

NOTICE is hereby given that the Sixteenth **Annual General Meeting** of the members of HDFC Bank Limited (**"the Bank"**) will be held on Wednesday, 30th June 2010 at 2.30 p.m. at Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020, to transact the following business:

## ORDINARY BUSINESS

1. To consider and adopt the audited Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended on that date and Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To re-appoint Mr. C. M. Vasudev as a Director who retires by rotation and being eligible offers himself for re-appointment.
4. To re-appoint Dr. Pandit Palande as a Director who retires by rotation and being eligible offers himself for re-appointment.

## SPECIAL BUSINESS

5. To appoint Auditors and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT subject to the approval of the Reserve Bank of India, M/s. BSR & Co, Chartered Accountants (ICAI Reg. No. 101248W), in respect of whom the Bank has received a Special Notice pursuant to Section 225 of the Companies Act, 1956 be and are hereby appointed as Auditors of the Bank to hold office from conclusion of this meeting till the conclusion of the next Annual General Meeting, on a remuneration to be fixed by the Audit and Compliance Committee of the Board of Directors in the best interest of the Bank, for the purpose of audit of the Bank's accounts at its Head Office, Branches and other offices."

6. To consider, and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the applicable provisions of the Companies Act, 1956, and any other applicable laws, or any amendment or modifications of or any re-enactment thereof, and subject to the approvals, as may be necessary from the Reserve Bank of India and other concerned authorities or bodies and subject to the conditions as may be prescribed by any of them while granting such approvals, Mr. Aditya Puri be and is hereby re-appointed as Managing Director of the Bank for a period of three years commencing from 1st April, 2010 to 31st March, 2013 upon such terms and conditions including remuneration as set out in the draft agreement placed before this meeting and initialed by the Chairman for the purpose of identification, which agreement is specifically approved and sanctioned with

authority to the Board of Directors (hereinafter referred to as the **"Board"** which term shall be deemed to include the Compensation Committee of the Board of Directors) to alter and vary the terms and conditions of the said re-appointment and/or agreement (including authority, from time to time, to determine the amount of salary as also the type and amount of perquisites and other benefits payable to Mr. Aditya Puri), in such manner as may be agreed to between the Board and Mr. Aditya Puri; provided however that the remuneration payable to Mr. Aditya Puri shall not exceed the limits specified in the said agreement;

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things and to execute any agreements, documents, instruments and writings as may be required, with power to settle all questions, difficulties or doubts that may arise in regard to the said re-appointment as it may in its sole discretion deem fit and to delegate all or any of its powers conferred herein to any director(s) and/or officer(s) of the Bank to give effect to this resolution."

7. To consider, and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the applicable provisions of the Companies Act, 1956, and any other applicable laws, or any amendment or modifications of or any re-enactment thereof, and subject to the approvals, as may be necessary from the Reserve Bank of India and other concerned authorities or bodies and subject to the conditions as may be prescribed by any of them while granting such approvals, Mr. Harish Engineer be and is hereby re-appointed as Executive Director of the Bank for the period commencing from 12th October, 2010 to 30th September, 2013 upon such terms and conditions including remuneration as set out in the draft agreement placed before this meeting and initialed by the Chairman for the purpose of identification which agreement is specifically approved and sanctioned with authority to the Board of Directors (hereinafter referred to as the **"Board"** which term shall be deemed to include the Compensation Committee of the Board of Directors) to alter and vary the terms and conditions of the said re-appointment and/or agreement (including authority, from time to time, to determine the amount of salary as also the type and amount of perquisites and other benefits payable to Mr. Harish Engineer), in such manner as may be agreed to between the Board and Mr. Harish Engineer; provided however that the remuneration payable to Mr. Harish Engineer shall not exceed the limits specified in the said agreement;

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things and to execute any agreements, documents, instruments and writings as may be required, with power to settle all questions, difficulties or doubts that may arise in regard

to the said re-appointment as it may in its sole discretion deem fit and to delegate all or any of its powers conferred herein to any director(s) and/or officer(s) of the Bank, to give effect to this resolution."

