interest margin and spread arises due to the difference in amount of average interest-earning assets and average interest-bearing liabilities. If average interest-earning assets exceed average interest-bearing liabilities, net interest margin is greater than spread. If average interest-bearing liabilities exceed average interest-earning assets, net interest margin is less than spread.

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Returns on Equity and Assets

The following table presents selected financial ratios for the periods indicated.

	Year ended March 31, 2006	2007	2008
	(in millions, except percentages)		
Net income	Rs. 9,187.1	Rs. 11,039.7	Rs. 13,154.2
Average total assets	621,249.5	885,171.5	1,251,281.2
Average shareholders equity	48,355.8	58,983.6	101,797.9
Net income as a percentage of average total assets	1.5%	1.2%	1.1%
Net income as a percentage of average shareholders equity	19.0%	18.7%	12.9%
Average shareholders equity as a percentage of average total assets	7.8%	6.7%	8.1%
Dividend payout-ratio	18.8%	20.3%	22.9%

Investment Portfolio

Available for Sale Investments

The following tables set forth, as of the dates indicated, information related to our investments available for sale.

	At March 31, 2006				2007				2008			
	Amortized Cost	Gross unrealized gain	Gross unrealized loss	Fair value	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value	Amortized cost	Gross unrealized gain	Gross unrealized Loss	Fai Valu
	(in millions)											
nment ties	Rs. 189,660.3	Rs. 405.2	Rs. 1,957.1	Rs. 188,108.4	Rs. 234,524.4	Rs. 319.8	Rs. 5,202.3	Rs. 229,641.9	Rs. 351,477.0	Rs. 481.8	Rs. 2,527.2	Rs. 349
debt ties	37,862.8	282.4	496.9	37,648.3	37,876.1	125.5	637.5	37,364.1	40,399.6	58.1	118.8	40
debt ties	227,523.1	687.6	2,454.0	225,756.7	272,400.5	445.3	5,839.8	267,006.0	391,876.6	539.9	2,646.0	389
ebt ties	47,959.8	186.1	445.6	47,700.3	37,350.3	240.1	355.3	37,235.1	29,034.0	315.0	110.7	29
	Rs. 275,482.9	Rs. 873.7	Rs. 2,899.6	Rs. 273,457.0	Rs. 309,750.8	Rs. 685.4	Rs. 6,195.1	Rs. 304,241.1	420,910.6	Rs. 854.9	Rs. 2,756.7	Rs. 419

Held to Maturity Investments

As of March 31, 2006, March 31, 2007 and March 31, 2008, the Bank had no investments held to maturity.

Held for Trading Investments

The following table sets forth, as of the dates indicated, information related to our investments held for trading:

	At March 31,											
	2006				2007				2008			
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value	Amortized cost	Gross unrealized gain	Gross Unrealized loss	Fair value
							(in millions)					
Government Securities	Rs. 2,948.1	Rs. 6.1	Rs. 8.6	Rs. 2,945.6	Rs. 1,639.3	Rs. 3.5	Rs. 5.0	1,637.8	Rs. 12,572.9	Rs. 3.3	Rs. 41.1	Rs. 12,535.1
Other debt Securities									8,630.8	3.3	31.4	8,602.7
Total debt Securities	Rs. 2,948.1	Rs. 6.1	Rs. 8.6	Rs. 2,945.6	Rs. 1,639.3	Rs. 3.5	Rs. 5.0	Rs. 1,637.8	Rs. 21,203.7	Rs. 6.6	Rs. 72.5	Rs. 21,137.8
Non-debt Securities					2,644.2	2.5	0.4	2,646.3	92,418.7	5.1	3.8	92,420.0
Total	Rs. 2,948.1	Rs. 6.1	Rs. 8.6	Rs 2,945.6	Rs. 4,283.5	Rs. 6.0	Rs. 5.4	Rs 4,284.1	Rs. 113,622.4	Rs. 11.7	Rs. 76.3	Rs. 113,557.8

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Residual Maturity Profile

The following table sets forth, for the periods indicated, an analysis of the residual maturity profile of our investments in government and corporate debt securities classified as available for sale securities and their market yields.

	At March 31, 2008							
	Up to one year		One to five years		Five to ten years		More than ten years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(in millions, except percentages)							
Government securities	Rs. 26,024.3	7.2%	Rs. 222,032.1	7.6%	Rs. 63,180.6	7.6%	Rs. 38,194.6	8.2%
Other debt securities	26,047.4	9.1	6,910.1	9.1	883.9	9.6	6,497.5	9.5
Total debt securities, fair value	Rs. 52,071.7	8.2%	Rs. 228,942.2	7.6%	Rs. 64,064.5	7.7%	Rs. 44,692.1	8.4%
Total amortized cost	Rs. 51,156.3		Rs. 230,004.7		Rs. 64,488.3		Rs. 45,227.3	

Funding

Our funding operations are designed to ensure stability, low cost of funding and effective liquidity management. The primary source of funding is deposits raised from retail customers, which were 64.2% and 62.8% of total deposits as of March 31, 2007 and March 31, 2008, respectively. Wholesale banking deposits represented 35.8% and 37.2% of total deposits as of March 31, 2007 and March 31, 2008, respectively.

Total Deposits

The following table sets forth, for the periods indicated, our average outstanding deposits and the percentage composition by each category of deposits. The average cost (interest expense divided by the average of daily balance for the relevant period) of savings deposits was 2.7% in fiscal 2006, 2.7% in fiscal 2007 and 2.6% in fiscal 2008. The average cost of time deposits was 6.0% in fiscal 2006, 6.8% in fiscal 2007 and 8.4% in fiscal 2008. The average deposits for the periods set forth are as follows:

	Year ended March 31,					
	2006		2007		2008	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions, except percentages)					
Current deposits(1)	Rs. 125,616.3	27.1%	Rs. 170,468.2	25.7%	Rs. 247,083.6	27.2%
Savings deposits	138,850.4	29.9	178,310.4	26.9	222,473.6	24.5
Time deposits	199,235.1	43.0	313,638.0	47.4	439,411.0	48.3
Total	Rs. 463,701.8	100.0%	Rs. 662,416.6	100.0%	Rs. 908,968.2	100.0%

1) Includes current accounts and cash floats from transactional services.

As of March 31, 2008, individual time deposits in excess of Rs. 0.1 million had a balance to maturity profile as follows:

	At March 31, 2008			
	Up to 3 Months	3 to 6 months	6 to 12 Months	More than 1 Year
	(in millions)			
Balance to maturity for deposits exceeding Rs. 0.1 million each	Rs. 156,769.8	Rs. 78,580.4	Rs. 118,013.9	Rs. 37,450.5

Short-term Borrowings

The following table sets forth, for the periods indicated, information related to our short-term borrowings, which are comprised primarily of money-market borrowings. Short-term borrowings exclude deposits and securities sold under repurchase agreements.

	Years ended March 31,		
	2006	2007	2008
	(in millions, except percentages)		
Period end (including current portion of long-term debt)	Rs. 74,805.4	Rs. 95,472.4	Rs. 129,477.6
Average balance during the period	Rs. 73,569.3	Rs. 75,391.1	Rs. 69,514.7
Maximum outstanding	Rs. 100,008.2	Rs. 119,978.6	Rs. 161,157.0
Average interest rate during the period[(1)]	4.8%	6.4%	5.9%
Average interest rate at period end[(2)]	6.4%	9.9%	7.3%

1) Represents the ratio of interest expense on short-term borrowings to the average of daily balances of short-term borrowings.
2) Represents the weighted average rate of short-term borrowings outstanding as of March 31, 2006, 2007 and 2008.

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Subordinated Debt

We also obtain funds from the issuance of unsecured non-convertible subordinated debt securities, which qualify as Tier 2 risk-based capital under the RBI s guidelines for assessing capital adequacy. Subordinated debt (Lower Tier 2 capital), Upper Tier 2 capital and Innovative Perpetual Debt Instruments outstanding as on March 31, 2008 are Rs. 20.12 billion (previous year: Rs. 20.12 billion), Rs. 10.37 billion (previous year: Rs. 10.70), and Rs. 2.0 billion (previous year: Rs. 2.0 billion) respectively. The breakup of the same is shown hereunder:

Type	Currency	Year of issue	Year of maturity	Average tenor (years)	Interest rate %	Year of call	Step-up rate (%)	Outstanding amount (Rupees in billions)
Lower Tier 2	INR	2003-04	2013-14	9.3	5.90			3.95
Lower Tier 2	INR	2003-04	2016-17	12.3	6.00			0.05
Lower Tier 2	INR	2005-06	2015-16	9.5	7.50			4.14
Lower Tier 2	INR	2005-06	2015-16	9.3	7.75			2.31
Lower Tier 2	INR	2005-06	2015-16	9.7	8.25			2.57
Lower Tier 2	INR	2005-06	2015-16	9.9	8.60			3.00
Lower Tier 2	INR	2006-07	2016-17	10.0	8.45			1.69
Upper Tier 2	INR	2006-07	2021-22	15.0	8.80	2016-17	9.55	3.00
Lower Tier 2	INR	2006-07	2016-17	10.0	9.10			2.41
Upper Tier 2	INR	2006-07	2021-22	15.0	9.20	2016-17	9.95	3.00
Perpetual Debt	INR	2006-07			9.92	2016-17	10.92	2.00
Upper Tier 2	INR	2006-07	2021-22	15.0	8.95	2016-17	9.70	0.36
Upper Tier 2	USD	2006-07	2021-22	15.1	LIBOR+1.2	2016-17	LIBOR+2.2	4.01

The Upper Tier 2 U.S. dollar debt depicted in the table above is for an amount of US$ 100 million raised during the fiscal 2007 carrying an interest rate of Libor + 1.20%. In the table above the rupee equivalent is based on the currency rate as on March 31, 2008. We have a right to redeem certain of the issuances as noted above under year of call. If not called, the interest rate increases to the step-up rate.

Asset Liability Gap

The following table sets forth, for the periods indicated, our asset-liability gap position:

	As of March 31, 2008(1)								
	0-28 days	29-90 days	91-180 days	6-12 months	Total within one year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
	(in millions, except percentages)								
Cash and cash equivalents(2)(3)	Rs. 69,531.1	Rs. 7,994.4	Rs. 6,321.1	Rs. 6,752.3	Rs. 90,598.9	Rs. 48,688.5	Rs. 5,235.4	Rs. 2,685.2	Rs. 147,208.0
Term placements	249.0	379.5	256.9	173.9	1,059.3	297.6	1,597.9	2,962.8	5,917.6
Investments held for trading(4)	108,383.8	1,378.9		3,795.1	113,557.8				113,557.8
Investments available for sale(5)(6)	107,364.7	28,295.7	34,117.5	36,415.7	206,193.6	164,307.6	20,005.1	28,502.5	419,008.8
Securities purchased under agreement to resell	2,405.7				2,405.7				2,405.7
Loans, net(7)(8)	81,729.4	71,520.8	74,024.7	117,569.7	344,844.6	314,698.0	39,411.3	16,391.4	715,345.3
	11,297.7				11,297.7				11,297.7

Accrued interest receivable									
Other assets	75,049.5				75,049.5				75,049.5
Total financial assets	456,010.9	109,569.3	114,720.2	164,706.7	845,007.1	527,991.7	66,249.7	50,541.9	1,489,790.4
Deposits(9)(10)	124,412.8	66,753.8	84,747.8	76,715.8	352,630.2	566,281.2	57,682.4	29,316.3	1,005,910.1
Debt(11)	45,156.6	51,067.4	31,037.4	2,210.5	129,471.9	199.8		32,491.0	162,162.7
Securities Sold under repurchase agreements	44,000.0				44,000.0				44,000.0
Other Liabilities(12)	130,332.6	2,670.0	5,873.0		138,875.6	31,997.4		5,335.8	176,208.8
Total financial liabilities	343,902.0	120,491.2	121,658.2	78,926.3	664,977.7	598,478.4	57,682.4	67,143.1	1,388,281.6
Asset/Liability Gap	112,108.9	(10,921.9)	(6,938.0)	85,780.4	180,029.4	(70,486.7)	8,567.3	(16,601.2)	101,508.8
Cumulative gap	112,108.9	101,187.0	94,249.0	180,029.4	180,029.4	109,542.7	118,110.0	101,508.8	101,508.8
Cumulative gap as a percentage of total financial assets	24.6%	17.9%	13.9%	21.3%	21.3%	8.0%	8.2%	6.8%	6.8%

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1) Assets and liabilities are classified into the applicable maturity categories based on residual maturity unless specifically mentioned.
2) Cash on hand is classified in the 0-28 days category.
3) Cash and cash equivalents include balances with the RBI to satisfy its cash reserve ratio requirements. These balances are held in the form of overnight cash deposits but we classify these balances as part of the applicable maturity categories on a basis proportionate to the classification of related deposits.
4) Securities in the trading book are classified based on the expected time of realization for such investments.
5) Securities held towards satisfying the statutory liquidity requirement prescribed by the RBI are classified based on the applicable maturity categories on a basis proportionate to the classification of related deposits.
6) Shares and units of open ended mutual funds in the available for sale investment portfolio are classified in the greater than five years category.
7) Includes net non-performing loans which are classified in the greater than five years category.
8) Ambiguous maturity overdrafts are classified under various maturity categories based on historical behavioral analysis that we have performed to determine the appropriate maturity categorization of such advances.
9) Non-maturity deposits are classified under various maturity categories based on the historical behavioral analysis that we have performed to determine the appropriate maturity categorization of such deposits.
10) Time deposits are classified under various maturity categories based on the historical behavioral analysis that we have performed to determine the appropriate maturity categorization of such deposits taking into account rollovers and premature withdrawals.
11) Includes short-term borrowings and long-term debt.
12) Cash floats are classified under various maturity categories based on the historical behavioral analysis that we have performed to determine the appropriate maturity categorization of such floats.

For further information on how we manage our asset liability risk, see Business Market Risk.

Loan Portfolio and Credit Substitutes

As of March 31, 2008 our gross loan portfolio was Rs. 728.1 billion and represented approximately 7.0 million contracts outstanding. As of that date, our gross credit substitutes outstanding were Rs. 5.0 billion and represented 12 credit substitutes outstanding. Almost all of our gross loans and credit substitutes are to borrowers in India and over 90% are denominated in rupees. For a description of our retail and wholesale loan products, see Business Retail Banking Retail Loan Products and Business Wholesale Banking Commercial Banking Products Commercial Loan Products and Credit Substitutes.

