NEWS RELEASE

HDFC BANK LIMITED FINANCIAL RESULTS FOR THE YEAR ENDED MARCH 31, 2007

The Board of Directors of HDFC Bank Limited approved the annual audited (Indian GAAP) accounts for the year ended March 31, 2007 at their meeting held in Mumbai on Tuesday, April 24, 2007.

Financial Results:

Profit & Loss Account : Quarter ended March 31, 2007

For the quarter ended March 31, 2007, the Bank earned total income of Rs.2,384.2 crores as against Rs.1,682.7 crores in the corresponding quarter ended March 31, 2006, registering a growth of 41.7%. Net revenues (net interest income plus other income) were Rs.1,512.1 crores for the quarter ended March 31, 2007, an increase of 44.9% over Rs.1,043.6 crores for the corresponding quarter of the previous year. Interest earned (net of loan origination costs) increased from Rs.1,378.5 crores in the quarter ended March 31, 2006 to Rs.1,989.8 crores in the quarter ended March 31, 2007, up by 44.3%. Net interest income (interest earned less interest expended) for the quarter ended March 31, 2007 increased by 51.2% to Rs.1,117.7 crores, driven by average asset growth of 27.0% and an increase in core net interest margin to 4.5%. The sharp increase in net interest margin during the quarter was due to higher transactional floats, an increase in lending rates and a tactical move to temporarily reduce bulk fixed deposits in the quarter due to the then prevailing high interest rates.

Other income for the quarter ended March 31, 2007 was up by 29.7% to Rs.394.4 crores, consisting primarily of fees & commissions of Rs.356.3 crores, foreign exchange & derivatives revenues of Rs.103.3 crores, and loss on sale & revaluation of investments of Rs.65.6 crores, as against Rs.336.7 crores, Rs.46.3 crores and Rs.86.8 crores respectively for the quarter ended March 31, 2006. Losses on sale & revaluation of investments during the quarter were primarily a result of mark-to-market of non-SLR investments, reflecting the sharp increase in short term yields in the debt market in March 2007. A large portion of the non-SLR investments were bonds in which the bank had invested in previous years for meeting priority sector requirements. Operating expenses for the quarter at Rs.683.9 crores, were 45.2% of net revenues as against 46.2% of net revenues for the corresponding quarter of the previous year. Provisions and contingencies for the quarter were Rs.330.3 crores (against Rs.181.6 crores for the corresponding quarter ended March 31, 2006), and primarily comprised specific loan loss provisions & general provisions for standard assets of Rs.260.9 crores and amortisation of premia (for investments in the Held to Maturity category) of Rs.63.2 crores, as against Rs.110.3 crores and Rs.71.7 crores respectively for the corresponding quarter ended March 31, 2006. In January 2007, the Reserve Bank of India increased the general provision requirement for certain standard assets such as personal loans, credit card receivables, capital market exposures and real estate exposures resulting in an extraordinary one-time general provision of Rs.121.1 crores, which is included in the Rs.330.3 crores provisions made in the quarter. After providing Rs.154.4 crores for taxation, the Bank earned a Net Profit of Rs.343.6 crores, a 30.5% increase over the quarter ended March 31, 2006.

Profit & Loss Account : Year ended March 31, 2007

For the year ended March 31, 2007, the Bank earned total income of Rs.8,405.3 crores as against Rs.5,599.3 crores in the corresponding period of the previous year. Net revenues (net interest income plus other income) for the year ended March 31, 2007 were Rs.5,225.8 crores, up 42.4% over Rs.3,669.8 crores for the year ended March 31, 2006. Net Profit for year ended March 31, 2007 was Rs.1,141.5 crores, up 31.1%, over the corresponding year ended March 31, 2006.

Balance Sheet: As of March 31, 2007

During 2006-07, the Bank's total balance sheet size increased by 24.1% to Rs.91,236 crores. Total deposits increased by Rs.12,501 crores from Rs.55,797 crores (as of March 31, 2006) to Rs.68,298 crores (as of March 31, 2007), of which savings account deposits were Rs.19,585 crores and current account deposits were Rs.19,812 crores. In the January to March, 2007 quarter, term (fixed) deposit rates in the banking system increased sharply to levels which the bank considered unattractive and unsustainable. The Bank, therefore, allowed some of its wholesale deposits to run-off, without affecting the liquidity position of the bank.

As a result, demand (CASA) deposits were around 55% of total deposits during the last quarter as against the average proportion of around 50% through the financial year. During 2006-07, gross advances grew by 29.6% to Rs.49,780 crores. This was driven by a growth of 33.4% in retail advances to Rs.28,327 crores, and an increase of 24.9% in wholesale advances to Rs.21,452 crores. The bank's core customer assets (advances plus credit substitutes like commercial paper, corporate bonds etc.) increased by 28.2% to Rs.49,991 crores in March 2007. In addition, the bank held Rs.3,724 crores of investments in mortgage backed and asset backed securities where the underlying assets were primarily home loan and commercial vehicle/car loans receivables. Total customer assets (including securitisation investments) were therefore Rs.53,715 crores as of March 31, 2007.

Dividend:

The Board of Directors recommended an enhanced dividend of 70% for the year ended March 31, 2007, as against 55% for the previous year. This would be subject to approval by the shareholders at the next annual general meeting.

Capital Adequacy:

The Bank's total Capital Adequacy Ratio (CAR) as at March 31, 2007 stood at 13.1% as against the regulatory minimum of 9.0%. Tier-I CAR was 8.6%.

During 2006-07, the Bank raised Rs.410 crores of subordinated debt qualifying as Lower Tier II capital, Rs.1,085 crores of Upper Tier II capital (including US$ 100 million in foreign currency) and Rs.200 crores of perpetual debt qualifying as Hybrid Tier I capital.

Business Update:

The year ended March 31, 2007, saw a healthy expansion in the bank's distribution network with the total number of branches (including extension counters) increasing from 535 (in 228 cities) to 684 (in 316 cities) and the number of ATMs from 1,323 to 1,605. Based on receipt of regulatory approvals for new branches, the entire branch expansion was done in the second half of the year, with 101 branches being opened only in the last quarter. The bank's focus on semi-urban and under-banked markets continued, with 61.8% of the bank's branches now outside the top 9 cities. The bank also extended almost half of its retail loans in these non-metro markets. During the year, the bank consolidated its position as one of the leading players in various retail loan and card products and as a leading distributor of third party products like mutual funds and insurance.

During 2006-07, the bank also achieved healthy growth in its agriculture financing, micro-finance and SME financing activities. With products including the Kisan Gold Card, rural supply chain initiatives and commodity finance covering the entire agriculture financing cycle, the bank's direct agriculture lending increased by 40% during the year. The business banking and emerging corporate customer segments witnessed strong growth driven by a wide range of offerings including working capital & term finance, cash management services, foreign exchange products and electronic banking. During the year, the bank's corporate banking, financial institutions and treasury businesses also continued to expand with cash management and trade services volumes growing by 31% and 19% respectively over the previous year. The bank's business mix based on revenues was well balanced between retail and wholesale businesses with the former contributing to 53% of net revenues and the latter contributing to 46% of net revenues.

Portfolio quality as of March 31, 2007 remained healthy with gross non-performing assets at 1.2% and net non-performing assets at 0.4% of customer assets. The Bank's strategy of balancing growth, margins and asset quality held it in good stead. As a result, asset quality, delinquencies and losses remained largely within product parameters for various loan products. The Bank's provisioning policies for specific loan loss provisions remained higher than regulatory requirements.

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

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.