8. To consider, and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the applicable provisions of the Companies Act, 1956, and any other applicable laws, or any amendment or modifications of or any re-enactment thereof, and subject to the approvals, as may be necessary from the Reserve Bank of India and other concerned authorities or bodies and subject to the conditions as may be prescribed by any of them while granting such approvals, Mr. Paresh Sukthankar be and is hereby re-appointed as Executive Director of the Bank for a period of 3 (three) years with effect from 12th October, 2010 to 11th October, 2013 upon such terms and conditions including remuneration as set out in the draft agreement placed before this meeting and initialed by the Chairman for the purpose of identification which agreement is specifically approved and sanctioned with authority to the Board of Directors (hereinafter referred to as the **"Board"** which term shall be deemed to include the Compensation Committee of the Board of Directors) to alter and vary the terms and conditions of the said re-appointment and/or agreement (including authority, from time to time, to determine the amount of salary as also the type and amount of perquisites and other benefits payable to Mr. Paresh Sukthankar) as may be agreed to between the Board and Mr. Paresh Sukthankar; provided however that the remuneration payable to Mr. Paresh Sukthankar shall not exceed the limits specified in the said agreement;

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things and to execute any agreements, documents, instruments and writings as may be required, with power to settle all questions, difficulties or doubts that may arise in regard to the said re-appointment as it may in its sole discretion deem fit and to delegate all or any of its powers conferred herein to any director(s) and/or officer(s) of the Bank, to give effect to this resolution."

9. To consider, and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 81 and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or modification(s) or re-enactment(s) thereof) and in accordance with the provisions of the Memorandum and Articles of Association of the Bank and the regulations/guidelines, if any, prescribed by the Securities and Exchange Board of India (**"SEBI"**), Reserve Bank of India

(**"RBI"**) and all other concerned and relevant authorities from time to time, to the extent applicable and subject to such approvals, consents, permissions and sanctions of the Government of India, SEBI, RBI and all other appropriate authorities, institutions or bodies and subject to such conditions and modifications as may be prescribed by any of them while granting such approvals, consents, permissions and sanctions, the Board of Directors of the Bank (hereinafter referred to as the **"Board"**, which term shall be deemed to include the Compensation Committee, for the time being authorised by the Board of Directors to exercise the powers conferred on the Board of Directors by this resolution and/or such other persons who may be authorised in this regard) be and is hereby authorised to issue, offer and allot 2,00,00,000 equity stock options, convertible into equity shares of the aggregate nominal face value not exceeding Rs. 20,00,00,000/- (Rupees Twenty Crores only) to the present and future employees which expression shall include Managing and/or director(s) in the whole-time employment of the Bank under an employee stock option plan hereinafter referred to as **"ESOS"** on the terms and conditions as set out in the Explanatory Statement to this item and on such other terms and conditions and in such tranche/s as may be decided by the Board / Compensation Committee in its absolute discretion;

RESOLVED FURTHER THAT without prejudice to the generality of the above, but subject to the terms, as approved by the members, the Board / Compensation Committee or such person who may be authorised in this regard by the Board / Compensation Committee, be and is hereby authorised to implement the plan, with or without modifications and variations, in one or more tranches in such manner as the Board / Compensation Committee or any other person authorised by the Board/ Compensation Committee may determine;

RESOLVED FURTHER THAT the determination of the consideration payable by an employee in respect of the aforementioned equity stock options, convertible into equity shares, by the Board / Compensation Committee or such person who may be authorized in this regard by the Board/ Compensation Committee, may be divided into two parts. The first part of the consideration shall comprise of a fixed consideration, which shall be equivalent to the face value of the equity shares and the second part shall comprise of a variable amount, to be determined by the Board / Compensation Committee or such person who may be authorized in this regard by the Board / Compensation Committee in its absolute discretion;

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board / Compensation Committee or any other person authorised in this regard by the Board / Compensation Committee be and is hereby authorised to do all such acts, deeds, matters and things including but not limited to framing rules relating to taxation matters arising out of grant/exercise of stock

options and execute all such deeds, documents, instruments and writing as it may in its /his/her absolute discretion deem necessary or desirable and pay fees and commission and incur expenses in relation thereof;

RESOLVED FURTHER THAT the Board/Compensation Committee or any other person authorised in this regard by the Board/Compensation Committee be and is hereby authorised to settle all questions, difficulties or doubts that may arise in relation to the implementation of the plan and to the shares (including to amend or modify any of the terms thereof) issued herein without being required to seek any further consent or approval of the members or otherwise to the end and intent that the members shall be deemed to have given their approval thereto expressly by authority of this resolution;

RESOLVED FURTHER THAT no single employee shall be granted options under the scheme entitling such employee to equity shares in the Bank which would represent more than 1% of the paid-up share capital of the Bank as on the date of grant of options or 10% of the total number of options granted under the Scheme, and that the minimum number of options that can be granted under the forthcoming schemes as well as the existing schemes are zero;

RESOLVED FURTHER THAT the equity shares to be issued as stated aforesaid shall rank pari-passu with all the existing equity shares of the Bank for all purposes."