The following table sets forth, for the periods indicated, our gross loan portfolio classified by product group:

		At March 31,			
	2004	2005	2006	2007	2008
			(in millions)		
Retail loans	Rs. 73,251.6	Rs. 112,666.0	Rs. 229,301.4	Rs. 318,606.1	Rs. 441,312.4
Wholesale loans	107,923.8	149,259.4	171,626.2	226,139.3	286,768.9
Gross loans	Rs. 181,175.4	Rs. 261,925.4	Rs. 400,927.6	Rs. 544,745.4	Rs. 728,081.3
Credit substitutes (at fair value)	17,041.5	13,880.9	9,751.3	6,759.0	5,046.9
Gross loans plus credit substitutes	Rs. 198,216.9	Rs. 275,806.3	Rs. 410,678.9	Rs. 551,504.4	Rs. 733,128.2

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Maturity and Interest Rate Sensitivity of Loans and Credit Substitutes

The following tables set forth, for the periods indicated, the maturity and interest rate sensitivity of our loans and credit substitutes:

	At March 31, 2008		
	Due in one year or less	Due in one to five years (in millions)	Due after five years
Retail loans	Rs. 169,784.5	256,124.2	15,403.7
Wholesale loans	175,060.3	100,888.4	10,820.2
Gross loans	Rs. 344,844.8	Rs. 357,012.6	Rs. 26,223.9
Credit Substitutes	3,208.2	1,833.6	5.1
Gross Loans and credit substitutes	Rs. 348,053.0	Rs. 358,846.2	Rs. 26,229.0

	At March 31, 2008		
	Due in one year or less	Due in one to five years (in millions)	Due after five years
Interest rate classification of loans by maturity:			
Variable rates	Rs. 11,916.8	Rs. 159,806.8	Rs. 12,805.6
Fixed rates	332,928.0	197,205.8	13,418.3
Gross loans	Rs. 344,844.8	Rs. 357,012.6	Rs. 26,223.9
Interest rate classification of credit substitutes by maturity:			
Variable rates	Rs.	Rs.	Rs.
Fixed rates	3,208.2	1,833.6	5.1
Gross credit substitutes	Rs. 3,208.2	1,833.6	5.1
Interest rate classification of loans and credit substitutes by maturity:			
Variable rates	Rs. 11,916.8	Rs. 159,806.8	Rs. 12,805.6
Fixed rates	336,136.2	199,039.4	13,423.4
Gross loans and credit substitutes	Rs. 348,053.0	Rs. 358,846.2	Rs. 26,229.0

Concentration of Loans and Credit Substitutes

Pursuant to the guidelines of the RBI, our exposure to individual borrowers is limited to 15% of our capital funds (as defined by RBI and calculated under Indian GAAP), and to 40% of our capital funds to a group of companies under the same management. In the case of infrastructure projects, such as power, telecommunications, road and port projects, an additional exposure of up to 5% of capital funds is allowed in respect of individual borrowers and up to 10% in respect of group borrowers. We may, in exceptional circumstances, with the approval of our board of directors, consider enhancement of exposure to a borrower by a further 5% of capital funds. See Supervision and Regulation Credit Exposure Limits. In accordance with RBI regulations, we received approval from our board of directors for the fact that our top two single customer exposures exceeded the RBI prescribed limit of 15.0% of our capital funds.

The following table sets forth, for the periods indicated, our gross loans and fair value of credit substitutes outstanding by the borrower s industry or economic activity and as a percentage of our gross loans and fair value of credit substitutes (where such percentage exceeds 2.0% of the total). We do not consider retail loans a specific industry for this purpose. However, retail business banking loans are classified in the appropriate categories below and loans to commercial vehicle operators are included in land transport below.

	At March 31,									
	2004		2005		2006		2007		2008	
	(in millions, except percentages)									
Land transport	Rs. 15,396.2	7.8%	Rs. 29,860.5	10.8%	Rs. 36,841.6	9.0%	Rs. 61,407.3	11.1%	Rs. 54,454.9	7.4%
Activities allied to agriculture	2,778.4	1.4	4,501.9	1.6	11,559.7	2.8	27,237.3	4.9	52,169.8	7.1
Trade	8,049.6	4.1	12,781.8	4.6	14,396.8	3.5	26,404.9	4.8	41,119.1	5.6
Automotive manufacturers	19,370.2	9.8	26,100.0	9.5	41,008.3	10.0	26,165.0	4.7	27,201.1	3.7
Food Processing	6,973.0	3.5	4,415.3	1.6	5,344.1	1.3	13,586.0	2.5	16,967.3	2.3
Engineering	6,631.0	3.3	4,862.3	1.8	10,963.5	2.7	13,010.8	2.4	15,662.0	2.1
Fertilizers	2,394.2	1.2	3,684.4	1.3	6,064.9	1.5	12,284.8	2.2	15,023.9	2.1
Others (including unclassified retail)	136,624.3	68.9	189,600.1	68.8	284,500.0	69.2	371,408.3	67.4	510,530.1	69.6
Total	Rs. 198,216.9	100.0%	Rs. 275,806.3	100.0%	Rs. 410,678.9	100.0%	Rs. 551,504.4	100.0%	Rs. 733,128.2	100.0%

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As of March 31, 2008, our 10 largest exposures totaled approximately Rs. 113.4 billion and represented 84.3% of our capital funds as per RBI guidelines based on Indian GAAP figures. The largest group of companies under the same management control accounted for 19.1% of our capital funds as on March 31, 2008 as per Indian GAAP.

Directed Lending

The RBI has established guidelines requiring Indian banks to lend 40% of their net bank credit to certain sectors called priority sectors. Priority sectors include small-scale industries, agricultural and agriculture based sectors, food, housing, small business enterprises and certain other priority sectors deemed weaker by the RBI. See Supervision and Regulation.

We are required to comply with the priority sector lending requirements as of the last reporting Friday of each fiscal year, a date specified by the RBI for reporting. Apart from our loans to the sectors outlined above, we may invest in bonds of specified institutions and mortgage-backed securitized paper to meet our mandated lending requirements. Any shortfall in the amount required to be lent to the priority sectors may be required to be deposited with Indian development banks like the National Bank for Agriculture and Rural Development and the Small Industries Development Bank of India. These deposits have a maturity of up to seven years and carry interest rates lower than market rates. With a view to rationalizing the banks investments under priority sector lending and encouraging banks to increasingly lend directly to the farmers or other priority sector borrowers, the RBI has stipulated that effective fiscal 2007, fresh investments by banks in specified institutions shall not be eligible for classification under priority sector lending.

The RBI has issued revised guidelines to be followed by banks with effect from April 1, 2007. See Supervision and Regulation for further details.

The following table sets forth, for the periods indicated, our directed lending broken down by sector:

			At March 31,		
	2004	2005	2006	2007	2008
			(in millions)		
Directed lending:					
Agriculture	Rs. 13,220.2	Rs. 20,641.5	Rs. 42,747.0	Rs. 70,712.7	Rs. 70,214.0
Small scale industries	4,370.6	4,013.2	6,968.9	19,229.9	79,809.0
Other	7,633.3	32,519.8	59,468.8	87,738.6	25,285.1
Total directed lending	Rs. 25,224.1	Rs. 57,174.5	Rs. 109,184.7	Rs. 177,681.2	Rs. 175,308.1

Non-Performing Loans

The following discussion of non-performing loans is based on U.S. GAAP. For classification of non-performing loans under Indian regulatory requirements, see Supervision and Regulation.

The Indian economy has expanded during the past two years with GDP growth of 9.6% in fiscal 2007 and 9.0% in fiscal 2008. Since 1991, the government of India has pursued a policy of gradual liberalization and deregulation. Indian corporations have had to respond to these pressures through a process of restructuring and repositioning. This restructuring process is taking place in several industries, primarily in sectors where many small, unprofitable manufacturing facilities have existed, such as the iron and steel and textiles industries. This led to a decline in the operating performance of some Indian corporations and the impairment of related loan assets in the financial system, including some of our assets. The decline in certain sectors of the Indian economy has been offset by growth in segments such as financial services and information technology.

As of March 31, 2008, our gross non-performing loans as a percentage of gross loan assets was 1.2% and our gross non-performing loans net of specific valuation allowances as a percentage of net loan assets was 0.4%. We have made total valuation allowances for 144.2% of gross non-performing loans. These allowances are based on the expected realization of cash flows from these assets and from the underlying collateral. All of our non-performing loans are rupee-denominated. Non-performing loans to the directed lending sector were 0.3% of gross loans.

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The following table sets forth, for the periods indicated, information about our gross non-performing loan portfolio:

	As of March 31				
	2004	2005	2006	2007	2008
	(in millions, except percentages)				
Non-performing loans:					
Retail loans	Rs. 403.5	Rs. 1,663.3	Rs. 3,193.5	Rs. 4,785.7	Rs. 7,446.1
Wholesale loans	2,589.1	2,420.9	1,590.0	1,469.9	1,383.2
Gross non-performing loans	Rs. 2,992.6	Rs. 4,084.2	Rs. 4,783.5	Rs. 6,255.6	Rs. 8,829.3
Specific valuation allowances	Rs. 2,722.7	Rs. 3,492.8	Rs. 3,204.6	Rs. 4,224.2	Rs. 5,841.6
Unallocated valuation allowances	771.6	1,945.7	2,448.7	3,790.3	6,894.4
Non-performing loans net of specific valuation allowance	269.9	591.4	1,578.9	2,031.4	2,987.7
Gross loan assets	181,175.4	261,925.4	400,927.6	544,745.4	728,081.3
Net loan assets	Rs. 177,681.1	Rs. 256,486.9	Rs. 395,274.3	Rs. 536,730.9	Rs. 715,345.3
Gross non-performing loans as a percentage of gross loans	1.7%	1.6%	1.2%	1.1%	1.2%
Non-performing loans net of specific valuation allowance as a percentage of net loan assets	0.2%	0.2%	0.4%	0.4%	0.4%
Specific valuation allowance as a percentage of gross non-performing loans	91.0%	85.5%	67.0%	67.5%	66.2%
Total valuation allowance as a percentage of gross non-performing loans	116.8%	133.2%	118.2%	128.1%	144.2%

Recognition of Non-Performing Loans

We classify our loan portfolio into loans that are performing and loans that are non-performing or impaired.

We consider a loan to be performing when no principal or interest payment is one quarter or more past due and where we expect to recover all amounts due to us.

We have categorized our gross loans based on their performance status as follows:

	At March 31,				
	2004	2005	2006	2007	2008
	(in millions)				
Performing	Rs. 178,182.8	Rs. 257,841.2	Rs. 396,144.1	Rs. 538,489.8	Rs. 719,252.0
Non-performing or impaired:					
On accrual status					
On non-accrual status	2,992.6	4,084.2	4,783.5	6,255.6	8,829.3
Total non-performing or impaired	2,992.6	4,084.2	4,783.5	6,255.6	8,829.3
Total	Rs. 181,175.4	Rs. 261,925.4	Rs. 400,927.6	Rs. 544,745.4	Rs. 728,081.3

Non-performing or impaired loans consist of loans that are on accrual status as well as loans that have been placed on non-accrual status.

We place loans on non-accrual status when interest or principal payments are one quarter past due, at which time no further interest is accrued and overdue interest not collected is reversed. We make specific allowances for all loans on non-accrual status based on the loss we expect to incur for each such loan.

In the case of wholesale loans, we also identify loans as non-performing or impaired even when principal or interest payments are less than one quarter past due but where we believe recovery of all principal and interest amounts is doubtful. We make specific and unallocated allowances for these loans based on our estimate of losses inherent in the loan portfolio.

Our methodology for determining specific and unallocated allowances is discussed separately below for each category of loans.

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Retail Loans

The Bank establishes a specific allowance on the retail loan portfolio based on factors such as the nature of the product, delinquency levels or the number of days the loan is past due, the nature of the security available and loan to value ratios. The loans are charged off against allowances at defined delinquency levels.

The Bank also makes unallocated allowances for its retail loans by product type. The Bank s retail loan portfolio comprises groups of large numbers of small value homogeneous loans. The Bank establishes an unallocated allowance for loans in each product group based on its estimate of the expected amount of losses inherent in such product. In making such estimates, among other factors considered, the Bank stratifies such loans based on the number of days past due and takes into account historical losses for such product, the nature of security available and loan to value ratios.

Wholesale Loans

We make specific allowances for credit losses for all wholesale loans on non-accrual status. We also make specific allowances for wholesale loans that are on accrual status when we consider these loans to be impaired despite being less than one quarter past due.

We identify wholesale loans on accrual status as being impaired based on our assessment of each wholesale banking customer, taking into account quantitative and qualitative factors such as payment status, adverse situations that may affect the borrower s ability to repay, the value of any collateral held, our view of the industry and general economic conditions.

Impairment is measured for each non-performing wholesale banking customer for the aggregate of all wholesale loans made to that customer. We establish a specific allowance for the difference between the carrying value of the loan and the present value of expected future cash flows including the net realizable value of any collateral, discounted at the loan s effective interest rate. We do not establish a specific allowance for loans where the fair value of any collateral we hold exceeds the outstanding loan balance.

Wholesale loans that experience insignificant payment delays and payment shortfalls are generally not classified as impaired but are placed on a surveillance watch list and closely monitored for deterioration. We determine the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower s prior payment record and the amount of the shortfall in relation to the principal and interest owed. We also have an unallocated allowance for performing loans, based on the overall portfolio quality, asset growth, economic conditions and other risk factors.

Analysis of Non-Performing Loans by Industry Sector

The following table sets forth, for the periods indicated, our non-performing loans by borrowers industry or economic activity in each of the respective periods and as a percentage of our loans in the respective industry or economic activity sector. These figures do not include credit substitutes, which we include for purposes of calculating our industry concentration for RBI reporting. See Risk Factors We have high concentrations of customer exposures to certain customers and sectors and if any of these exposures were to become non-performing, the quality of our portfolio could be adversely affected.

