

NEWS RELEASE

HDFC BANK LTD. - FINANCIAL RESULTS (INDIAN GAAP) FOR THE QUARTER & HALF-YEAR ENDED SEPTEMBER 30, 2005

The Board of Directors of HDFC Bank Limited approved the Bank's accounts for the quarter and half-year ended September 30, 2005 at its meeting held on Monday, October 17, 2005. The Board also considered the reconciliation of profits between Indian GAAP and US GAAP for the half-year ended September 30, 2005. Both, the Indian and US GAAP accounts, have been subjected to a "Limited Review" by the Bank's auditors.

FINANCIAL RESULTS

Quarter ended September 30, 2005

For the quarter ended September 30, 2005, the Bank earned total income of Rs.1,283.1 crores as against Rs.867.4 crores in the corresponding quarter ended September 30, 2004. Net revenues (net interest income plus other income) for the quarter ended September 30, 2005 were Rs.872.3 crores, an increase of 59.1% over Rs.548.3 crores for the corresponding quarter of the previous year. Interest earned (net of loan origination costs) increased from Rs.744.7 crores for the quarter ended September 30, 2004, to Rs. 1,022.9 crores for the quarter ended September 30, 2005. Net interest income (interest earned less interest expended) for the quarter ended September 30, 2005 increased by Rs.186.6 crores to Rs.612.1 crores, up by 43.8%. This was driven by an average asset growth of 36% and an expansion in the net interest margin to just above 4% (from 3.8% in the corresponding quarter ended September 30, 2004).

Other income (non-interest revenue) for the quarter ended September 30, 2005 was Rs.260.2 crores, consisting principally of fees and commissions of Rs.217.8 crores, foreign exchange/derivatives revenues of Rs. 28.4 crores and profit/(loss) on sale/revaluation of Investments of Rs.11.9 crores as against Rs.133.9 crores, Rs.14.2 crores and Rs.(25.9) crores respectively, for the quarter ended September 30, 2004. Operating (non-interest) expenses for the quarter increased by Rs.154.4 crores to Rs.401.6 crores and were 46.0 % of net revenues and 31.3% of the total income for the quarter ended September 30, 2005. Provisions and contingencies for the quarter were Rs.180.6 crores (against Rs.75.8 crores for the corresponding quarter ended September 30, 2004), principally comprising general & specific loan loss provisions of Rs.122.8 crores and amortization of premia (for investments in the Held to Maturity category) of Rs.57.6 crores. After providing Rs.90.4 crores for taxation, the Bank earned a Net Profit of Rs.199.6 crores, an increase of 31.1% over the quarter ended September 30, 2004.

Total balance sheet size increased by 40.2% from Rs.43,072 crores as of September 30, 2004 to Rs.60,388 crores as of September 30, 2005. Total deposits were Rs.45,446 crores, an increase of 35.8% from September 30, 2004. The Bank's continued success in building its retail deposit franchise was evidenced in the 46.8% growth in savings account deposits to Rs.14,395 crores as of September 30, 2005. Current account deposits as of September 30, 2005 were Rs. 12,727 crores, as against Rs. 7,642 crores as of September 30, 2004. The Bank's total customer assets (including advances, corporate debentures, investments in securitised paper, etc) increased to Rs.36,764 crores as of September 30, 2005, from Rs.25,467 crores as of September 30, 2004, a growth 44.4%. Retail loans grew 73.8% on a year-on-year basis to Rs.17,453 crores, and now form 52.1% of gross advances as against 46.7% of gross advances as at September 30, 2004.

Half-Year ended September 30, 2005:

For the half-year ended September 30, 2005, the Bank earned a total income of Rs.2,440.7 crores as against Rs.1,678.0 crores in the corresponding period of the previous year. Net revenues (net interest income plus other income) for the six months ended September 30, 2005 were Rs.1,659.5 crores, up by 57.3% over Rs.1,055.1 crores for the six months ended September 30, 2004. Net Profit for the half-year ended September 30, 2005 was Rs.383.2 crores, up by 31.1%, over the corresponding six months ended September 30, 2004.

Net Profit computed in accordance with US GAAP for half-year ended September 30, 2005 was Rs.418.8 crores; an increase of 31.7% over Rs.318.0 crores in the corresponding half year ended September 30, 2004. The net difference between profits computed in accordance with Indian GAAP and US GAAP is primarily due to differences in accounting treatment for amortization of premia and revaluation losses on investments held in the "Available for Sale" category, allowance for credit losses, accounting for affiliates, stock based compensation expense, customer acquisition costs and income taxes.

BUSINESS UPDATE:

During the first half of the current financial year, the Bank achieved healthy growth in each of its two customer franchises – retail and wholesale. The Bank's branch network has grown to 531 outlets in 228 cities from 379 outlets 182 cities a year back. The bank's cards base continued to increase with the total cards issued touching 3.5 million debit cards and 1.7 million credit cards. To complement this growth, the bank increased its installations of point-of-sale (POS) terminals to over 50,000, further consolidating its position as a leading player in the merchant acquiring business.

Portfolio quality as of September 30, 2005 remained healthy with net non-performing assets at 0.3% of total customer assets. Delinquencies and NPAs have been in line with the changing mix of the loan book towards retail loans, and within the retail portfolio, in line with the growing proportion of two-wheeler loans, personal loans, credit cards etc., where the higher risks are compensated by higher yields, as reflected in the expansion of the net interest margin. Capital Adequacy Ratio (CAR) was 10.4% against the regulatory minimum of 9%. Tier I CAR was at 8.4%. The Bank has filed a shelf registration for raising long-term, unsecured, subordinated bonds qualifying as Tier II capital up to Rs.1000 crores and has got a AAA rating for such bonds. The Bank increased its investment in HDFC Securities Limited from 29.5% to 55%. Consequently, HDFC Securities Limited has become a subsidiary company of the Bank.

Note:

(i) Rs. = Indian Rupees

(ii) 1 crore = 10 million

(iii) All figures and ratios are in accordance with Indian GAAP except where specifically mentioned.

Certain statements are included in this release which contain words or phrases such as “will,” “aim,” “will likely result,” “believe,” “expect,” “will continue,” “anticipate,” “estimate,” “intend,” “plan,” “contemplate,” “seek to,” “future,” “objective,” “goal,” “project,” “should,” “will pursue” and similar expressions or variations 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, cash flow projections 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 in India and the other countries which have an impact on our business activities or investments; the monetary and interest rate policies of the government of India; 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.