By Order of the Board

Sanjay Dongre  
Executive Vice President (Legal) &  
Company Secretary

24th April, 2010

Regd. Office:  
HDFC Bank House,  
Senapati Bapat Marg,  
Lower Parel (West),  
Mumbai 400 013

## NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/ HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE BANK. The Proxy forms should be lodged with the Bank at its registered office at least 48 hours before the time of commencement of the meeting.
2. Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the items of special business is annexed herewith.
3. All documents referred to in the Notice are open for inspection at the registered office of the Bank on all working days between 10.00 a.m. to 12.00 noon upto the date of the Annual General Meeting.

4. The Register of Members and Share Transfer Books of the Bank shall remain closed from 12th June, 2010 to 30th June, 2010 (both days inclusive).
5. The Dividend, as recommended by the Board of Directors, if approved at the 16th Annual General Meeting, will be paid on 1st July, 2010 or thereafter to those members who hold shares :
  - a) In electronic mode, based on the beneficial ownership details received from National Securities Depository Limited and Central Depository Services (India) Limited as at the close of business hours on 11th June, 2010.
  - b) In physical form, if their name appears on the Bank's Register of Members as on 30th June, 2010. In case of shareholders holding shares in physical mode, the instruments of transfer should be lodged with the Registrar and Transfer Agent so as to reach them on or before 11th June, 2010.
6. Pursuant to Section 205C of the Companies Act, 1956 all unclaimed/unpaid dividend for the years upto financial year 2001-02 remaining unpaid or unclaimed for a period of 7 years from the date they became due for payment, have been transferred to the Investors Education & Protection Fund ("IEPF") established by the Central Government.

Members may kindly note that the Bank is statutorily required to transfer to IEPF all unclaimed/unpaid dividend remaining unpaid/unclaimed for a period of 7 (Seven) years from the date they became due for payment and once such amounts are transferred to IEPF, no claim of the shareholder shall lie against the Bank or the IEPF. For the information of the shareholders it is hereby notified that the dividend paid on 2nd June, 2003 in respect of the financial year 2002-03 will be due for transfer to IEPF during the financial year 2010-11. Shareholders who have not yet claimed their dividends are requested to do so immediately.

7. A brief profile of the Directors retiring by rotation and eligible for re-appointment is furnished in the Report on Corporate Governance.
8. Members are requested to bring their copy of the Annual Report to the Meeting.

By Order of the Board

Sanjay Dongre  
Executive Vice President (Legal) &  
Company Secretary

24th April, 2010

Regd. Office:  
HDFC Bank House,  
Senapati Bapat Marg,  
Lower Parel (West),  
Mumbai 400 013

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### EXPLANATORY STATEMENT

The following Explanatory Statement, pursuant to Section 173 of the Companies Act, 1956 (the Act), sets out all material facts relating to the special items of business as mentioned in the accompanying Notice.

#### Item No. 5

M/s. Haribhakti & Co., Chartered Accountants have been the statutory auditors of the Bank since the year 2006. As per the regulations of the Reserve Bank of India, the same auditors cannot be re-appointed for a period beyond four years. Accordingly, it is proposed to appoint M/s. BSR & Co., Chartered Accountants (ICAI Reg. No. 101248W) as the new statutory auditors of the Bank. It is proposed to authorize the Audit & Compliance Committee of the Board of Directors to determine the remuneration payable to M/s. BSR & Co. M/s. BSR & Co. is a firm with a wealth of knowledge and experience in the financial services industry and have been associated with audits of a number of banks in the private sector as well as the Indian operations of large foreign banking groups.

The Board of Directors recommends the appointment of M/s. BSR & Co., Chartered Accountants as the Bank's statutory auditors on a remuneration to be fixed by the Audit and Compliance Committee of the Board in the best interest of the Bank.

None of the Directors is concerned or interested in the passing of the resolution.

#### Item No. 6

Mr. Aditya Puri has served as the Managing Director of the Bank since its inception and during his tenure of more than 15 (Fifteen) years, the Bank has emerged as the leader in most of the business segments that it operates in.

Mr. Aditya Puri has provided outstanding leadership as the Managing Director and has contributed significantly to enable the Bank to scale phenomenal heights under his stewardship. The numerous awards won by Mr. Aditya Puri and the Bank are a testimony to the tremendous credibility that he has built for himself and the Bank over the years.

The Bank has made good progress on key parameters like balance sheet size, total deposits, net revenues, EPS and net profit during Mr. Aditya Puri's tenure. The rankings achieved by the Bank amongst all Indian banks with regard to market capitalization, profit after tax and balance sheet size remains among the top 10.

In view of the above it is proposed to re-appoint Mr. Aditya Puri as Managing Director for a further period of 3 years commencing from 1st April, 2010 to 31st March, 2013.