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2004			2005			2006			2007			200	
Gross Loans	Non performing loans	% of loans in industry	Gross Loans	Non performing loans	% of loans in industry	Gross Loans	Non performing loans	% of loans in industry	Gross Loans	Non performing loans	% of loans in industry	Gross Loans	N perfo lo
						(Rupees in millions, except percentages)							
Rs. 1,473.8	Rs. 129.1	8.8	Rs. 1,401.7	Rs. 129.1	9.2	Rs. 2,559.4	Rs. 129.1	5.0	Rs.	Rs.		Rs. 1,223.3	Rs.
15,396.2	21.4	0.1	29,860.5	269.8	0.9	36,841.6	347.9	0.9	1,407.3	266.7	0.4	54,454.9	1
1,327.6	356.2	26.8	3,483.9	303.4	8.7	6,291.4	313.7	5.0	6,851.7	219.8	3.2	10,429.4	
63,207.8	382.1	0.6	103,681.2	1,134.5	1.1	175,780.1	2,534.1	1.4	265,649.8	4,520.7	1.7	360,322.0	6
759.5	26.8	3.5	1,620.3	26.8	1.7	1,599.4	26.8	1.7				2,910.6	
18,541.1	653.7	3.5	25,667.6	913.3	3.6	40,970.3	954.4	2.3	26,165.0	642.9	2.5	52,169.8	
									9,264.4	114.8	1.2	15,184.5	
			4,221.0	59.5	1.4	15,824.0	58.7	0.4	10,343.9	108.2	1.0	15,764.0	
									751.5	7.6	1.0	1,428.4	
419.8	9.1	2.2	814.5	9.1	1.1				2,468.4	9.1	0.4	2,465.0	
6,050.0	56.1	0.9	4,862.3	56.1	1.2	10,659.7	56.0	0.5	12,912.7	174.0	1.3	15,023.9	
									27,237.3	5.7		27,201.1	
						5,344.1	3.4	0.1	13,586.0	3.4		16,967.3	
200.1	3.4	1.7	1,738.0	2.5	0.1	14,357.2	7.8	0.1	26,364.3	150.6	0.6	41,075.6	
3,039.5	40.0	1.3	3,917.6	42.9	1.1	3,834.0	32.3	0.8	3,538.4	32.3	0.9	5,670.1	
2,261.1	639.1	28.3	3,452.7	679.4	19.7	2,199.4	129.0	5.9					
3,616.6	440.4	12.2	4,840.2	201.5	4.2	5,641.2	118.2	2.1					
2,526.6	40.9	1.6	4,465.9	40.9	0.9	5,155.7	49.5	1.0					
1,974.7	22.6	1.2	2,882.3	122.9	4.3	5,450.9	22.6	0.4					
1,376.6	76.1	5.5	2,428.9	66.9	2.8								
27.5	21.9	79.6	385.3	10.5	2.7								
806.6	70.3	8.7	1,701.4	11.7	0.7								
3,144.4	3.4	0.1	3,946.7	3.4	0.1								
	Rs. 2,992.6			Rs. 4,084.2			Rs. 4,783.5			Rs. 6,255.6			Rs. 8
	Rs. 2,722.7			Rs. 3,492.8			Rs. 3,204.6			Rs. 4,224.2			Rs. 5
	Rs. 269.9			Rs. 591.4			Rs. 1,578.9			Rs. 2,031.4			Rs. 2

As of March 31, 2008, our gross non-performing loans as a percentage of gross loans in the respective industries was the highest in the Diamond, Gems and jewelry exports, Land transport and Textile industries.

Diamond, Gems and Jewelry Exports

The diamonds, gem and jewelry export industry has weathered slackening market conditions in the United States by increasing sales in India, China and the Far East. The increased prices of rough diamonds and gold have benefitted the major players. Exports of gems and jewelry from India were up by 22.8% in 2007-08 over the previous year in US Dollar terms.

Land Transport

The growth of the transportation industry has been affected by increasing fuel prices, rising interest rates and a marginal slowdown in the economy.

Textile Industries

The textile industry has been affected in recent times by rising cotton and polyester prices, as well as a slowdown in export demand. The Government has further extended the scheme for granting subsidized loans for modernization of the industry.

Top Ten Non-Performing Loans

As of March 31, 2008, we had 54 wholesale non-performing loans outstanding. Our top ten non performing loans represented 15.7% of our gross non-performing loans and 0.2% of our gross loan portfolio.

The following table sets forth information regarding our ten largest non-performing loans. The table also sets forth the value (as set forth on the borrower s books) of collateral securing the loans. However, the net realizable value of such collateral may be substantially less, if anything.

	At March 31, 2008					
	Industry	Type of banking arrangement	Gross principal outstanding (in millions)	Principal outstanding net of allowance for credit losses	Collateral-our share (in percentages)	Currently servicing all interest payments
Borrower 1	Automobiles	Sole	Rs. 642.9	Rs.		No
Borrower 2	Gems And Jewellery	Consortium	129.1		7.2	No
Borrower 3	Textiles	Consortium	120.8		5.1	No
Borrower 4	Metals And Metal Products	Consortium	108.9		7.0	No
Borrower 5	Miscellaneous- Textiles	Consortium	74.2		100.0	No
Borrower 6	Textiles	Multiple	73.0		24.3	No
Borrower 7	Electricity generation	Multiple	45.2		15.1	No
Borrower 8	Textiles	Sole	43.0	25.8	100.0	No
Borrower 9	Engineering	Consortium	40.1		21.2	No
Borrower 10	Miscellaneous-Manufacturing	Sole	31.8		100.0	No
			Rs. 1,309.0	Rs. 25.8		

Interest Foregone

Interest foregone is the interest due on non-performing loans that has not been accrued in our books of accounts. The following table sets forth the outstanding amount of interest foregone on existing non-performing loans as of the respective dates.

Interest foregone	**(in millions)**
March 31, 2006	Rs. 208.5
March 31, 2007	198.3
March 31, 2008	207.0

Restructuring of Non-Performing Loans

Our non-performing loans are restructured on a case-by-case basis after our management has determined that restructuring is the best means of maximizing realization of the loan. These loans continue to be on a non-accrual basis and are reclassified as performing loans only after sustained performance under the loan s renegotiated terms for a period of at least one year.

Pursuant to recently enacted regulations creating a system of Corporate Debt Restructuring, we may also be involuntarily required to restructure loans if decided by lenders holding 75% of the debt in a consortium in which we participate.

The following table sets forth, as of the dates indicated, our non-performing loans that have been restructured through rescheduling of principal repayments and deferral or waiver of interest:

	At March 31, (in millions, except percentages)				
	2004	2005	2006	2007	2008
Gross restructured loans	Rs.	Rs. 100.3	Rs. 167.9	Rs.	Rs.
Allowance for credit losses		36.1	167.9		

Net restructured loan	Rs.	Rs. 64.2	Rs.	Rs.	Rs.
Gross restructured loans as a percentage of gross non-performing loans		2.5%	3.5%		
Net restructured loans as a percentage of net non-performing loans		10.9%			

If there is a failure to meet payment or other terms of a restructured loan, it may be considered a failed restructuring, in which case it is no longer classified as a restructured loan.

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Non-Performing Loan Strategy

Our non-performing loan strategy is focused on early problem recognition and active remedial management efforts. Because we are involved primarily in working capital finance with respect to wholesale loans, we track our borrowers performance and liquidity on an ongoing basis. This enables us to define remedial strategies proactively and manage our exposures to industries or customers that we believe are displaying deteriorating credit trends. Relationship managers drive the recovery effort together with strong support from the credit group in the corporate office in Mumbai. Recovery is pursued vigorously through the legal process, enforcement of collateral, negotiated one-time settlements and other similar strategies. The particular strategy pursued depends upon the level of cooperation of the borrower and on our assessment of the borrower s management integrity and long-term viability.

Allowance for Credit Losses on Loans

The following table sets forth, for the periods indicated, movements in our allowance for credit losses:

	For the years ended March 31				
	2004	2005	2006	2007	2008
			(in millions)		
Specific allowance for credit losses at the beginning of the period	Rs. 1,684.3	Rs. 2,722.7	Rs. 3,492.8	Rs. 3,204.6	Rs. 4,224.2
Additions to allowance for credit losses for the period:					
Retail	775.8	2,433.9	4,762.6	6,969.0	10,317.8
Wholesale	1,278.7	221.9	41.5	11.8	44.0
Less allowances no longer required on account of recoveries	(300.3)	(781.7)	(275.1)	(72.1)	(98.2)
Allowance no longer required on account of write-offs	(715.8)	(1,104.0)	(4,817.2)	(5,889.1)	(8,646.2)
Specific allowance for credit losses at the end of period	Rs. 2,722.7	Rs. 3,492.8	Rs. 3,204.6	Rs. 4,224.2	Rs. 5,841.6
Unallocated allowance for credit losses at the beginning of the period	Rs. 182.4	Rs. 771.6	Rs. 1,945.7	Rs. 2,448.7	Rs. 3,790.3
Additions during the period	589.2	1,174.1	503.0	1,341.6	3,104.1
Unallocated allowance for credit losses at the end of the period	Rs. 771.6	Rs. 1,945.7	Rs. 2,448.7	Rs. 3,790.3	Rs. 6,894.4
Total allowance for credit losses at the beginning of the period	Rs. 1,866.7	Rs. 3,494.3	Rs. 5,438.5	Rs. 5,653.3	Rs. 8,014.5
Allowance no longer required on account of write-offs	(715.8)	(1,104.0)	(4,817.2)	(5,889.1)	(8,646.2)
Net addition to total allowance for the period charged to expense	2,343.4	3,048.2	5,032.0	8,250.3	13,367.7
Total allowance for credit losses at the end of the period	Rs. 3,494.3	Rs. 5,438.5	Rs. 5,653.3	Rs. 8,014.5	Rs. 12,736.0

The following table sets forth, for the periods indicated, the allocation of the total allowance for credit losses:

	As of March 31				
	2004	2005	2006	2007	2008
			(in millions)		
Wholesale					

Allocated	Rs. 2,379.8	Rs. 2,285.7	Rs. 1,543.1	Rs. 1,456.7	Rs. 1,368.6
Unallocated	269.8	400.9	703.1	626.9	491.4
Subtotal	2,649.6	2,686.6	2,246.2	2,083.6	1,860.0
Retail					
Allocated	342.9	1,207.1	1,661.5	2,767.5	4,473.0
Unallocated	501.8	1,544.8	1,745.6	3,163.4	6,403.0
Subtotal	844.7	2,751.9	3,407.1	5,930.9	10,876.0
Allowance for credit losses	Rs. 3,494.3	Rs. 5,438.5	Rs. 5,653.3	Rs. 8,014.5	Rs. 12,736.0

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our audited financial statements included in this report. The following discussion is based on our audited financial statements, which have been prepared in accordance with U.S. GAAP, and on information publicly available from the RBI and other sources.

Introduction

Overview

We are a leading private sector bank and financial services company in India. Our principal business activities are retail banking, wholesale banking and treasury operations. Our retail banking division provides a variety of deposit products, loans, credit cards, debit cards, third-party mutual funds and insurance products, investment advice, bill payment services and other services. Through our wholesale banking operations we provide loans, deposit products, documentary credits, guarantees, bullion trading and foreign exchange and derivative products. We also provide cash management services, clearing and settlement services for stock exchanges, tax and other collections for the government, custody services for mutual funds and correspondent banking services. Our Treasury Group manages our balance sheet and our foreign exchange and derivative products.

Since fiscal 2003, we have experienced significant growth in our customer and geographical base, expanding from 3.4 million customers in 122 cities as of March 31, 2003 to 11.6 million customers in 327 cities as of March 31, 2008. In line with this increase, we have increased our loans to customers from Rs. 120,166.6 million in fiscal 2003 to Rs. 728,081.3 million in fiscal 2008, which included increases of Rs. 409,681.0 million in retail loans and Rs198,233.7 million in wholesale loans. Our merger with Centurion Bank of Punjab Ltd. (CBoP) became effective on May 23, 2008. Accordingly, our financial condition at March 31, 2008 and our results of operations for the year then ended do not reflect our merger with CBoP. See Merger of Centurion Bank of Punjab for a discussion of the merger.

Our revenue consists of interest and dividend revenue as well as non-interest revenue. Our interest and dividend revenue is primarily generated by interest on loans, dividends from securities and other activities. We offer a wide range of loans to retail customers and offer working capital and term loans to corporate customers. The primary components of our securities portfolio are statutory liquidity ratio investments, credit substitutes and other investments. Statutory liquidity ratio investments principally consist of Government of India treasury securities. Credit substitutes, principally consisting of our investments in commercial paper, debentures and preference shares issued by corporations, are part of the financing products we provide to our customers. Other investments include investment grade bonds issued by public sector undertakings and public financial institutions principally to meet RBI directed lending requirements, asset backed securities, mortgage-backed securities as well as equity securities and units of mutual funds. Interest revenue from other activities consists primarily of interest from inter-bank loans and interest paid by the RBI on cash deposits to meet our statutory cash reserve ratio requirements. Effective March 31, 2007 the RBI has discontinued the practice of paying interest on deposits to meet the cash reserve ratio.

Two important measures of our results of operations are net interest revenue, which is equal to our interest and dividend revenue net of interest expense, and net interest revenue after allowance for credit losses. Interest expense includes interest on deposits as well as on borrowings. Our interest revenue and expense are affected by fluctuations in interest rates as well as volume of activity. Our interest expense is also affected by the extent to which we fund our activities with low-interest or non-interest bearing deposits (including the float on transactional services), and the extent to which we rely on borrowings. Our allowance for credit losses includes our loan loss provision. Impairments of credit substitutes are not included in our loan-loss provision, but are included as realized losses on securities.

We also use net interest margin and spread to measure our results. Net interest margin represents the ratio of net interest revenue to average interest-earning assets. Spread represents the difference between yields on average interest-earning assets and cost of average interest-bearing liabilities including current accounts which are non-interest bearing.

Our non-interest revenue includes fee and commission income, realized gains and losses on sales of securities and spread from foreign exchange and derivative transactions, income from affiliates and profit on securitization of assets. Our principal sources of fee and commission revenue are retail banking services, retail asset fees and charges, credit card fees, cash management services, documentary credits and bank guarantees, distribution of third party mutual funds and insurance products and capital market services.

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Our non-interest expense includes expenses for salaries and staff benefits, premises and equipment, depreciation and amortization, and administrative and other expenses. The costs of outsourcing back office and other functions are included in administrative and other expenses.

Our financial condition and results of operations are affected by general economic conditions prevailing in India. The Indian economy has grown over the past two years. GDP growth was 9.6% in fiscal 2007 and 9.0% in fiscal 2008.

In addition, interest rates have generally been rising during the past few years in line with global trends. During fiscal 2008, the benchmark reverse repo rate was 6.0%. In addition, the RBI increased the cash reserve ratio from 6.0% in fiscal 2007 to 7.50% in fiscal 2008.

