

NEWS RELEASE

HDFC BANK LTD. - FINANCIAL RESULTS (INDIAN GAAP) FOR THE PERIOD APRIL – JUNE 2004

The Board of Directors of HDFC Bank Limited approved the bank's accounts for the quarter ended June 30, 2004 at its meeting on Wednesday, July 14th, 2004. The accounts have been subjected to limited review by the bank's statutory auditors.

FINANCIAL RESULTS:

For the quarter ended June 30, 2004, the bank has earned total income of Rs. 810.6 crores as against Rs. 709.3 crores in the corresponding quarter ended June 30, 2003. Net revenues (net interest income plus other income) were Rs. 506.8 crores for the quarter ended June 30, 2004, an increase of 23.7% over Rs. 409.9 crores for the corresponding quarter of the previous year. Interest earned (net of loan origination costs) increased from Rs. 577.1 crores in the corresponding quarter ended June 30, 2003 to Rs. 702.6 crores. Net interest income (interest earned less interest expended) for the quarter ended June 30, 2004 increased by 43.6% to Rs. 398.8 crores, with strong average asset growth of 33.9 % and core net interest margin remaining healthy at just over 3.8%.

Other income for the quarter ended June 30, 2004 was Rs. 108.0 crores, consisting principally of fees & commissions of Rs. 144.0 crores, foreign exchange & derivatives revenues of Rs. 27.9 crores, and profit/(loss) on sale / revaluation of investments of (Rs.65.2) crores as against Rs. 60.8 crores, Rs. 28.8 crores and Rs. 42.3 crores respectively for the quarter ended June 30, 2003. Loss on revaluation of investments is primarily in respect of government (SLR) securities in the Available for Sale (AFS) category, in particular, on account of the "pull to par" effect of a declining term to maturity as the securities approach their redemption dates. Operating expenses for the quarter at Rs. 230.8 crores, were 45.5% of net revenues and 28.5% of total income. Provisions and contingencies for the quarter were Rs. 69.0 crores, primarily comprising general & specific loan loss provisions of Rs. 40.0 crores and amortization of premia (for investments in the Held to Maturity category) of Rs. 28.8 crores. Profit Before Tax was Rs.207.0 crores for the quarter ended June 30, 2004, up 31.2% over the corresponding quarter in 2003. After providing Rs. 67.0 crores for taxation, the Bank earned a Net Profit of Rs. 140.0 crores, a 30.5% increase over the quarter ended June 30, 2003.

Balance sheet growth was also healthy, coming from both the retail and corporate segments. As on June 30, 2004, total deposits were Rs. 31,406 crores, an increase of 34.6% over Rs. 23,340 crores as of June 30, 2003. Savings Account deposits which are core to the bank's strategy of building stable, low-cost source of funds and reflect the strength of the retail liability franchise, were at Rs. 8,729 crores, an increase of 66.7% over June 30, 2003. The Bank's core customer assets (including advances, corporate

debentures, CPs, etc) increased from Rs. 14,113 crores as of June 30, 2003 to Rs. 19,543 crores as of June 30, 2004, a growth 38.5%. Retail loans (net of Rs. 740 crores loans securitised out) grew 82.4% on a year-on-year basis to Rs. 7,871 crores and now form 41% of gross advances as against 35% of gross advances as at June 30, 2003. In line with its entry into the mortgages business, during the quarter the bank made its first investment of Rs. 101 crores in mortgage backed securitised (MBS) in respect of housing loans which had been originated by the bank and booked and serviced by HDFC.

BUSINESS UPDATE:

During the current financial year so far, the branch network has been expanded to 330 outlets in 169 cities from 241 outlets in 129 cities in June 2003. As of June 2004, the number of debit cards issued by the bank crossed 2.2 million while credit cards issued touched 640,000. The bank further consolidated its position in the merchant acquiring segment of the cards business with the number of PoS terminals deployed at over 30,000.

Portfolio quality as of June 30, 2004 remained healthy with net non-performing assets at 0.2% of advances. General loan loss provisions were about 0.9% of standard advances as against the regulatory requirement of 0.25%. Capital Adequacy Ratio (CAR) was 11.0% against the regulatory minimum of 9%. Tier I CAR was at 7.7%.

Note: (i) Rs. = Indian Rupees
(ii) 1 crore = 10 million
(iii) All figures and ratios are in accordance with Indian GAAP

Certain statements in this release which contain words or phrases such as "continue to", "remains", "should", etc., and similar expressions or variation of these expressions or those concerning our future prospects are forward looking statements. Actual results may differ materially from those suggested by the forward looking statements due to a number of risks or uncertainties associated with the expectations. These risks and uncertainties include, but are not limited to, our ability to successfully implement our strategy, future levels of non-performing loans, our growth and expansion, the adequacy of our allowances for investment and credit losses, technological changes, volatility in investment income, our exposure to market risks as well as other risks detailed in the reports filed with the United State Securities and Exchange Commission. The bank may, from time to time make additional written and oral forward looking statements, including statements contained in the bank's filings with the Securities and Exchange Commission and our reports to shareholders. The bank does not undertake to update any forward looking statements that may be made from time to time by or on behalf of the bank, to reflect events or circumstances after the date thereof.