The main terms and conditions of re-appointment of Mr. Aditya Puri as Managing Director as set out in the draft agreement placed before this meeting are as under:

- I. The re-appointment of Mr. Aditya Puri as the Managing Director of the Bank shall be for the period commencing from 1<sup>st</sup> April, 2010 to 31<sup>st</sup> March, 2013.
- II. The remuneration payable to him for the year 2010-11 with an annual increment of up to a maximum of 20% for every year thereafter during the currency of his term is detailed hereunder:

Salary	Rs. in lacs per annum
Basic Salary	160.00
Allowances@	72.00
Total	232.00

Variable : As per RBI notification in this regard.

@ Allowances would be inclusive of entertainment, servants/gardener, books & periodicals, gas & electricity, etc. Inter-se allocation as recommended by the Compensation Committee.

- III. Mr. Aditya Puri shall continue to be eligible for perquisites inclusive of residential accommodation, hard furnishings, use of cars provided and maintained by the Bank, telephone at residence, club memberships or allowances in lieu thereof, medical reimbursement, medical and personal accident insurance, housing and personal loans, travel allowance, leave travel concession (up to one month's salary) and other benefits in accordance with the scheme(s) and rule(s) applicable to the employees of the Bank from time to time for the aforesaid perquisites and benefits. The perquisites shall be evaluated as per Income Tax Rules wherever applicable or at actual cost to the Bank.
- IV. Mr. Aditya Puri shall also be eligible for retiral benefits like provident fund, superannuation and gratuity as per relevant policies / schemes / rules of the Bank. He will also be entitled to other retiral benefits in the form of housing, medical and use of car in accordance with the policies/schemes/rules as approved by the Compensation Committee of the Board of Directors from time to time.
- V. Mr. Aditya Puri shall also be entitled to an annual performance bonus as may be determined by the Board / Compensation Committee of the Board and approved by the Reserve Bank of India in terms of the proposed new guidelines to be introduced by the RBI on Director Compensation.
- VI. In view of the revised guidelines likely to be introduced by Reserve Bank of India ("RBI Guidelines") with respect to Director Compensation and to ensure flexibility between fixed and variable pay, suitable adjustments may be made in the three individual components of compensation viz., Basic, Allowances and Variable pay while maintaining



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the aggregate of the three components as constant in compliance with the said RBI Guidelines or in compliance with any suggestions that RBI may have in this regard.

VII. The Managing Director shall also be eligible for stock options under the Employee Stock Option Schemes as may be approved by the Compensation Committee of the Board of Directors from time to time and to avail of stock options already granted to him as an employee, subject to necessary approvals from the Reserve Bank of India.

VIII. In case of absence or inadequacy of profit in any financial year, the aforesaid remuneration and perquisites shall be paid to Mr. Aditya Puri as minimum remuneration.

IX. In case the services of Mr. Aditya Puri are terminated by the Bank without any default / breach on the part of Mr. Aditya Puri, he shall be entitled to receive as termination allowance an amount equal to the salary, perquisites and benefits that he would have otherwise received for the remainder of his tenure, had the said services not been terminated.

Brief Profile of Mr. Aditya Puri in terms of Clause 49 of the listing agreements relating to Corporate Governance is provided in the Corporate Governance Report. Mr. Puri is not related to any director of the Bank.

The Board of Directors recommend passing of the resolution set out in Item No.6 of the accompanying Notice.

This may be treated as an abstract pursuant to Section 302(2) of the Companies Act, 1956.

None of the Directors other than Mr. Aditya Puri is concerned or interested in this resolution.

### Item No. 7

Mr. Harish Engineer has been appointed as an Executive Director of the Bank for a period of 3 years commencing from 12th October, 2007 to 11th October, 2010 on the terms and conditions including remuneration which has been duly approved by the Reserve Bank of India ("RBI") and the shareholders of the Bank.

Mr. Harish Engineer has been associated with the Bank since 1994 and has served the Bank in various capacities. He is presently in charge of Wholesale Banking and has contributed significantly to the growth and profitability of the Bank over the years.

In view of the above, the Board of Directors recommends the re-appointment of Mr. Harish Engineer as Executive Director of the Bank for the period commencing from 12th October, 2010 to 30th September, 2013.

The main terms and conditions of re-appointment of Mr. Harish Engineer as Executive Director as set out in the draft agreement placed before this meeting are as under:

I. The re-appointment of Mr. Harish Engineer as Executive Director of the Bank shall be for the period commencing from 12th October, 2010 to 30th September, 2013.

II. The salary payable to Mr. Harish Engineer shall be as under:

Salary	Rs. in lacs per annum
Basic Salary	83.52
Allowances@	40.00
Total	123.52

Variable : As per RBI notification in this regard

@ Allowances relate to Education, Electricity, Soft furnishing, Servants, Driver and Personal insurance Premium.