Critical Accounting Policies

We have set forth below some of our critical accounting policies under U.S. GAAP. Readers should keep in mind that we prepare our general purpose financial statements in accordance with Indian GAAP and also report to the RBI and the Indian stock exchanges in accordance with Indian GAAP. In certain circumstances, we may take action that is required or permitted by Indian banking regulations which may have different consequences under Indian and U.S. GAAP.

Allowance for Loan Losses

Our allowance for credit losses is based on our best estimate of losses inherent in our loan portfolio and consists of our allowances for retail loans and wholesale loans.

Retail Loans

We establish specific and unallocated allowances for our retail loans. The Bank establishes a specific allowance on the retail loan portfolio based on factors such as the nature of the product, delinquency levels or the number of days the loan is past due, the nature of the security available and loan to value ratios. The loans are charged off against allowances at defined delinquency levels. We also establish unallocated allowances for each of our retail loan products. See Selected Statistical Information Non-Performing Loans Retail Loans.

Wholesale

We establish specific allowances for our wholesale loans. We evaluate our wholesale loan portfolio on a periodic basis and grade our accounts considering both qualitative and quantitative criteria. Although we believe our grading and surveillance process is comprehensive, it is inherently subjective as it is based on information we have available and requires us to exercise judgment in determining a borrower s grading and therefore may not be correct in all cases. Our grading is subject to revision as more information becomes available.

We consider wholesale loans to be impaired when it is probable that we will be unable to collect scheduled payments of principal or interest when due. In arriving at our estimate, we consider the borrower s payment status, financial condition and the value of collateral we hold.

We establish specific allowances for our wholesale loans for each non-performing wholesale loan customer in the aggregate for all funded exposures. This allowance is based on either the present value of expected future cash flows discounted at the loan s effective interest rate or the net realizable value of any collateral we hold. Our estimate of future cash flows from a borrower is inherently subjective as it is based on our expectations of the probability and timing of default. Our estimate of the net realizable value of any collateral we hold is also subjective, as the collateral we hold is generally working capital such as book debt or inventory.

We establish unallocated allowances for wholesale loans based on an internal credit slippage matrix, which measures our historic losses for our standard loan portfolio.

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For more information on the methodologies we have used to establish our allowance for credit losses, see Selected Statistical Information Non-Performing Loans Recognition of Non-Performing Loans.

Interest Accrual and Revenue Recognition

Interest income from loans is recognized on an accrual basis when earned except with respect to loans placed on non-accrual status, for which interest income is recognized when received. Beginning in fiscal 2004, loans have been placed on non-accrual status when they are past due for more than one quarter. Prior to that time, loans were generally placed on non-accrual status when they were past due for more than two quarters. We generally do not charge up-front loan origination fees. Nominal application fees are charged, which offset the related costs incurred.

Fees and commissions from guarantees issued are amortized over the contractual period of the commitment, provided the amounts are collectible.

Dividends from investments are recognized when declared.

Realized gains and losses on sales of securities are recorded on the trade date and are determined using the weighted average cost method.

Other fees and income are recognized when earned, which is when the service that results in the income has been provided.

Valuation of Investments

Investments consist of securities purchased as part of our treasury operations, such as government securities and other debt and equity securities, investments purchased as part of our wholesale banking operations, such as credit substitute securities issued by our wholesale banking customers, which include commercial paper, short-term debentures and preference shares and asset and mortgage backed securities.

Securities that are held principally for resale in the near term are classified as held for trading (HFT), with changes in fair value recorded in earnings.

Debt securities that management has the positive intent and ability to hold to maturity are classified as held to maturity (HTM).

Securities with fair values that are not classified as held to maturity or held for trading are classified as available for sale (AFS). Unrealized gains and losses on such securities, net of applicable taxes, are reported in accumulated other comprehensive income (loss), a separate component of shareholders equity.

We generally report our investments in debt and equity securities at fair value, except for debt securities classified as HTM securities, which are reported at amortized cost. Fair values are based on market quotations where a market quotation is available and otherwise based on present values at current interest rates for such investments.

For HTM and AFS securities, other than temporary declines in fair values that are below cost will be reflected in earnings as realized losses. We identify other than temporary declines based on an evaluation of all significant factors, including the length of time and extent to which fair value is less than cost and the financial condition and economic prospects of the issuer. We do not recognize impairment for debt securities if the cause of the decline is related solely to interest rate increases and where we have the ability and intent to hold the security until the fair value is recovered. Estimates of any other than temporary declines in the fair values of credit substitute securities are measured on a case by case basis together with loans under the overall exposure to those customers and recognized as realized losses. As our exposures in respect of such securities are similar to our exposures on the borrower s loan portfolio, additional disclosures have been provided on impairment status in Note 8 and on concentrations of credit risk in Note 12 of the Financial Statements.

Recently issued accounting pronouncements not yet effective

In September 2006, the FASB issued SFAS No.157, Fair Value Measurements . This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value

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measurements. This statement applies under other accounting pronouncements that require or permit fair value measurements. The statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. In February 2008, the FASB issued FASB Staff Position No. SFAS 157-2 (FSP FAS 157-2) which delays the effective date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). This FSP partially defers the effective date of SFAS 157 to fiscal years beginning after November 15, 2008 for items within the scope of this FSP. The Bank does not expect the application of the standard will have a significant impact on the Bank s future financial position or results of operation.

In February, 2007, the FASB issued Statement No. 159 The Fair Value Option for Financial Assets and Financial Liabilities (including an amendment of FASB Statement No. 115). This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The unrealized gains and losses on items for which the fair value option has been elected are to be reported in earnings. SFAS 159 is effective from an entity s fiscal year beginning after November 15, 2007. The Bank does not expect the application of the standard will have a significant impact on the Bank s future financial position or results of operation.

On November 5, 2007, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 109, Written Loan Commitments Recorded at Fair Value through Earnings (SAB 109). SAB 109 requires that the expected net future cash flows related to servicing of a loan be included in the measurement of all written loan commitments that are accounted for at fair value through earnings. The adoption of SAB 109 is on a prospective basis and effective for the Bank s loan commitments measured at fair value through earnings which are issued or modified in fiscal quarters beginning after December 15, 2007. The Bank does not expect the application of the staff s view to have a significant impact on the Bank s future financial position or results of operation.

On December 4, 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141 (revised 2007), Business Combinations (SFAS 141R). SFAS 141R modifies the accounting for business combinations and requires, with limited exceptions, the acquirer in a business combination to recognize 100 percent of the assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition-date fair value. In addition, SFAS 141R requires the expensing of acquisition-related transaction and restructuring costs, and certain contingent assets and liabilities acquired, as well as contingent consideration, to be recognized at fair value. SFAS 141R also modifies the accounting for certain acquired income tax assets and liabilities. SFAS 141R applies to business combinations for which the acquisition date is on or after the beginning of annual reporting periods beginning on or after December 15, 2008. Early adoption is not permitted.

On December 4, 2007, the FASB also issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements (SFAS 160) an amendment of ARB 51- Consolidated Financial Statements. SFAS 160 requires all entities to report noncontrolling (i.e., minority) interests in subsidiaries as equity in the Consolidated Financial Statements and to account for transactions between an entity and noncontrolling owners as equity transactions if the parent retains its controlling financial interest in the subsidiary. SFAS 160 also establishes accounting and reporting standards for changes in a parent s ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS 160 also requires expanded disclosure that distinguishes between the interests of the controlling owners and the interests of the noncontrolling owners of a subsidiary. SFAS 160 is effective for fiscal years and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is not permitted. We are currently evaluating the impact, if any, the future application of this pronouncement may have on our financial statements.

On March 19, 2008 the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133 . This Statement expands the disclosure requirements in Statement 133 about an entity s derivative instruments and hedging activities. Such disclosures, as well as existing Statement 133 required disclosures, generally will need to be presented for every annual and interim reporting period for which a statement of financial position and a statement of financial performance are presented. SFAS 161 improves transparency about the location and amounts of derivative instruments in an entity s financial statements; how derivative instruments and related hedged items are accounted for under Statement 133; and how derivative instruments and related hedged items affect its financial position, financial performance, and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged.

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles . The new standard is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. generally accepted accounting principles (GAAP) for non-governmental entities. SFAS No. 162 is effective 60 days following the SEC s approval of the Public Company Accounting Oversight Board (PCAOB) amendments to AU Section 411, The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles . We do not expect the adoption of SFAS No. 162 to have a material impact on our consolidated financial statements.

In May 2008, the FASB issued SFAS 163, Accounting for Financial Guarantee Insurance Contracts an interpretation of FASB Statement No. 60- *Accounting and Reporting by Insurance Enterprise* . The scope of this Statement is limited to financial guarantee insurance (and reinsurance) contracts issued by enterprises included within the scope of Statement 60. This statement is effective for financial statements issued for fiscal years beginning after December 15, 2008. The Bank is currently evaluating the potential impact of adopting the statement.

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Fiscal Year Ended March 31, 2008 Compared to Fiscal Year Ended March 31, 2007

Net Interest Revenue after Allowance for Credit Losses

Our net interest revenue after allowances for credit losses increased by 44.7% from Rs. 28.7 billion in fiscal 2007 to Rs. 41.5 billion in fiscal 2008. Our net interest margin increased from 4.4% in fiscal 2007 to 5.1% in fiscal 2008. The following table sets out the components of net interest revenue after allowance for credit losses:

	Year ended March 31,			
	2007	2008	Increase/ (decrease)	% Increase/ (decrease)
	(in millions, except percentages)			
Interest on loans	Rs. 46,823.5	Rs. 72,595.9	Rs. 25,772.4	55.0%
Interest on securities, including dividends	20,556.2	28,710.7	8,154.5	39.7
Other interest revenue	2,681.9	2,943.1	261.2	9.7
Total interest and dividend revenue	70,061.6	104,249.7	34,188.1	48.8
Interest on deposits	26,175.9	42,667.1	16,491.2	63.0
Interest on short-term borrowings	4,800.4	4,093.6	(706.8)	(14.7)
Interest on long term debt	2,164.8	2,646.0	481.2	22.2
Other Interest Expense	4.0	7.3	3.3	82.5
Total interest expense	33,145.1	49,414.0	16,268.9	49.1
Net interest revenue	Rs. 36,916.5	Rs. 54,835.7	Rs. 17,919.2	48.5
Less: Allowance for credit losses:				
Retail	8,386.9	13,606.5	5,219.6	62.2
Wholesale	(136.6)	(238.8)	(102.2)	*
Total	Rs. 8,250.3	Rs. 13,367.7	Rs. 5,117.4	62.0
Net interest revenue after allowance for credit losses	Rs. 28,666.2	Rs. 41,468.0	Rs. 12,801.8	44.7%

* Not meaningful

Interest and Dividend Revenue

Interest on loans increased as average volume of loans increased by 37.2% from Rs. 467.3 billion in fiscal 2007 to Rs. 641.4 billion in fiscal 2008. Our average volume of retail loans increased by 44.2% from Rs. 250.8 billion in fiscal 2007 to Rs. 361.8 billion in fiscal 2008. The key retail loan products that contributed to our retail loan growth were auto loans, business banking loans, personal loans and credit card receivables. Our average volume of wholesale loans increased by 29.1% from Rs. 216.5 billion in fiscal 2007 to Rs. 279.6 billion in fiscal 2008 due to increased lending to existing customers as well as new customer acquisitions. These volume increases were also matched by a corresponding increase in yields. Yields on our loans increased from an average of 10.0% in fiscal 2007 to 11.2% in fiscal 2008. Loan yields increased as a result of the general increase in the interest rates in the banking system and an increase in our proportion of higher yielding retail loans.

Interest on securities, including dividends, increased by 39.7% from Rs. 20.5 billion in fiscal 2007 to Rs. 28.7 billion in fiscal 2008 due to increases in yields and in the volume of overall investments. Investments in mutual fund units increased in fiscal 2008 due to additional capital from our ADR issue in July 2007 and surplus funds during the year.

Other interest revenue increased by 9.7% for fiscal 2008 compared to fiscal 2007 mainly due to an increase in earnings from interbank funds.

Interest Expense

Our interest expense on deposits increased by 63.0% from Rs. 26.2 billion in fiscal 2007 to Rs. 42.7 billion in fiscal 2008. Our average cost of deposits increased from 4.0% in fiscal 2007 to 4.7% in fiscal 2008 as a result of an increase in the average cost of time deposits from 6.8% in fiscal 2007 to 8.4% in fiscal 2008 and a marginal decline in the proportion of average current and savings account balances to average total deposits from 52.7% to 51.7%. Our interest expense on short-term borrowings decreased by 14.7% as a result of a decrease in borrowing in the inter-bank call money market. The cost of short-term borrowings decreased mainly due to inflow of additional capital on account of the preferential allotment of equity shares and the ADS issue. Our average cost of short-term borrowing also decreased from 6.4% in fiscal 2007 to 5.9% in fiscal 2008. Our interest expense on long-term debt increased by 22.2% primarily due to interest expense on Upper Tier 2 and Lower Tier 2 capital and innovative perpetual debt instruments that were issued during fiscal 2007.

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Allowance for Credit Losses

Allowances for credit losses increased by 62.0% for fiscal 2008 compared to fiscal 2007. This was due to an increase in credit losses for retail loans from Rs. 8.4 billion to Rs. 13.6 billion. Such increase resulted from increases in the volume of retail loans and changes in the composition of our retail loans. We establish a specific allowance on the retail loan portfolio based on factors such as the nature of the product, delinquency levels or the number of days the loan is past due, the nature of the security available and loan to value ratios. The loans are charged off against allowances at defined delinquency levels. In the wholesale segment, there were recoveries in the non-performing loans and a release of unallocated loss provisions.

Non- Interest Revenue

Our non-interest revenue increased by 35.6% from Rs. 15.0 billion in fiscal 2007 to Rs. 20.3 billion in fiscal 2008. The following table sets forth the components of our non-interest revenue:

	Year ended March 31,			
	2007	2008	Increase/ (decrease)	% Increase/ (decrease)
	(in millions, except percentages)			
Fees and commissions	Rs. 13,371.9	Rs. 18,443.1	Rs. 5,071.2	37.9%
Realized gains (losses) on sales of AFS securities	(456.9)	168.4	625.3	*
Realized gains (losses) on sales of HFT securities	(134.7)	243.3	378.0	*
Foreign exchange	1,903.5	1,445.0	(458.5)	(24.1)
Derivative transactions	165.1	(1,054.9)	(1,220.0)	(738.9)
Other	150.8	1,101.7	950.9	630.6
Total non-interest revenue	Rs. 14,999.7	Rs. 20,346.6	Rs. 5,346.9	35.6%

* Not meaningful

Fees and commissions increased primarily because of growth in service and processing fees and charges on retail asset products. Such fees and charges were primarily comprised of processing fees on new loans, foreclosure charges and charges on bouncing of checks. There was an increase in credit card fees due to higher late payment charges, interchange income and over limit fees. There was also an increase in ATM fees and debit card charges due to increased volume of ATM and debit card transactions. In addition, our fees from the distribution of third party mutual funds and insurance products increased considerably. Fees and commissions we earned from our wholesale business also increased on account of higher trade, cash management and tax collection volumes.

