

NEWS RELEASE

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

The Board of Directors of HDFC Bank Limited approved the Bank's accounts for the quarter and half year ended September 30, 2004 at its meeting on Thursday, October 21, 2004. The Board also considered the reconciliation of profits between Indian GAAP and US GAAP for the six months ended September 30, 2004. 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, 2004 :

For the quarter ended September 30, 2004, the Bank earned total income of Rs.867.4 crores as against Rs.730.9 crores in the corresponding quarter ended September 30, 2003. Net revenues (net interest income plus other income) for the quarter ended September 30, 2004 were Rs.548.3 crores, up 28.0 % over Rs.428.5 crores for the corresponding quarter of the previous year. Interest earned (net of loan origination costs) increased from Rs.644.7 crores for the quarter ended September 30, 2003, to Rs.744.7 crores for the quarter ended September 30, 2004. Net interest income (interest earned less interest expended) for the quarter ended September 30, 2004 increased by Rs.83.4 crores to Rs.425.6 crores. Adjusting for the dividend income of around Rs.40 crores received from debt mutual funds during the quarter ended September 2003 and Rs.21 crores from gain on sale of loans (included in interest earned) in the quarter ended September 2004, core net interest income grew by 33%, driven primarily by asset growth. Net interest margin remained stable at around 3.8%.

Other income for the quarter ended September 30, 2004 was Rs.122.7 crores, consisting principally of fees & commissions of Rs.133.9 crores, foreign exchange & derivatives revenues of Rs.14.2 crores, and profit/(loss) on sale/revaluation of investments of Rs. (25.9) crores as against Rs.78.3 crores, Rs.26.6 crores and Rs. (18.8) crores respectively for the quarter ended September 30, 2003. The loss on sale / revaluation of investments is largely due to the transfer of a portion of the bank's holdings of government (SLR) securities from the AFS (Available for Sale) category to the HTM (Held to Maturity) category at the least of cost/book value/market price, pursuant to enabling regulatory guidelines. Operating expenses for the quarter increased by Rs.48.1 crores to Rs.247.3 crores and were 45.1 % of net revenues and 28.5 % of total income. Provisions and contingencies for the quarter were Rs.75.8 crores (against Rs.63.8 crores for the corresponding quarter ended September 30, 2003), principally comprising general & specific loan loss provisions of Rs.36.2 crores and amortization of premia (for

investments in the Held to Maturity category) of Rs.39.4 crores. The Profit before Tax was up by 36% over the corresponding quarter ended September 2003 to Rs.225.3 crores. After providing Rs.73.0 crores for taxation, the Bank earned a Net Profit of Rs.152.3 crores, a 30% increase over the quarter ended September 30, 2003.

Balance sheet growth remained healthy, driven primarily by retail deposit and loan growth. As on September 30, 2004, total deposits were Rs.33,466 crores, an increase of 32.8% over Rs.25,197 crores as of September 30, 2003. The Bank's success in building stable, low-cost retail deposits was reflected in the Savings Account deposits of Rs.9,809 crores, an increase of 63.7% over September 30, 2003. The Bank's core customer assets (including advances, corporate debentures, CPs, etc.) increased from Rs.15,822 crores as of September 30, 2003 to Rs.21,753 crores as of September 30, 2004, a growth 37.5%. Retail loans grew 68.7% on a year-on-year basis to Rs.9,196 crores and now form 42.8% of gross advances as against 38.6% of gross advances as at September 30, 2003. The growth in retail loans and core customer assets is after considering sale of retail loans during the quarter of Rs.1100 crores.

Half Year ended September 30, 2004 :

For the Half Year ended September 30, 2004, the Bank earned total income of Rs.1,678 crores as against Rs.1,440 crores in the corresponding period of the previous year. Net revenues (net interest income plus other income) for the six months ended September 30, 2004 were Rs.1,055 crores, up 25.9% over Rs.838 crores for the six months ended September 30, 2003. Net Profit for the half year ended September 30, 2004 was Rs.292.3 crores, up 30.2%, over the corresponding six months ended September 30, 2003.

Net Profit computed in accordance with US GAAP for half year ended September 30, 2004 was Rs.318.0 crores, an increase of 34.4% over Rs.236.6 crores in the corresponding half year ended September 30, 2003. 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, loan loss provisions, deferred stock compensation expense and tax provisions.

BUSINESS UPDATE:

During the first half of the current financial year, the Bank achieved healthy growth in each of its two customer franchises – wholesale and retail. In the first six months upto September 30, 2004, the bank added 67 branches taking its network to 379 outlets in 182 cities from 312 outlets in 163 cities in March 2004.

The bank's cards base continued to increase with the total cards issued touching 2.5 million debit cards and 0.8 million credit cards. To complement this growth, the bank increased its installations of point-of-sale (POS) terminals to over 33,000, consolidating its position as a leading player in the merchant acquiring business.

Despite stagnating corporate loan yields, the wholesale banking franchise maintained its revenue momentum primarily through higher transactional banking floats and greater cross-sell of supply chain and treasury products. Portfolio quality as of September 30, 2004 remained healthy with net non-performing assets at 0.2% of total customer assets. General loan loss provisions were about 0.8 % of standard advances as against the regulatory requirement of 0.25%. Capital Adequacy Ratio (CAR) was 10.9% against the regulatory minimum of 9%. Tier I CAR was at 7.8%.

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 in this release which contain words or phrases such as “will”, “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 interest rates and 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.