The above remuneration shall be reviewed every year thereafter during the currency of his term. The revision shall be upto a maximum of 20% of (Salary + Allowances) depending on the Bank's performance and subject to necessary approvals of the Compensation Committee, the Board and the RBI.

III. Mr. Harish Engineer shall continue to be eligible for perquisites inclusive of residential accommodation, hard furnishings, use of cars, telephone at residence, club memberships or allowances in lieu thereof, medical reimbursement, medical insurance, housing and personal loans, travel allowance, leave travel concession (up to one month's salary) and other benefits, in accordance with the policies/scheme(s) and rule(s) applicable to the members of the staff and directors from time to time for the aforesaid perquisites and benefits. The perquisites shall be evaluated as per the Bank's internal policy.

IV. Mr. Harish Engineer shall also be eligible for retiral benefits like provident fund, superannuation and gratuity as per relevant policies/schemes/rules of the Bank. He will also be entitled to other retiral benefits in the form of medical and use of car in accordance with the policies/schemes/rules as approved by the Compensation Committee of the Board from time to time.

V. Mr. Harish Engineer would also be eligible for Performance Related Bonus annually as determined by the Board/ Compensation Committee of the Board and approved by the Reserve Bank of India in terms of proposed new guidelines to be introduced by the RBI on Director Compensation.

VI. In view of the revised guidelines likely to be introduced by the RBI with respect to Director Compensation ("RBI Guidelines") and to ensure flexibility between fixed and variable pay, suitable adjustments may be made in the three individual components of compensation viz., Basic, Allowances and Variable pay while maintaining the aggregate of the three components as constant in compliance with the said RBI Guidelines or in compliance with any suggestions that RBI may have in this regard.

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VII. Mr. Harish Engineer shall also be eligible for Stock Options under the Employee Stock Option Schemes as may be approved by the Compensation Committee of the Board from time to time and to avail of stock options already granted to him as an employee, subject to necessary approvals from the Reserve Bank of India.

VIII. In case of absence or inadequacy of profit in any financial year, the aforesaid remuneration and perquisites shall be paid to Mr. Harish Engineer as minimum remuneration.

IX. In case the services of Mr. Harish Engineer are terminated by the Bank without any default / breach on the part of Mr. Engineer, he shall be entitled to receive as termination allowance an amount equal to the salary, perquisites and benefits that he would have otherwise received for the remainder of his tenure, had the said services not been terminated.

Brief Profile of Mr. Harish Engineer in terms of Clause 49 of the listing agreements relating to Corporate Governance is provided in the Corporate Governance Report. Mr. Engineer is not related to any director of the Bank.

The Board of Directors recommend passing of the resolution set out in Item No. 7 of the accompanying Notice.

This may be treated as an abstract pursuant to Section 302(2) of the Companies Act, 1956.

None of the Directors other than Mr. Harish Engineer is concerned or interested in this resolution.

### Item No. 8

Mr. Paresh Sukthankar has been appointed as an Executive Director of the Bank for a period of 3 years commencing from 12th October, 2007 to 11th October, 2010 on the terms and conditions including remuneration which has been duly approved by the Reserve Bank of India ("RBI") and the shareholders of the Bank.

Mr. Paresh Sukthankar has been associated with the Bank since 1994 and has served the Bank in various capacities. He is presently in charge of Credit & Market Risk and Finance and has contributed significantly to the growth and profitability of the Bank over the years.

In view of the above, the Board of Directors recommends the re-appointment of Mr. Paresh Sukthankar as Executive Director of the Bank for a period of 3 years with effect from 12th October, 2010 to 11th October, 2013.

The main terms and conditions of re-appointment of Mr. Paresh Sukthankar as Executive Director as set out in the draft agreement placed before this meeting are as under:

I. The re-appointment of Mr. Paresh Sukthankar as Executive Director of the Bank shall be for a period of 3 years commencing from 12th October, 2010 to 11th October, 2013.

II. The salary Payable to Mr. Paresh Sukthankar shall be as under:

Salary	Rs. in lacs per annum
Basic Salary	83.52
Allowances@	40.00
Total	123.52

Variable : As per RBI notification in this regard

@ Allowances relate to Education, Electricity, Soft furnishing, Servants, Driver and Personal insurance Premium.

The above remuneration shall be reviewed every year thereafter during the currency of his term. The revision shall be upto a maximum of 20% of (Salary + Allowances) depending on the Bank's performance and subject to necessary approvals of the Compensation Committee, the Board and the RBI.