Realised gains on sales of AFS securities and HFT securities was primarily from the sale of Government of India securities.

Revenue from derivative and foreign exchange transactions was lower primarily because of fair value adjustments on certain customer contracts on account of adverse currency movements. Other non interest revenue increased primarily on account of gains from the sale of our equity stake in our affiliates.

Non- Interest Expense

Our non-interest expense was comprised of the following:

	Year ended March 31,					
	2007	2008	Increase/ (decrease)	% Increase/ (decrease)	2007 % of net revenues	2008 % of net revenues
	(in millions, except percentages)					
Salaries and staff benefits	Rs. 11,430.6	Rs. 19,169.6	Rs. 7,739.0	67.7%	26.2%	31.0%
Premises and equipment	4,130.5	4,729.3	598.8	14.5	9.5	7.7

Depreciation and amortization	2,273.3	2,816.0	542.7	23.9	5.2	4.6
Administrative and other	9,591.7	15,546.9	5,955.2	62.1	22.0	25.2
Total non-interest expense	Rs. 27,426.1	Rs. 42,261.8	Rs. 14,835.7	54.1%	62.8%	68.4%

Total non-interest expense increased by 54.1% from Rs. 27.4 billion in fiscal 2007 to Rs. 42.3 billion in fiscal 2008. This was primarily due to increased salaries and staff benefits, infrastructure and administrative costs relating to the maintenance and expansion of our branch and ATM networks and geographical coverage and higher volumes for our retail loan products. As a percentage of our net revenues, non-interest expense increased to 68.4% in fiscal 2008 compared to 62.8% in fiscal 2007.

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Salaries and staff benefits rose in absolute terms and as a percentage of revenue principally due to increased headcount to support our future growth. Our headcount increased from 21,477 employees as of March 31, 2007 to 37,836 employees as of March 31, 2008 primarily as a result of us directly employing staff to perform activities that were formerly outsourced to third parties, including our affiliate, HBL, in order to have more control over the marketing of our products and facilitate compliance with the KYC norms. Headcount also increased due to general growth in our business. Our premises and equipment expense increased because we expanded our distribution network from 684 branches and 1,605 ATMs as of March 31, 2007 to 761 branches and 1,977 ATMs as of March 31, 2008. Depreciation and amortization and administrative and other expenses increased primarily due to an expansion of our branch and ATM networks and higher spending on technology and infrastructure to support growth.

Income Tax

Our income tax expense increased by 22.6% from Rs. 5.1 billion in fiscal 2007 to Rs. 6.3 billion in fiscal 2008. Our effective tax rate was 31.7% in fiscal 2007 and 32.3% in fiscal 2008.

Net Income

As a result of the foregoing factors, our net income after taxes increased by 19.2% from Rs. 11.0 billion in fiscal 2007 to Rs. 13.2 billion in fiscal 2008.

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Fiscal Year Ended March 31, 2007 Compared to Fiscal Year Ended March 31, 2006

Net Interest Revenue After Allowance For Credit Losses

Our net interest revenue after allowances for credit losses increased by 51.9% from Rs. 18.9 billion in fiscal 2006 to Rs. 28.7 billion in fiscal 2007. Our net interest margin increased from 4.1% in fiscal 2006 to 4.4% in fiscal 2007. The following table sets out the components of net interest revenue after allowance for credit losses:

	Year ended March 31,			
	2006	2007	Increase/ (decrease)	% Increase/ (decrease)
	(in millions, except percentages)			
Interest on loans	Rs. 28,853.8	Rs. 46,823.5	Rs. 17,969.7	62.3%
Interest on securities, including dividends	13,165.2	20,556.2	7,391.0	56.1
Other interest revenue	1,509.0	2,681.9	1,172.9	77.7
Total interest and dividend revenue	43,528.0	70,061.6	26,533.6	61.0
Interest on deposits	15,590.1	26,175.9	10,585.8	67.9
Interest on short-term borrowings	3,469.7	4,800.4	1,330.7	38.4
Interest on long term debt	562.0	2,164.8	1,602.8	285.2
Other Interest Expense		4.0	4.0	
Total interest expense	19,621.8	33,145.1	13,523.3	68.9
Net interest revenue	Rs. 23,906.2	Rs. 36,916.5	Rs. 13,010.3	54.4
Allowance for credit losses:				
Retail	4,956.0	8,386.9	3,430.8	69.2
Wholesale	76.0	(136.6)	(212.5)	(279.6)
Total	Rs. 5,032.0	Rs. 8,250.3	Rs. 3,218.3	64.0%
Net interest revenue after allowance for credit losses	Rs. 18,874.2	Rs. 28,666.2	Rs. 9,792.0	51.9%

Interest and Dividend Revenue

Interest on loans increased as average volume of loans increased by 44.4% from Rs. 323.7 billion in fiscal 2006 to Rs. 467.3 billion in fiscal 2007. Our average volume of retail loans increased by 59.5% from Rs. 157.3 billion in fiscal 2006 to Rs. 250.8 billion in fiscal 2007. The key retail loan products that contributed to our retail loan growth were auto loans, business banking loans, personal loans and credit card receivables. Our average volume of wholesale loans increased by 30.1% from Rs. 166.4 billion in fiscal 2006 to Rs. 216.5 billion in fiscal 2007 due to increased lending to existing customers as well as new customer acquisitions. These volume increases were also matched by a corresponding increase in yields. Yields on our loans increased from an average of 8.9% in fiscal 2006 to 10.0% in fiscal 2007. Loan yields increased as a result of the general increase in the interest rates in the banking system and an increase in our proportion of higher yielding retail loans. This increase was partially offset by the effect of our consolidation of HBL, which resulted in certain fees paid to HBL related to the acquisition of new loans being expensed instead of amortized over the loan period.

Interest on securities, including dividends, increased by 56.1% from Rs. 13.2 billion in fiscal 2006 to Rs. 20.6 billion in fiscal 2007 due to increases in yields and in the volume of overall investments.

Other interest revenue increased by 77.7% for fiscal 2007 compared to fiscal 2006 mainly due to an increase in earnings from interbank and term placements.

Interest Expense

Our interest expense on deposits increased by 67.9% from Rs. 15.6 billion in fiscal 2006 to Rs. 26.2 billion in fiscal 2007. Our average cost of deposits increased from 3.4% in fiscal 2006 to 4.0% in fiscal 2007 as a result of an increase in the average cost of time deposits from 6.0% in fiscal 2006 to 6.8% in fiscal 2007 and a decline in the proportion of average current and savings account balances to average total deposits from 57.0% in fiscal 2006 to 52.7% in fiscal 2007. Our interest expense on short-term borrowings increased by 38.4% as a result of an increase in borrowing in the inter-bank call money market. Our average cost of short-term borrowing also increased from 4.8% in fiscal 2006 to 6.4% in fiscal 2007. Our interest expense on long-term debt increased by 285.2% primarily due to the issuance of Rs. 16.95 billion of bonds qualifying as Upper Tier 2 and Lower Tier 2 capital and innovative perpetual debt instruments qualifying as hybrid Tier 1 capital in fiscal 2007.

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Allowance for Credit Losses

Allowances for credit losses increased by 64.0% for fiscal 2007 compared to fiscal 2006. This was primarily due to an increase in allowances for credit losses on retail loans from Rs. 5.0 billion to Rs. 8.4 billion which included an unallocated loss allowance of Rs. 1.4 billion in fiscal 2007 as against Rs. 200.8 million in fiscal 2006. Such increase resulted from increases in prior years in the volume of retail loans and changes in the composition of our retail loans, including higher proportions of two wheeler loans and unsecured loans. We establish a specific allowance on the retail loan portfolio based on factors such as the nature of the product, delinquency levels or the number of days the loan is past due, the nature of the security available and loan to value ratios. The loans are charged off against allowances at defined delinquency levels. The credit losses for the wholesale segment decreased due to recoveries in non-performing loans during fiscal 2007 compared to fiscal 2006 and a release in unallocated loss provision.

Non- Interest Revenue

Our non-interest revenue increased by 23.5% from Rs. 12.1 billion in fiscal 2006 to Rs. 15.0 billion in fiscal 2007. The following table sets forth the components of our non-interest revenue:

	Year ended March 31,			
	2006	2007	Increase/ (decrease)	% Increase/ (decrease)
	(in millions, except percentages)			
Fees and commissions	Rs. 10,949.6	Rs. 13,371.9	Rs. 2,422.3	22.1%
Realized gains (losses) on sales of AFS securities	420.3	(456.9)	(877.2)	(208.7)
Realized gains (losses) on sales of HFT securities	(44.8)	(134.7)	(89.9)	(200.8)
Foreign exchange	994.0	1,903.5	909.5	91.5
Derivative transactions	(402.9)	165.1	568.0	*
Other	231.7	150.8	(80.9)	(34.9)
Total non-interest revenue	Rs. 12,147.9	Rs. 14,999.7	Rs. 2,851.8	23.5%

* Not meaningful

Fees and commissions increased primarily because of growth in service and processing fees and charges on retail asset products. Such fees and charges were primarily comprised of processing fees on new loans, foreclosure charges and charges on bouncing of checks. There was a large increase in credit card fees due to higher late payment charges on account of higher volumes and rates. There was also an increase in ATM fees and debit card charges due to increased volume of ATM and debit card transactions. In addition, our fees from the distribution of third party mutual funds and insurance products increased considerably. Fees and commissions we earned from our wholesale business also increased on account of higher trade, cash management and tax collection volumes. This increase in fees and commissions was partially offset due to lower charges on customers maintaining insufficient minimum balances. Such lower charges resulted from a reduction in the number of such accounts.

Revenue from foreign exchange increased primarily due to an increase in the volume of foreign exchange transactions with retail and wholesale customers.

Revenue from derivative transactions increased due to higher customer volumes on derivative transactions as well as an increase in fair values on the interest rate swaps due to changes in interest rates. We had overall net paid positions on the fixed leg of the swaps which resulted in the fair values increasing with increases in interest rates. The decrease in other non-interest revenue resulted from a decline in sales of portfolios of automobile loans, commercial vehicle loans and personal loans.

Non- Interest Expense

Our non-interest expense was comprised of the following:

	Year ended March 31,					
	2006	2007	Increase/ (decrease)	% Increase/ (decrease)	2006 % of net revenues	2007 % of net revenues
	(in millions, except percentages)					
Salaries and staff benefits	Rs. 5,420.9	Rs. 11,430.6	Rs. 6,009.7	110.9%	17.5%	26.2%
Premises and equipment	3,125.9	4,130.5	1,004.6	32.1	10.1	9.5
Depreciation and amortization	1,812.1	2,273.3	461.2	25.5	5.8	5.2
Administrative and other	7,487.9	9,591.7	2,103.8	28.1	24.1	22.0
Total non-interest expense	Rs. 17,846.8	Rs. 27,426.1	Rs. 9,579.3	53.7%	57.5%	62.8%

Total non-interest expense increased by 53.7% from Rs. 17.8 billion in fiscal 2006 to Rs. 27.4 billion in fiscal 2007. This was primarily due to increased salaries and staff benefits, infrastructure costs related to the expansion of our branch and ATM networks and geographical coverage and higher volumes for our retail loan products. As a percentage of our net revenues, non-interest expense increased to 62.8% in fiscal 2007 compared to 57.5% in fiscal 2006.

Salaries and staff benefits rose in absolute terms and as a percentage of revenue principally due to increased headcount to support our future growth. Our headcount increased from 14,878 employees as of March 31, 2006 to 21,477 employees as of March 31, 2007 primarily as a result of us directly employing staff to perform activities that were formerly outsourced to third parties, including our affiliate, HBL, in order to have more control over the marketing of our products and facilitate compliance with the KYC norms. Our overall expense did not increase because the fees we previously paid to HBL were reduced. See Related Party Transactions . Headcount also increased due to general growth in our business. We also adopted SFAS 123 (R) which resulted in additional expense of Rs. 976.3 million for fiscal 2007. Our premises and equipment expense increased because we expanded our distribution network from 535 branches and 1,323 ATMs as of March 31, 2006 to 684 branches and 1,605 ATMs as of March 31, 2007. Depreciation and amortization and administrative and other expenses increased primarily due to an expansion of our branch and ATM networks and higher spending on technology and infrastructure to support growth.

Income Tax

Our income tax expense increased by 29.7% from Rs. 4.0 billion in fiscal 2006 to Rs. 5.1 billion in fiscal 2007. Our effective tax rate increased from 30.1% in fiscal 2006 to 31.7% in fiscal 2007, principally due to higher disallowances on stock based compensation due to the adoption of SFAS 123 (R) in fiscal 2007.

Net Income

As a result of the foregoing factors, our net income after taxes increased by 20.2% from Rs. 9.2 billion in fiscal 2006 to Rs. 11.0 billion in fiscal 2007.

Liquidity and Capital Resources

Our growth over the last three years has been financed by a combination of cash generated from operations, increases in our customer deposits, borrowings and new issuances of equity capital and other securities qualifying as Tier 1 or Tier 2 capital.

The following table sets forth our cash flows from operating activities, investing activities and financing activities in a condensed format. We have aggregated certain line items set forth in the cash flow statement that is part of our financial statements included elsewhere in this report in order to facilitate understanding of significant trends in our business.