III. Mr. Paresh Sukthankar shall continue to be eligible for perquisites inclusive of residential accommodation, hard furnishings, use of cars, telephone at residence, club memberships or allowances in lieu thereof, medical reimbursement, medical insurance, housing and personal loans, travel allowance, leave travel concession (up to one month's salary) and other benefits, in accordance with the policies/scheme(s) and rule(s) applicable to the members of the staff and directors from time to time for the aforesaid perquisites and benefits. The perquisites shall be evaluated as per the Bank's internal policy.

IV. Mr. Paresh Sukthankar shall also be eligible for retiral benefits like provident fund, superannuation and gratuity as per relevant policies/schemes/rules of the Bank. He will also be entitled to other retiral benefits in the form of medical and use of car in accordance with the policies/schemes/rules as approved by the Compensation Committee of the Board from time to time.

V. Mr. Paresh Sukthankar would also be eligible for Performance Related Bonus annually as determined by the Board / Compensation Committee of the Board and approved by the Reserve Bank of India in terms of proposed new guidelines to be introduced by the RBI on Director Compensation.

VI. In view of the revised guidelines likely to be introduced by the RBI ("RBI Guidelines") with respect to Director Compensation and to ensure flexibility between fixed and variable pay, suitable adjustments may be made in the three individual components of compensation viz., Basic,

Allowances and Variable pay while maintaining the aggregate of the three components as constant in compliance with the said RBI Guidelines or in compliance with any suggestions that RBI may have in this regard.

- VII. Mr. Paresh Sukthankar shall also be eligible for Stock Options under the Employee Stock Option Schemes as may be approved by the Compensation Committee of the Board from time to time and to avail of stock options already granted to him as an employee, subject to necessary approvals from the Reserve Bank of India.
- VIII. In case of absence or inadequacy of profit in any financial year, the aforesaid remuneration and perquisites shall be paid to Mr. Paresh Sukthankar as minimum remuneration.
- IX. In case the services of Mr. Paresh Sukthankar are terminated by the Bank without any default / breach on the part of Mr. Sukthankar, he shall be entitled to receive as termination allowance an amount equal to the salary, perquisites and benefits that he would have otherwise received for the remainder of his tenure, had the said services not been terminated.

Brief Profile of Mr. Sukthankar in terms of Clause 49 of the listing agreements relating to Corporate Governance is provided in the Corporate Governance Report. Mr. Sukthankar is not related to any director of the Bank.

The Board of Directors recommend passing of the resolution set out in Item No. 8 of the accompanying Notice.

This may be treated as an abstract pursuant to Section 302(2) of the Companies Act, 1956.

None of the Directors other than Mr. Paresh Sukthankar is concerned or interested in this resolution.

### Item No. 9

#### OBJECT OF THE EMPLOYEE STOCK OPTION SCHEME

The Bank has always believed in aptly rewarding and motivating the employees with the intention to attract and retain the best talent. One of the measures adopted by the Bank towards this end is to grant stock options to the employees from time to time. It is now proposed to issue stock options whereby, employees who comply with certain eligibility criteria would be given options to subscribe to a specified number of equity shares in the Bank. The employees could exercise the option after a stipulated time and after complying with the conditions subject to which the options are granted, by paying the appropriate consideration, consequent to which the shares would be allotted to them. The object of the Employees' Stock Option Scheme (hereinafter referred to as "**the Plan / ESOS**") is to motivate the employees and thereby improve the profitability of the Bank.

The following would inter-alia be the broad terms and conditions of the ESOS:

#### TOTAL NUMBER OF OPTIONS/SHARES TO BE GRANTED UNDER THE ESOS

It is proposed to grant 2,00,00,000 equity stock options entitling the grantees to subscribe for an aggregate of 2,00,00,000 equity shares of the face value of Rs.10/- each.

#### IDENTIFICATION OF CLASSES OF EMPLOYEES ENTITLED TO PARTICIPATE IN THE ESOS

The present as well as future employees in the middle and senior management levels and Director(s) in the whole-time employment of the Bank will be entitled to participate in the ESOS, subject to the applicable regulatory requirements and guidelines.

#### REQUIREMENTS OF VESTING AND PERIOD OF VESTING

In the event of the stock option being offered to employees, the employee should continue to remain in the employment of the Bank from the date of granting till the date of vesting of the stock options. As regards Managing Director and Directors in whole time employment of the Bank, they should continue to be directors of the Bank from the date of grant till the date of vesting of the stock options. Re-appointment of directors upon retirement by rotation or by renewal of contract shall be deemed to be continuity in tenure for the above purposes.

The vesting period shall commence on the expiry of one year from the date of grant of the options and could extend up to five years from the date of grant of the options. The share options could be granted in tranches and could vest in tranches. The number of stock options made available to a particular class/cadre of employees could vary at the discretion of the Compensation Committee.

#### MAXIMUM PERIOD WITHIN WHICH THE OPTIONS SHALL BE VESTED

From the date of grant of the options, the options shall vest in the employees within such period as may be prescribed by the Compensation Committee, which period shall as mentioned above, being not less than one year and not more than five years from the date of grant of the options.

#### EXERCISE PRICE/PRICING FORMULAE

The Equity Shares would be issued to the eligible employees at a price being the price quoted on the stock exchange on the previous day on which the options are granted.

In addition, the employee shall also be liable to pay to the Bank the amount equivalent to the value of the perquisite tax or any other tax as may be levied by the Government of India from time to time and is/are payable on exercise of the

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options or at any other specified date in accordance with the provisions of the Income Tax Act, 1961 at the relevant time.

It is hereby clarified that the Bank shall be entitled to receive the entire consideration inclusive of applicable taxes at the time of exercise of the option by the employee, irrespective of when the Bank may be required to pay the tax to the relevant authorities.

For this purpose “**the stock exchange**” shall mean the stock exchange in India where there is highest trading volume on the date prior to the date of grant of options.

### EXERCISE PERIOD AND THE PROCESS OF EXERCISE

From the date of vesting of the options, the employees shall be entitled to exercise the options from time to time within such period as may be prescribed by the Compensation Committee, which period shall not exceed a period of four years from the date of the respective vesting of the options.

The options would be exercisable by the said employees by payment of the consideration amount in cash and submitting the requisite application form after which the shares would be allotted.

The Compensation Committee, may at its discretion, do all such acts, deeds, matters and things as may be necessary / desirable to facilitate exercise of options by the employees under full cash mode or otherwise.

### APPRAISAL PROCESS FOR DETERMINING THE ELIGIBILITY OF EMPLOYEES TO THE ESOS

Before granting the options to the employees under ESOS, the Compensation Committee would inter alia take into consideration the grade, performance, merit, length of service, future potential contribution and conduct of the employee and such other factors as may be deemed appropriate by it.

### MAXIMUM NUMBER OF OPTIONS TO BE ISSUED PER EMPLOYEE AND IN THE AGGREGATE

The number of options that would be issued to an employee under the ESOS would be determined by the Compensation Committee. However, no single employee shall be granted options under the ESOS entitling such employee to equity shares in the Bank which would represent more than 1% of the paid-up share capital of the Bank as on the date of grant of options or 10% of the total number of options granted under the Scheme. The minimum number of options that can be granted under the ESOS are zero. Maximum number of options to be issued in aggregate shall not exceed 2,00,00,000 (Two crore only).

### DISCLOSURE AND ACCOUNTING POLICIES

The Bank shall comply with the disclosure and accounting policies prescribed by the SEBI and any other appropriate regulatory authority.

### METHOD TO VALUE OPTIONS

The Bank may use the intrinsic value method to value its options.

In case the Bank calculates the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed in the Directors’ Report and also the impact of this difference on profit and on EPS of the Bank shall also be disclosed in the Directors’ Report.

Approval of the members is sought in terms of section 81(1A) of the Companies Act, 1956, for the issue of Equity Shares of the Bank to the persons mentioned above under ESOS. The Board of Directors /Compensation Committee shall have the absolute authority to vary or modify the terms herein above in accordance with and subject to all applicable guidelines which may be stipulated by Securities and Exchange Board of India or otherwise.

The Directors recommend the resolution at Item No. 9 of the accompanying notice for approval of the Members of the Bank.

Mr. Aditya Puri, Managing Director, Mr. Harish Engineer and Mr. Paresh Sukthankar, Executive Directors may be deemed to be interested in the resolution to the extent of stock options that may be granted to them from time to time. None of the other Directors is concerned or interested in the said resolution.

By Order of the Board

Sanjay Dongre  
 Executive Vice President (Legal) &  
 Company Secretary

24th April, 2010

Regd. Office:  
 HDFC Bank House,  
 Senapati Bapat Marg,  
 Lower Parel (West),  
 Mumbai 400 013.