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	Year ended March 31, 2006	2007 (in millions)	2008
Cash Flows from Operating Activities:			
Net income	Rs. 9,187.1	Rs. 11,039.7	Rs. 13,154.2
Non cash adjustments to net income	11,654.2	16,993.3	20,866.1
Net change in other assets and liabilities	11,774.8	5,796.1	(83,680.2)
Net cash provided/(used) by operating activities	32,616.1	33,829.1	(49,659.9)
Cash Flows from Investing Activities:			
Net change in term placements	(1,544.2)	(2,572.1)	6,898.2
Net change in investments	(78,453.7)	(21,010.1)	(82,480.2)
Purchase of Subsidiary	155.8		
Proceeds from loans securitized	19,733.3	6,535.8	2,913.9
Loans purchased net of repayments	(3,736.3)	(8,899.3)	(770.0)
Increase in loans originated, net of principal collections	(159,840.8)	(147,290.9)	(197,034.3)
Additions to property and equipment	(3,701.4)	(3,224.4)	(6,372.6)
Net cash used in investing activities	(227,387.3)	(176,461.0)	(276,845.0)
Cash Flows from Financing Activities:			
Net increase in deposits	193,762.9	125,042.6	323,562.1
Net increase/(decrease) in short-term borrowings	13,597.6	20,667.0	34,005.2
Net increase/(decrease) in long-term debt	12,000.5	15,701.6	(916.4)
Proceeds from issuance of equity shares for options exercised	625.8	2,540.2	1,292.3
Proceeds from issuance of ADSs			23,938.6
Proceeds from issuance of equity shares on preferential allotment			13,901.0
Payment of dividends and dividend tax	(1,597.1)	(1,967.4)	(2,616.3)
Net cash provided by financing activities	218,389.7	161,984.0	393,166.5
Net change in cash and cash equivalents	23,618.5	19,352.1	66,661.6
Cash and cash equivalents, beginning of year	37,575.8	61,194.3	80,546.4
Cash and cash equivalents, end of year	Rs. 61,194.3	Rs. 80,546.4	Rs. 147,208.0

Cash Flows from Operating Activities

Our net cash from operations reflects our net income, adjustments for tax and non-cash charges such as depreciation and amortization, as well as changes in other assets and liabilities. Our net cash provided by operating activities decreased during fiscal 2008 from Rs. 33.8 billion to Rs. (49.7) billion. This decrease was primarily due to an increase in investments held for trading from Rs. 1.3 billion in fiscal 2007 to Rs. 109.3 billion in fiscal 2008.

Cash Flows from Financing Activities

Our primary sources of cash flows from financing activities are deposits and, to a lesser extent, borrowings. Deposits have increased over time as our business has expanded. Our total deposits increased by 47.4% from Rs. 682.3 billion in fiscal 2007 to Rs. 1,005.9 billion in fiscal 2008. Savings account deposits at Rs. 261.5 billion and current account deposits at Rs. 287.3 billion together accounted for approximately 54.6% of total deposits as of March 31, 2008. There has been a 58.4% increase in our time deposits from Rs. 288.7 billion in fiscal 2007 to Rs. 457.2 billion in fiscal 2008, which contributed to the significant overall increase in deposits.

The short-term borrowings are utilized for our treasury operations. Our short-term borrowings increased by 35.5% from Rs. 95.5 billion in fiscal 2007 to Rs.129.3 billion in fiscal 2008. The foreign currency borrowing limits of the Bank increased on account of the ADS issue and the preferrential allotment of equity shares to HDFC Limited during the fiscal 2008. Since the rates were attractive, we increased funding from foreign markets.

In fiscal 2008 we allotted equity shares on a preferential basis to Housing Development Finance Corporation Ltd. (HDFC) aggregating to Rs. 13.9 billion. We raised equity capital of Rs. 23.9 billion in July 2007 through a public offering of ADSs in the United States. This strengthened our capital position in order to support balance sheet growth.

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Cash Flows from Investing Activities

We used our cash from operations and financing activities primarily to invest in our retail loan book. Our growth in investments reflected primarily an increase in statutory liquidity ratio investments that was required as our business expanded. The net change in investment at March 31, 2008 was an increase of Rs. 82.5 billion. Our statutory liquidity ratio investments increased from Rs. 229.6 billion in fiscal 2007 to Rs. 349.4 billion in fiscal 2008. The increase in loans originated and purchased, net of principal collections and repayments, was Rs. 156.2 billion in fiscal 2007 and Rs. 197.8 billion in fiscal 2008. The increase was due to a growth in retail loans in fiscal 2008.

Financial Condition

Assets

The following table sets forth the principal components of our assets as of March 31, 2007 and March 31, 2008:

	As of March 31,			
	2007	2008	Increase/ (decrease)	% Increase/ (decrease)
	(in millions except percentages)			
Cash and cash equivalents	Rs. 80,546.4	Rs. 147,208.0	Rs. 66,661.6	82.8%
Term placements	12,815.8	5,917.6	(6,898.2)	(53.8)
Investments held for trading	4,284.1	113,557.8	109,273.7	2,550.7
Investments available for sale	304,241.1	419,008.8	114,767.7	37.7
Securities purchased under agreements to resell		2,405.7	2,405.7	
Loans, net	536,730.9	715,345.3	178,614.4	33.3
Accrued interest receivable	15,742.9	11,297.7	(4,445.2)	(28.2)
Property and equipment	10,397.6	13,961.5	3,563.9	34.3
Other assets	48,427.1	79,286.5	30,859.4	63.7
Total assets	Rs. 1,013,185.9	Rs. 1,507,988.9	Rs. 494,803.0	48.8%

Our total assets increased by 48.8% to Rs. 1,508.0 billion in fiscal 2008 from Rs. 1,013.2 billion in fiscal 2007.

Cash and cash equivalents increased by 82.8% primarily due to an increase in balances with the RBI.

There was a 37.7% increase in AFS securities primarily on account of a rise in our statutory liquidity ratio requirements during the year. Investments held for trading increased by Rs. 109,273.7 million from Rs. 4,284.1 million as of March 31, 2007 to Rs. 113,557.8 million as of March 31, 2008. This increase was on account of higher short-term surpluses / floats available at the year end which were deployed in short term assets.

Net loans increased due to increases in both our retail and wholesale products. Our retail loan volume increased by 38.5% from Rs. 318.6 billion in fiscal 2007 to Rs. 441.3 billion in fiscal 2008. The key drivers in the retail loan increase were auto loans, personal loans, credit card receivables, commercial vehicle loans, construction equipment loans and business banking loans. This was complemented by an increase in wholesale loans of 26.8% from Rs. 226.1 billion to Rs. 286.8 billion due to increased lending to existing customers as well as new customer loans.

Our property and equipment increased as we expanded our distribution network from 684 branches and 1,605 ATMs as of March 31, 2007 to 761 branches and 1,977 ATMs as of March 31, 2008 and invested in other infrastructure to support our growth.

Other assets increased principally because of an increase in the fair value of derivatives as of March 31, 2008 as compared to March 31, 2007.

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Liabilities and Shareholders Equity

The following table sets forth the principal components of our liabilities and shareholders equity as of March 31, 2007 and March 31, 2008:

	As of March 31,			
	2007	**2008**	**Increase/ (decrease)**	**% Increase/ (decrease)**
	(in millions, except percentages)			
Liabilities				
Interest bearing deposits	Rs. 484,542.9	Rs. 718,646.9	Rs. 234,104.0	48.3%
Non-interest bearing deposits	197,805.1	287,263.2	89,458.1	45.2
Total deposits	682,348.0	1,005,910.1	323,562.1	47.4
Securities sold under repurchase agreements	10,500.0	44,000.0	33,500.0	319.0
Short-term borrowings (excluding current portion of long term debt)	95,472.4	129,330.3	33,857.9	35.5
Accrued interest payable	17,035.7	16,742.3	(293.4)	(1.7)
Long-term debt (including current portion)	33,601.5	32,832.4	(769.1)	(2.3)
Accrued expenses and other liabilities	108,398.6	159,466.5	51,067.9	47.1
Total liabilities	947,356.2	1,388,281.6	440,925.4	46.5
Minority Interest	321.6	462.0	140.4	43.7
Shareholders equity	65,508.1	119,245.3	53,737.2	82.0
Total liabilities and shareholders equity	Rs. 1,013,185.9	Rs. 1,507,988.9	Rs. 494,803.0	48.8%

Our total liabilities increased by 46.5% from Rs. 947.4 billion in fiscal 2007 to Rs. 1,388.2 billion in fiscal 2008. With the growth in our loans, we sought to increase deposits to fund the same. We changed our deposit pricing structure to generally remain competitive in the market. The increase in our interest bearing deposits was principally due to new customers acquired as we expanded our branch network and achieved greater penetration of our customer base through cross sales of our products. Of our total deposits as of March 31, 2008, retail deposits accounted for approximately 62% and wholesale deposits accounted for the balance.

Securities sold under repurchase agreements increased by 319.0% on account of a higher statutory liquidity ratio maintained by the Bank.

Most of our funding requirements are met through short- term and medium- term funding sources. Of our total non-equity sources of funding as of March 31, 2008, deposits accounted for approximately 72.4% with short-term borrowings accounting for approximately 9.3% and long-term debt accounting for approximately 2.4%. In our experience, a substantial portion of our deposits are rolled over upon maturity and are, over time, a stable source of funding. However, the continuation of our deposit base could be adversely affected in the event of deterioration in the economy or if the interest rates offered by us differ significantly from those offered by our competitors. Our short-term borrowings, which are comprised primarily of money market borrowings, increased by 35.5% as at March 31, 2008 as compared to March 31, 2007. Accrued expenses and other liabilities increased primarily because of a change in the fair value of derivatives.

Shareholders equity increased on account of a preferential issue of equity shares to HDFC Ltd., additional paid- in capital on account of an ADR issue and an increase in our retained earnings. On June 2007, 13,582,000 equity shares of Rs 10/- (each at a premium of Rs. 1,013.49 per share) were allotted on a preferential allotment basis to HDFC Ltd., aggregating to Rs. 13.9 billion. An amount of Rs. 23.9 billion was received, net of underwriting discounts and commissions on account of the public offering of 6,594,504 American Depository Shares (ADS) made in July 2007 at a price to the public of US$ 92.10 per ADS. Each ADS represented three equity shares.

Merger of Centurion Bank of Punjab

Our merger with Centurion Bank of Punjab Ltd. (CBoP) became effective on May 23, 2008. CBoP had arround 400 branches operating out of about 180 locations supported by an employee base of over 7,500 employees. Loans outstnading of CBoP as of March 31, 2008 were Rs. 161,818.7 million and deposits outstanding of CBoP as of this same date were Rs. 218,092.7 million, as per Indian GAAP.

To maintain the promoter group shareholding in the Bank, the shareholders, on March 27, 2008, accorded their consent to issue equity shares and/or warrants convertible into equity shares to HDFC Limited and/or other promoter group companies. Pursuant to the said consent of the shareholders accorded on March 27, 2008, the Bank issued 26,200,220 warrants to HDFC Limited on a preferential basis during the quarter ended June 30, 2008. (Also see, I. The Bank , in Notes to the Consolidated Financial Statements.)

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Capital

We are subject to the capital adequacy requirements of the RBI, which are primarily based on the capital adequacy accord reached by the Basel Committee of the Bank of International Settlements in 1988. For a description of the RBI s capital adequacy guidelines, see Supervision and Regulation Capital Adequacy Requirements. We are required to maintain a minimum ratio of total capital to risk adjusted assets as determined by a specified formula of 9.0%, at least half of which must be Tier 1 capital, which is generally shareholders equity.

Our regulatory capital and capital adequacy ratios as measured in accordance with Indian GAAP are as follows:

	As of March 31, 2007	As of March 31, 2008
	(in millions, except percentages)	
Tier 1 capital	Rs. 63,527.1	Rs. 110,629.6
Tier 2 capital	33,399.9	35,483.7
Total capital	96,927.0	146,113.3
Total risk weighted assets and contingents	Rs. 740,819.2	Rs. 1,074,479.9
Capital ratios:		
Tier 1	8.57%	10.3%
Total capital	13.08%	13.6%
Minimum capital ratios required by the RBI:		
Tier 1	4.50%	4.50%
Total capital	9.00%	9.00%

Our Indian GAAP financial statements include general provisions (comprising unallocated allowances, provision for country risk and floating provision) of Rs. 3.5 billion and Rs. 5.4 billion as of March 31, 2007 and March 31, 2008, respectively, which qualify for Tier 2 capital subject to a ceiling of risk weighted assets.

The risk weights have been increased by the RBI in respect of certain items such as exposure to capital markets (125.0%), commercial real estate and venture capital funds (150.0%), consumer credit including personal loans and credit cards (125.0%) and investment in mortgage-backed securities of residential assets of housing finance companies satisfying certain conditions to 75.0%. The aggregate risk-weighted assets are taken into account in determining the capital adequacy ratio.

Pursuant to the issuance of securitization guidelines by the RBI in fiscal 2006, we are required to give the following treatment to credit enhancements provided to an investor or an SPV:

- 50% of each of the first and second loss credit enhancement is deducted from Tier 1 and Tier 2 capital respectively.
- A commitment to provide a liquidity facility, to the extent not drawn, is considered an off-balance sheet item and is given a conversion factor as well as a 100% risk weight.

For transactions prior to the issuance of these securitization guidelines, credit enhancements that reduced Tier 1 and Tier 2 capital were generally in the form of cash collateral. See Supervision and Regulation Capital Adequacy Requirements .

The RBI has come out with the final guidelines based on the Basel II capital adequacy standards applicable effective from March 31, 2008 for banks with international operations and from March 31, 2009 for banks without international operations. These guidelines, applicable to us effective March 31, 2009, would also result in a decline in our capital adequacy ratio.

Capital Expenditure

Our capital expenditures consist principally of expenditures relating to our branch network expansion, as well as investments in our technology and communications infrastructure.

We have current plans for aggregate capital expenditures of approximately Rs. 7.7 billion in fiscal 2009. These budgeted amounts include Rs. 3.5 billion to expand our branch and back office network, Rs. 0.6 billion to expand our ATM network, Rs. 0.4 billion to expand our Electronic Data Capture terminal network and Rs. 3.2 billion to upgrade and expand our hardware, data center, network and other systems. We may use these budgeted amounts for other purposes depending on the business environment prevailing at the time we seek to utilize these budgeted amounts.

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Financial Instruments and Off-Balance Sheet Arrangements

Foreign Exchange and Derivatives

We enter into foreign exchange and derivative transactions for our customers and for our own account. Our foreign exchange contracts include forward exchange contracts, currency swaps and currency options. Our derivative contracts include rupee-based interest rate swaps, forward rate agreements and cross-currency derivatives primarily for corporate customers. We enter into transactions with our customers and typically lay off exposures in the inter-bank market. We also trade rupee-based interest rate swaps for our own account and enter into foreign exchange contracts to cover our own exposures. We earn profit on customer transactions by way of a margin as a mark-up over the inter-bank exchange or interest rate. We earn profit on inter-bank transactions by way of a spread between the purchase rate and the sale rate. These profits are recorded as income from foreign exchange and derivative transactions. The RBI imposes limits on our ability to hold overnight positions in foreign exchange and derivatives. See Business Treasury Derivatives.

The following table presents the aggregate notional principal amounts of our outstanding foreign exchange and derivative contracts as of March 31, 2007 and March 31, 2008, together with the related fair value, which is the mark-to-market impact of the derivative and foreign exchange products on the reporting date. We do not net exposures to the same counterparty in calculating these amounts.

	As of March 31,			
	2007		2008	
	Notional	Fair Value	Notional	Fair Value
	(in millions)			
Interest rate swaps and forward rate agreements	Rs. 1,794,090.4	Rs. (27.9)	Rs. 3,571,932.1	Rs. (1,039.5)
Forward exchange contracts, currency swaps and currency options	Rs. 1,377,440.9	Rs. 2,591.4	Rs. 2,102,441.7	Rs. 3,308.1

Our trading activities for the above derivative instruments are carried out in the inter-bank market, which is a non-exchange informal market. However, these markets generally either provide price discovery or sufficient data to reliably estimate fair values of financial instruments.

Guarantees and Documentary Credits

As a part of our commercial banking activities, we issue documentary credits and guarantees. Documentary credits, such as letters of credit, enhance the credit standing of our customers. Guarantees generally represent irrevocable assurances that we will make payments in the event that the customer fails to fulfill its financial or performance obligations. Financial guarantees are obligations to pay a third party beneficiary where a customer fails to make payment toward a specified financial obligation. Performance guarantees are obligations to pay a third party beneficiary where a customer fails to perform a non-financial contractual obligation. The nominal values of guarantees and documentary credits for the dates set forth below were as follows:

	As of March 31,	
	2007	2008
	(in millions)	
Bank guarantees:		
Financial guarantees	Rs. 23,631.4	Rs. 34,617.7
Performance guarantees	20,330.7	25,916.0
Documentary credits	26,050.5	101,718.9
Total	Rs. 70,012.6	Rs. 162,252.6

Guarantees and documentary credits outstanding increased by 131.7% to Rs. 162.2 billion as of March 31, 2008, principally due to general growth in our wholesale banking business and to meet our clients import needs.

Loan Sanction Letters

In some cases we issue sanction letters to customers, indicating our intent to provide new loans. The amount of loans referred to in these letters that have not yet been made decreased from Rs. 165.8 billion as of March 31, 2007 to Rs. 50.2 billion as of March 31, 2008. If requested, we make these loans subject to the customer s creditworthiness at that time and at interest rates in effect on the date the loans are made. We are not obligated to make these loans, and the sanctions are subject to periodic review. See also Note 22 to our audited financial statements included elsewhere in this report.

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Contractual Obligations and Commercial Commitments

Contractual Obligations

	Payments due by period, as of March 31, 2008				
	Total	Less than 1 year	1-3 years (in millions)	3-5 years	After 5 years
Subordinated debt	Rs. 32,491.0	Rs.	Rs.	Rs.	Rs. 32,491.0
Other long term debt(a)	194.1		194.1		
Operating leases(b)	10,114.0	1,816.1	3,398.2	2,767.6	2,132.1
Unconditional purchase obligations(c)	1,407.4	1,407.4			
Total contractual cash obligations	Rs. 44,206.5	Rs. 3,223.5	Rs. 3,592.3	Rs. 2,767.6	Rs. 34,623.1

(a) Other long term debt includes a loan of Rs 2.2 million from the Indian Renewable Energy Development Authority used to finance solar equipment.

(b) Operating leases are principally for the lease of office, branch and ATM premises, and residential premises for executives.

(c) Unconditional purchase obligations principally constitute the capital expenditure commitments made as of March 31, 2008. See Capital Expenditure.

Commercial Commitments

Our commercial commitments consist principally of letters of credit, guarantees, foreign exchange contracts and derivative contracts.

We have recognized a liability of Rs. 455.8 million as of March 31, 2008 as required by FASB Interpretation No. 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. Based on historical trends and as required by Statement of Financial Accounting Standards No. 5, Accounting For Contingencies, we have recognized a liability of Rs. 152.9 million as of March 31, 2008.

As part of our risk management activities, we continuously monitor the creditworthiness of customers as well as guarantee exposures. However, if a customer fails to perform a specified obligation to a beneficiary, the beneficiary may draw upon the guarantee by presenting documents that are in compliance with the guarantee. In that event, we make payment to the beneficiary on account of the indebtedness of the customer or make payment on account of the default by the customer in the performance of an obligation, up to the full notional amount of the guarantee. The customer is obligated to reimburse us for any such payment. If the customer fails to pay, we would, as applicable, liquidate collateral and/or set off accounts. The residual maturities of the above obligations as of March 31, 2008 are set forth in the following table:

		Amount of commitment expiration per period			
	Total amounts committed	Less than 1 year	1-3 years (in millions)	3-5 years	Over 5 years
Documentary Credits	Rs. 101,718.9	Rs. 94,471.3	7,147.4	100.2	
Guarantees	60,533.7	468.1	3,642.1	1,232.7	55,190.8
Forward exchange contracts	1,929,955.5	1,901,324.6	26,701.3	1,929.7	
Derivative contracts*	3,744,418.3	1,961,845.4	1,091,900.1	650,922.8	39,750.0
Total contractual cash obligations	Rs. 5,836,626.3	Rs. 3,958,109.4	1,129,390.9	654,185.4	94,940.8

* Denotes notional principal amounts.

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MANAGEMENT

Directors and Senior Management

Our Memorandum and Articles of Association (the Articles) provide that until otherwise determined by a general meeting of shareholders, the number of our directors shall not be less than three or more than 15, excluding directors appointed pursuant to the terms of issued debt. Our board of directors consisted of twelve members as of March 31, 2008.

As per the Indian Companies Act, 1956 (the Companies Act), at least two-thirds of our directors are required to retire by rotation, with one-third of these retiring at each annual general meeting. However, any retiring director may be re-appointed by resolution of the shareholders.

Under the terms of our organizational documents, HDFC Limited has a right to nominate two directors who are not required to retire by rotation, so long as HDFC Limited, its subsidiaries or any other company promoted by HDFC Limited either singly or in the aggregate holds not less than 20% of our paid-up equity share capital. The two directors so nominated by HDFC Limited are the Chairman and the Managing Director. The Bennett Coleman Group has the right to appoint one director so long as its equity holdings do not fall below 5%. Mr. Vineet Jain has been nominated by the Bennett Coleman Group.

The Banking Regulation Act requires that not less than 51% of the board members shall have special knowledge or practical experience in one or more of the following areas: accounting, finance, agriculture and rural economy, banking, co-operation, economics, law, small scale industry and any other matter the RBI may specify. Out of these, not less than two directors shall have specialized knowledge or practical experience in agriculture and rural economy, co-operation or small-scale industry. Mr. Ashim Samanta has specialized knowledge and experience in small-scale industry. Dr. Pandit Palande has specialized knowledge and experience in the agricultural sector.

Interested directors may not vote at board proceedings, except where the interest is based solely on a contract of indemnity for which the director is a surety, the interest is based on the director s involvement as director of another company and holder of shares of that company, or where a proper notification has been given under the Companies Act.

None of our directors or members of our senior management holds 1.0% or more of our shares.

Our Board of Directors, as of March 31, 2008, was comprised of:

Name	Position	Age
Mr. Jagdish Capoor	Chairman	68
Mr. Aditya Puri	Managing Director	57
Mr. Gautam Divan	Non-Executive Director	67
Mr. Vineet Jain	Non-Executive Director	41
Mrs. Renu Karnad	Non-Executive Director	55
Mr. Keki Mistry	Non-Executive Director	53
Mr. Arvind Pande	Non-Executive Director	65
Mr. Ashim Samanta	Non-Executive Director	53
Mr. C.M. Vasudev	Non-Executive Director	64
Dr. Pandit Palande	Non-Executive Director	46
Mr. Harish Engineer	Executive Director	59
Mr. Paresh Sukthankar	Executive Director	45

Mr. Harish Engineer was appointed as Executive Director of the Bank for a period of three years with effect from 12th October 2007.

Mr. Paresh Sukthankar was appointed as Executive Director of the Bank for a period of three years with effect from 12th October 2007.

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The following are brief biographies of our directors:

Mr. Jagdish Capoor holds a Masters degree in Commerce and is a Fellow of Indian Institute of Banking and Finance. 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 also served on the boards of the 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, LIC Pension Fund Limited, Assets Care Enterprise Limited and Quantum Trustee Co. Pvt. Ltd. He is a member of the Board of Governors of the Indian Institute of Management, Indore. Mr. Capoor is a Trustee of The Stock Exchange Investors Protection Fund and Sumati Capoor Charitable Trust.

Mr. Capoor is a member of the Audit Committees of Indian Hotels Company Limited, GHCL Limited and Quantum Trustee Co. Pvt. Ltd. He is chairman of the Share Allotment and Shareholders Grievance Committee of the Bombay Stock Exchange Limited.

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 has been the Managing Director of the Bank since September 1994. He has about 35 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. 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 has substantial experience in structuring overseas investments to and from India.

Mr. Divan is on the Board of HDFC Standard Life Insurance Company Limited, Baltic Consultancy & Services Private Limited, Bell Ceramics Limited, Brady & Morris Engineering Company Limited, Chandanbhoy and Jassoobhoy Consultants Private Limited, Serendib Investments Private Limited and Ascent Hotels Private Limited. He is Chairman of the Audit Committee and Remuneration Committee of Bell Ceramics Limited. He is the Chairman of the Audit Committee of HDFC Life Insurance Company Limited. He is a partner of M/s Rahul Gautam Divan & Associates.

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. Limited and a Director of Times Infotainment Media Limited, Entertainment Network (India) Limited, Optimal Media Solutions Limited, The Press Trust of India Limited, Times Internet Limited, Times Global Broadcasting Company Limited, Bharat Nidhi Limited, Times Journal India Private Limited, Worldwide Media Private Limited, Zoom Entertainment Network Private Limited (formerly, Bhavani Shares & Stock Private Limited), Times Centre for Media Studies and S P Jain Foundation. He is a Trustee of the Shahu Jain Charitable Society, The Shahu Jain Trust and The Times Research Foundation. He is a member of the Managing Committee of the Times Foundation and Chairman of the Managing Committee of The Times of India relief Fund. Mr. Jain is the Chairman of the Investments and Loans Committee and a member of the Share Transfer Committee of Bennett, Coleman & Co. Limited. He is a member of the Committee of the Board of The Press Trust of India 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.

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

Mrs. Karnad is a Joint Managing Director of the Housing Development Finance Corporation Limited and Chairperson of HDFC Venture Capital Limited, HDFC Property Ventures Limited and Home Loan Services India Private Limited. She is a Director of HDFC Asset Management Company Limited, GRUH Finance Limited, HDFC Realty Limited, Credit Information Bureau (India) Limited, HDFC General Insurance Company Limited, ICI India Limited, Indraprastha Medical Corporation Limited, HDFC Standard Life Insurance Company Limited, Sparsh BPO Services Limited, Mother Dairy Fruits & Vegetables Private Limited, Feedback Ventures Private Limited, Motor Industries Co. Limited, Egyptian Housing Finance Company and Ascendas Pte. Limited, Singapore. Mrs. Karnad is a member of the Managing Committee of the Indian Cancer Society and Vice Chairperson of the Governing Council of Indraprastha Cancer Society & Research Centre.

Mrs. Karnad is Chairperson of the Audit Committee of ICI India Limited, Credit Information Bureau (India) Limited, Motor Industries Co. Limited and Mother Diary Fruits & Vegetables Private Limited. She is a member of the Audit Committee of HDFC General Insurance Company Limited. She is the Chairperson of the Remuneration Committee of ICI India Limited. She is also a member of the Investment Committee, Compensation Committee, Compensation-ESOS Committee and Committee of Directors of Gruh Finance Limited; the Customer Service Committee and Risk Management Committee of HDFC Asset Management Company Limited; the Remuneration Committee of Credit Information Bureau (India) Limited and Sparsh BPO Services Limited; and the Shareholders/Investors Grievance Committee, Investment Committee and Property Sub-Committee of Motor Industries Company Limited.

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

Mr. Mistry is Vice Chairman & Managing Director of Housing Development Finance Corporation Limited and Chairman of GRUH Finance Limited. He is also a Director on the Board of HDFC Developers Limited, HDFC Standard Life Insurance Co. Ltd, HDFC General Insurance Company Limited, Infrastructure Leasing & Financial Services Limited, Sun Pharmaceutical Industries Limited, The Great Eastern Shipping Company Limited, NexGen Publishing Limited, India Value Fund Advisors Private Limited, HDFC Asset Management Company Limited, Greatship (India) Limited, Griha Investments-Mauritius and Association of Leasing & Financial Services Companies.

Mr. Mistry is the Chairman of the Audit Committee of HDFC General Insurance Company Limited, Sun Pharmaceutical Industries Limited and The Great Eastern Shipping Company Limited. He is a member of the Audit Committee of HDFC Standard Life Insurance Company Limited, Gruh Finance Limited, Infrastructure Leasing & Financial Services Limited and HDFC Asset Management Company Limited. He is also a member of the Investors Grievance Committee of Housing Development Finance Corporation Limited, the Remuneration Committee and Investment Committee of Gruh Finance Limited and the Share Transfer Committee of Infrastructure Leasing & Financial Services Limited.

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 positions in the Government of India. He was a Joint Secretary to the Prime Minister of India for Economics, Science and Technology issues. Mr. Pande has been as a Director, Department of Economic Affairs, Ministry of Finance, Government of India and has dealt with World Bank aided projects. Mr. Pande has also served on the Board of the Steel Authority of India Limited as its Chairman and Chief Executive Officer (CEO).

Mr. Pande is a Director of Coal India Limited, Bengal Aerotropolis projects Limited, Burnpur Cements Limited, Visa Steel Limited, Era Infra Engineering Limited and Sandhar Technologies Limited. He is a member of the Audit Committee of Coal India Limited and Visa Steel Limited.

Mr. Ashim Samanta holds a Bachelor of Commerce degree from University of Bombay and has wide and extensive experience in business for nearly 29 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. Mr. Samanta has also been engaged in setting up and running a film editing and dubbing studio.