## Financial Highlights

	2000-2001	2001-2002	2002-2003
Interest Income	1,255,04	1,681,18	1,963,17
Interest Expense	753,75	1,073,74	1,191,96
<b>Net Interest Income</b>	<b>501,29</b>	<b>607,44</b>	<b>771,21</b>
Other Income	176,57	335,90	465,55
<b>Net Revenues</b>	<b>677,86</b>	<b>943,34</b>	<b>1,236,76</b>
Operating costs	309,59	417,95	577,05
<b>Operating Result</b>	<b>368,27</b>	<b>525,39</b>	<b>659,71</b>
Provisions and Contingencies	53,21	100,01	88,86
Loan Loss Provisions	52,96	85,77	88,39
Others	25	14,24	47
<b>Profit before tax</b>	<b>315,06</b>	<b>425,38</b>	<b>570,85</b>
Provision for taxation	104,94	128,34	183,25
<b>Profit after tax</b>	<b>210,12</b>	<b>297,04</b>	<b>387,60</b>
<b>Funds :</b>			
Deposits	11,658,11	17,653,81	22,376,07
Subordinated debt	200,00	200,00	200,00
Stockholders' Equity	913,09	1,942,28	2,244,83
Working Funds	15,617,33	23,787,38	30,424,08
Loans	4,636,66	6,813,72	11,754,86
Investments	7,145,14	12,004,02	13,388,08
<b>Key Ratios :</b>			
Earnings per share (Rs)	8.64	11.01	13.75
Return on Average Networth	24.53%	18.30%	18.10%
Tier 1 Capital Ratio	8.69%	10.81%	9.49%
Total Capital Ratio	11.09%	13.93%	11.12%
Dividend per share (Rs)	2.00	2.50	3.00
Dividend payout ratio	25.55%	23.68%	24.72%
Book value per share as at March 31 (Rs)	37.50	69.00	79.60
Market price per share as at March 31 (Rs)*	228.35	236.60	234.55
Price to Earnings Ratio	26.43	21.50	17.06

Rs. 10 Lac = Rs. 1 Million

Rs. 1 Crore = Rs. 10 Million

\*\*Proposed

\*Source : NSE

						Rs. lacs
2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
2,455,71	2,905,43	4,230,18	6,647,93	10,115,00	16,332,26	16,172,90
1,211,05	1,315,56	1,929,50	3,179,45	4,887,12	8,911,10	7,786,30
<b>1,244,66</b>	<b>1,589,87</b>	<b>2,300,68</b>	<b>3,468,48</b>	<b>5,227,88</b>	<b>7,421,16</b>	<b>8,386,60</b>
480,03	651,34	1,123,98	1,516,23	2,283,15	3,290,60	3,807,61
<b>1,724,69</b>	<b>2,241,21</b>	<b>3,424,66</b>	<b>4,984,71</b>	<b>7,511,03</b>	<b>10,711,76</b>	<b>12,194,21</b>
810,00	1,085,40	1,691,09	2,420,80	3,745,62	5,532,81	5,764,48
<b>914,69</b>	<b>1,155,81</b>	<b>1,733,57</b>	<b>2,563,91</b>	<b>3,765,41</b>	<b>5,178,95</b>	<b>6,429,73</b>
195,73	176,87	480,06	925,16	1,484,78	1,879,71	2,140,59
178,28	176,22	479,76	861,01	1,216,03	1,726,28	1,938,93
17,45	65	30	64,15	268,75	153,43	201,66
<b>718,96</b>	<b>978,94</b>	<b>1,253,51</b>	<b>1,638,75</b>	<b>2,280,63</b>	<b>3,299,24</b>	<b>4,289,14</b>
209,46	313,38	382,73	497,30	690,45	1,054,31	1,340,44
<b>509,50</b>	<b>665,56</b>	<b>870,78</b>	<b>1,141,45</b>	<b>1,590,18</b>	<b>2,244,93</b>	<b>2,948,70</b>
30,408,86	36,354,25	55,796,82	68,297,94	100,768,60	142,811,58	167,404,44
600,00	500,00	1,702,00	3,282,60	3,249,10	6,477,80	6,353,10
2,691,88	4,519,85	5,299,53	6,433,15	11,497,23	14,646,33	21,519,58
42,306,99	51,429,00	73,506,39	91,235,61	133,176,60	183,270,77	222,458,57
17,744,51	25,566,30	35,061,26	46,944,78	63,426,90	98,883,05	125,830,59
19,256,79	19,349,81	28,393,96	30,564,80	49,393,54	58,817,55	58,607,62
17.95	22.92	27.92	36.29	46.22	52.85	67.60
20.14%	20.44%	17.47%	19.40%	16.05%	16.12%	16.80%
8.03%	9.60%	8.55%	8.58%	10.30%	10.58%	13.26%
11.66%	12.16%	11.41%	13.08%	13.60%	15.69%	17.44%
3.50	4.50	5.50	7.00	8.50	10.00	12.00**
22.15%	24.00%	22.55%	22.92%	22.17%	22.17%	21.72%
94.52	145.86	169.24	201.42	324.39	344.31	470.12
378.75	573.64	774.25	954.15	1,331.25	973.40	1933.50
21.10	25.03	27.74	26.29	28.80	18.42	28.62