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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 the Executive Director of World Bank representing India, Bangladesh, Sri Lanka and Bhutan. Mr. Vasudev has extensive experience working at policy making levels in the financial sector and was responsible for creating policies and overseeing management. He chaired the World Bank s committee on development effectiveness with responsibility of ensuring effectiveness of World Bank s operations. Mr. Vasudev has also worked as Secretary of the Ministry of Finance and has worked with the Secretary, Department of Economic Affairs, Department of Expenditure and Department of Banking. He was Additional Secretary, Budget with responsibility for framing the budget of the Government and monitoring its implementation. He has also worked as Joint Secretary of Ministry of Commerce with responsibility for state trading and trade policy, including interfacing with the WTO.

Mr. Vasudev is a Director on the Board of Directors of ICRA Management Consultancy Services Limited, NOIDA Power Company Limited and Noesis Consultancy Services Private Limited. He is a member of the Audit Committee and the Chairman of the Remuneration Committee of ICRA Management Consultancy Services Limited and a member of the Audit Committee of NOIDA Power Company Limited.

Dr. Pandit Palande has a Ph.D. degree in Business Administration from and completed an Advanced Course in Management at, Oxford University and the Warwick University in UK, respectively. Dr. Palande has worked as a director of the 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 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 the Indian Space Research Organisation (ISRO) GAP-3 of YCMOU, Dr. Palande has been serving the agriculture community on a large scale through his research on satellites.

Dr. Palande is neither a director on the Board of any other company nor a member or chairman of any committee(s) of the Board of Directors of any other company.

Mr. Harish Engineer was appointed as an additional director on October 12, 2007 pursuant to Section 260 of the Companies Act, 1956, subject to the approval of the RBI. He was also appointed as Executive Director for a period of three years with effect from 12th October 2007 subject to approvals of the shareholders and RBI. Effective December 10, 2007, the shareholders have given their consent in this regard by passing a resolution through a postal ballot and approval from RBI was received in September 2008.

Mr. Engineer holds a Diploma in Business Management from Hazarimal Somani College, Mumbai. Mr. Engineer has been associated with the Bank since 1994 in various capacities and is responsible for Wholesale Banking at present. Mr. Engineer has over 38 years of experience in the fields of finance and banking. Prior to joining the Bank, Mr. Engineer worked with Bank of America for 26 years in various areas, including operations and corporate credit management.

Mr. Engineer is neither a director on the Board of any other company nor a member or chairman of any committee of the Board of Directors. He is member of the Board of Boston Analytics, Boston (USA).

Mr. Paresh Sukthankar was appointed as an additional director on October 12, 2007 pursuant to Section 260 of the Companies Act, 1956, subject to the approval of the RBI. He was also appointed as Executive Director for a period of three years with effect from 12th October 2007 subject to approvals of the shareholders and RBI. Effective December 10, 2007, the shareholders have given their consent in this regard by passing a resolution through a postal ballot and approval from RBI was received in September 2008.

Mr. Sukthankar has a Masters in Management Studies from Jamnalal Bajaj Institute of Management Studies, Mumbai. Mr. Sukthankar has been associated with the Bank since 1994 in various senior capacities and has direct or supervisory responsibilities for the Credit & Market Risk and Human Resources functions and for various strategic initiatives of the bank. Mr. Sukthankar has over 22 years of experience in the fields of finance and banking. Prior to joining the Bank, Mr. Sukthankar worked with Citibank for 9 years in various areas, including corporate banking, risk management, financial control and credit administration.

Mr. Sukthankar is neither a director on the Board of any other company nor a member or chairman of any committee of the Board of Directors of any other company.

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Senior Management

As of March 31, 2008, our senior management was comprised of the following:

Name	Function	Age
Aditya Puri	Managing Director	57
Harish Engineer	Wholesale Banking	59
Paresh D Sukthankar	Credit and Market Risk and Investor Relations	45
Vinod Yennemadi	Legal and Secretarial	66
Sudhir Joshi	Treasury	61
C N Ram	Information Technology	51
Bharat Shah	Merchant Services	61
G Subramanian	Audit and Compliance	60
Rajan Ananthanarayan	Operations	56
Abhay Aima	Equities and Private Banking	45
Kaizad Bharucha	Wholesale Credit and Market Risk and Retail Risk Policy	42
Pralay Mondal	Retail Assets	42
Mandeep Maitra	Human Resources, Admin & Infrastructure	42
Ashish Parthasarthy	Treasury	40
Rahul N Bhagat	Retail Liabilities, Marketing & Phone Banking	44
P V Ananthakrishnan	Capital and Commodity Markets and Business Banking	48
Bhavesh Zaveri	Wholesale Banking Operations	42
Navin Puri	Branch Banking	49
Jimmy M Tata	Corporate Banking	41
Sashi Jagdishan	Finance	43
Rajender Sehgal	Financial Institutions Group	52

Mr C.N. Ram and Mr. P V Ananthakrishnan resigned in fiscal 2009.

A brief biography of each of the members of the Bank s senior management is set out below:

Mr. Vinod G. Yennemadi holds a Bachelor of Commerce degree and is also a Fellow of the Institute of Chartered Accountants of India and an Associate of the Institute of Chartered Accountants in England and Wales. Mr. Yennemadi has been the Head, Finance, Administration, Legal, and Secretarial since April 1994. In addition, Mr. Yennemadi serves as a director of Softcell Technologies Ltd, Atlas Documentary Facilitators Company Private Ltd. and Flexcel International Private Ltd.

Mr. Sudhir Joshi holds a Bachelor of Science degree in Chemistry from the University of Pune and is a Certified Associate of the Indian Institute of Bankers. Mr. Joshi has held the position of Head of Treasury in the Bank since April 2000. He is also on the board of the Clearing Corporation of India Ltd.

Mr. Bharat Shah holds a Bachelor of Science degree from the University of Mumbai and a Higher National Diploma in Applied Chemistry from London University. He serves as Head of Merchant Services of the Bank. Mr. Shah also serves as a Non-executive Director of Computer Age Management Services Private Ltd and Atlas Documentary Facilitators Company Private Ltd., and is the chairman of HDFC Securities Ltd.

Mr. G. Subramanian holds a Bachelor of Science degree in Chemistry from Madras Christian College and is a Certified Associate of the Indian Institute of Bankers. Mr. Subramanian has been the Head of Audit, Compliance and Vigilance of the Bank since January 1995. Prior to that, Mr. Subramanian was Deputy General Manager of RBI. Mr. Subramanian also serves as a director on the board of directors of Computer Age Management Services Private Ltd and HDB Financial Services Ltd.

Mr. A. Rajan holds a Bachelor of Science degree from the University of Mumbai. He has nearly 30 years of experience in international and domestic banking operations. Mr. Rajan was employed by Bank of America prior to joining the Bank. He was part of the core management team that founded HDFC Bank, as its Head of Operations, and was responsible for creating the Operations team and detailed Operating Procedures. After working in foreign banks in Indonesia and Oman, he was the chief executive officer of Flexcel International Private Ltd for three years. He then rejoined the Bank as Country-Head, Operations.

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Mr. Abhay Aima is a graduate of the National Defence Academy. Mr. Aima is the Bank s Head of Equities, Private Banking and Third Party Products. He is also in charge of NRI and International Consumer Banking.

Mr. Kaizad Bharucha has a Bachelor of Commerce degree from the University of Mumbai. He has been a career banker with over two decades of banking experience and is Head of Wholesale Credit and Market Risk Policy of the Bank. He was previously with SBI Commercial and International Bank Ltd. as Group Head of Credits.

Mr. Pralay Mondal holds a B-Tech (Hons) from the Indian Institute of Technology, Kharagpur and a Post Graduate Diploma in Business Management in Marketing from the Indian Institute of Management, Calcutta. He has 18 years of experience in marketing, sales, product and business profit and loss management in the fast moving consumer goods, office automation and banking industries. He is currently head of the Retail Assets & Credit Cards business of the Bank. Mr. Mondal also serves as a director of HBL Global Private Limited and HDB Financial Services Ltd.

Ms. Mandeep Maitra completed her Bachelors in Psychology (Hons) from Lady Sriram College, Delhi University and her Masters degree in Personnel Management & Industrial Relations from the Tata Institute of Social Sciences, Mumbai. She has over 19 years of experience in the banking industry and holds the position of Country Head Human Resources at the Bank.

Mr. Ashish Pathasarthy holds a Bachelor of Engineering degree from the Karnataka Regional Engineering College and has a Post-Graduate Diploma in Management from the Indian Institute of Management, Bangalore. He has over 18 years of experience in the interest rate and currency markets and holds the position of Deputy Treasurer at the Bank.

Mr. Rahul N. Bhagat holds a Bachelor of Arts in History (Hons) from St. Stephen s College, Delhi University and a Masters degree in International Affairs from the College of William & Mary, Virginia, USA. He has over 18 years of experience in consumer banking, having worked with ANZ Grindlays Bank and Bank of America prior to joining the Bank in 1999. Mr. Bhagat heads the Retail Liabilities, Marketing, High Net-Worth and Direct Channels businesses in the Bank.

Mr. Bhavesh Zaveri holds a Masters degree in Commerce from the University of Mumbai and is a Certified Associate of the Indian Institute of Bankers. Mr. Zaveri has been with the Bank since 1998, and he is Head of Wholesale Banking Operations and also Head of Cash Management Products. Mr. Zaveri is also a member of various committees and forums of the IBA and of the RBI, including a director of the Board of the National Payment Corporation of India Ltd.

Mr. Navin Puri holds a Bachelor of Commerce degree from Calcutta University and is a member of the Institute of Chartered Accountants of India. He has also received a Masters of Business Administration degree from the Texas University, U.S.A. Mr. Puri has 18 years of banking experience. He has been with the Bank since February 1999. He currently heads the Retail Branch Banking business, and is also the Business Head for Retail Current Accounts of the Bank.

Mr. Jimmy Tata holds a Masters of Financial Management degree from the University of Mumbai and is a qualified Chartered Financial Analyst from the Institute of Chartered Financial Analysts of India, Hyderabad. He has over 20 years of work experience and he has been with the Bank since 1994. He is currently the Head of Corporate Banking of the Bank.

Mr. Sashi Jagdishan holds a Bachelor of Science degree in Physics from the University of Mumbai and a Masters in Economics of Money, Banking and Finance from the University of Sheffield, UK. He is also a Chartered Accountant of the Institute of Chartered Accountants of India. He has been with the Bank since 1996. He heads the finance function of the Bank.

Mr. Rajender Sehgal is a gold medalist in Bachelor of Science from Punjab University. He holds a Masters of Business Administration degree from FMS Delhi University and is also a Certified Associate of the Indian Institute of Bankers. Mr. Sehgal had a successful tenure of 20 years with the State Bank of India in various capacities, including an assignment with their New York USA branch. He has recently taken over as Business Head of the Financial Institutions Group and Public Sector Units (PSUs) based in North India.

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Corporate Governance

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, Mr. Gautam Divan and Dr. Pandit Palande. Dr. Pandit Palande was inducted as a member of the Committee on May 17, 2007. All the members of the Committee are independent directors and Mr. Gautam Divan is a financial expert.

The responsibilities of the Audit and Compliance Committee are in accordance with clause 49 of the listing agreement entered into with the stock exchanges in India as well as U.S. law requirements and include the following:

- overseeing the Bank s financial reporting process and ensuring correct, adequate and credible disclosure of financial information;
- recommending the appointment and removal of external auditors and fixing of their fees;
- 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;
- reviewing the adequacy of the audit and compliance functions, including their policies, procedures, techniques and other regulatory requirements; and
- any other responsibilities 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 and NYSE regulatory standards.

The Audit and Compliance Committee met seven times during fiscal 2008.

Compensation Committee

Mr. Jagdish Capoor, Mr. Ashim Samanta, Mr. Gautam Divan and Dr. Pandit Palande are the members of the Committee. Dr. Pandit Palande was inducted as a member of the Committee on May 17, 2007. The Committee is chaired by Mr. Jagdish Capoor. All the members of the Committee other than Mr. Capoor are independent directors.

The Compensation Committee reviews the overall compensation structure and policies of the Bank with a view to attracting, retaining and motivating employees, considers grants of stock options to employees, and reviews compensation levels of the Bank s employees vis-a-vis other banks and the banking 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, performance, contribution, skill and competence.

The Compensation Committee met three times during fiscal 2008.

Investors Grievance (Share) Committee

The Investors Grievance (Share) Committee consists of Mr. Jagdish Capoor, Mr. Aditya Puri and Mr. Gautam Divan. The Committee is chaired by Mr. Capoor.

The Investors Grievance (Share) Committee approves and monitors the transfer, transmission, splitting and consolidation of shares and bonds and the allotment of shares to employees pursuant to the Employees Stock Option Scheme. The Investors Grievance (Share) Committee also monitors the redress of shareholders complaints relating to matters such as the transfer of shares, non-receipt of annual reports and dividends.

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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 Investors Grievance (Share) Committee.

As of March 31, 2008, 43 instruments of transfer representing 3,871 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.

The Committee met 11 (eleven) times during fiscal 2008.

Risk Monitoring Committee

The Risk Monitoring Committee is chaired by Mrs. Renu Karnad. The other members are Mr. Aditya Puri and Mr. C. M. Vasudev.

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

The Risk Monitoring Committee met five times during fiscal 2008.

Credit Approval Committee

The Credit Approval Committee is chaired by Mr. Jagdish Capoor. The other members are Mr. Aditya Puri, Mr. Keki Mistry and Mr. Gautam Divan.

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

The Credit Approval Committee met twice during fiscal 2008.

Premises Committee

The Premises Committee is chaired by Mrs. Renu Karnad. The other members are Mr. Aditya Puri, Mr. Ashim Samanta and Dr. Pandit Palande. Dr. Pandit Palande was inducted as member of the Committee with effect from May 17, 2007.

The Premises Committee approves the purchase and leasing of premises for the use of Bank branches, back offices, ATMs and executive residences in accordance with the guidelines established by the board.

The Premises Committee met four times during fiscal 2008.

Nomination Committee

The Nomination Committee is chaired by Mr. Arvind Pande. The other members are Mr. Ashim Samanta and Dr. Pandit Palande. Dr. V. R. Gadwal ceased to be a member of the Nomination Committee with effect from March 14, 2007. Dr. Pandit Palande was inducted as member of the Committee with effect from May 17, 2007. All the members of the Nomination Committee are independent directors.

The Bank has established a Nomination Committee for recommending the appointment of independent / non-executive directors on the board of the Bank. The Nomination Committee scrutinizes the nominations for independent/non executive directors with reference to their qualifications and experience. For identifying Fit and Proper persons, the Nomination Committee adopts the following criteria to assess the competency of the persons nominated:

- academic qualifications;

previous experience;

track record; and