



INVESTING IN RELATIONSHIPS

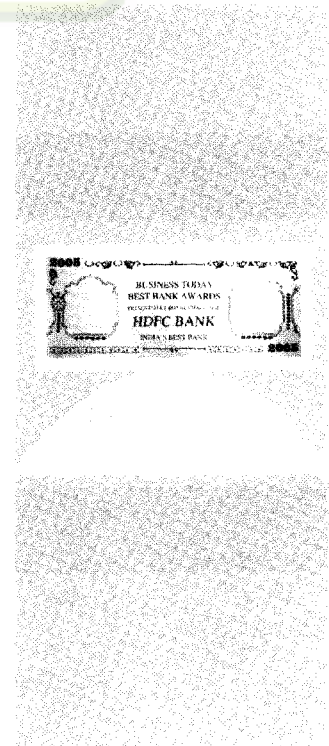


A N N U A L R E P O R T 2 0 0 5 - 0 6

AWARDS FOR THE YEAR 2005-06

- ▶ **"Best Bank in India"** - 2005 Business Today - KPMG Survey
- ▶ **"Best Domestic Commercial Bank"** & **"Best Cash Management Bank"** - India - Asiamoney Awards for Corporate Excellence 2004-05
- ▶ **"Best Bank"** - India - Finance Asia
- ▶ **"Company of the Year"** - The Economic Times Awards for Corporate Excellence 2004-05
- ▶ **"Best Domestic Bank in India"** - The Asset Triple A Country Awards 2005
- ▶ **"Most Customer Responsive Company - Banking and Financial Services"** - The Economic Times - Avaya Global Connect Customer Responsiveness Awards 2005

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INVESTING IN RELATIONSHIPS

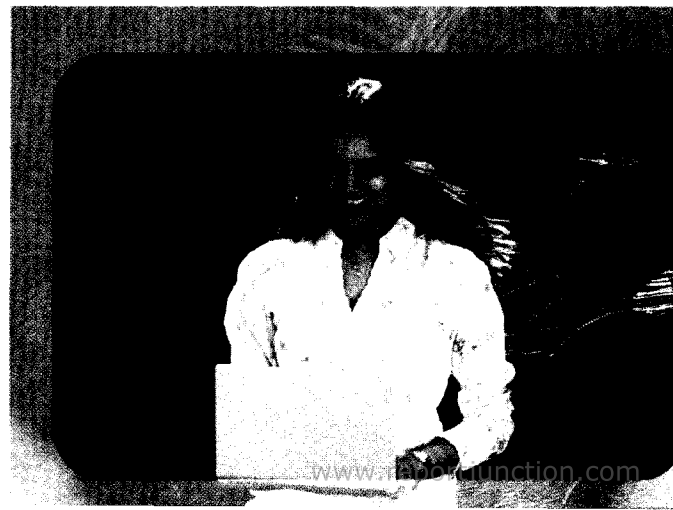
Good relationships are pivotal to business success and are the essence behind delivering strong shareholder value. Over the last decade, your bank has evolved a compelling mindset:

**'Investors are the backbone,
Customers the heart and
Employees the soul of our Bank.'**

We recognise that enduring relationships make good business sense, impacting performance and leadership. This has motivated us to deepen our relationships through exceptional services, satisfying experiences and operational excellence. It has also been our constant endeavour to strike a fine balance between our organisational objectives and employee aspirations, leading to a high satisfaction level for all our stakeholders.

Today, in most respects, HDFC Bank figures amongst the leading banks in India. We credit this achievement to the dedicated efforts of our employees, the patronage and support of our customers and the confidence and trust of our investors. This collaboration is based on the deep-rooted relationships that have been nurtured and developed by us over the last ten years.

Through our continuing investments in human and business associations, we aim to sustain our distinct reputation of being one of the most customer responsive and employee friendly banks in India. This effort, we believe, will result in a superior business and bring about lasting shareholder value.

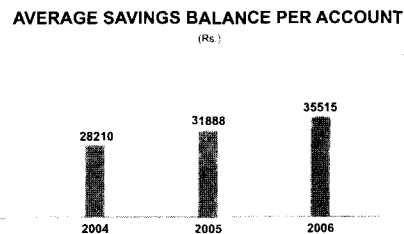
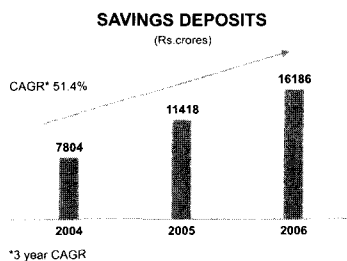
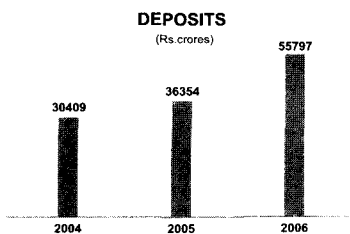
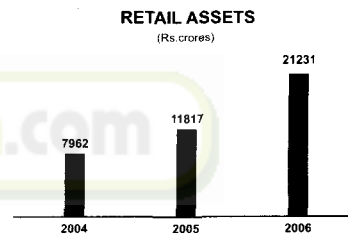
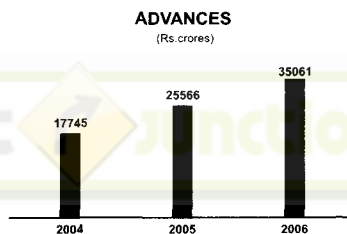
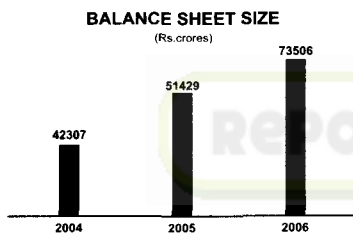
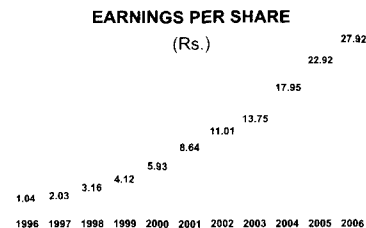
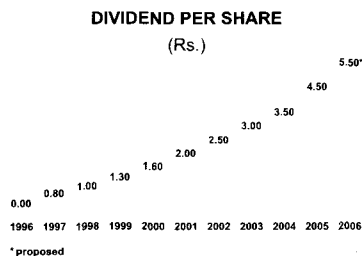
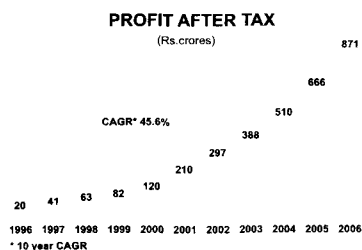


(Rs. lacs)

1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
679,87	1,259,46	1,702,99	2,013,61	2,548,93	3,093,49	4,475,34
374,28	753,75	1,073,74	1,191,96	1,211,05	1,315,56	1,929,50
305,59	505,71	629,25	821,65	1,337,88	1,777,93	2,545,84
119,54	176,57	335,90	465,55	480,03	651,34	1,123,98
425,13	682,28	965,15	1,287,20	1,817,91	2,429,27	3,669,82
171,39	309,59	417,95	577,05	810,00	1,085,40	1,691,09
253,74	372,69	547,20	710,15	1,007,91	1,343,87	1,978,73
58,89	57,63	121,82	139,30	288,95	364,93	725,22
194,85	315,06	425,38	570,85	718,96	978,94	1,253,51
74,81	104,94	128,34	183,25	209,46	313,38	382,73
120,04	210,12	297,04	387,60	509,50	665,56	870,78
8,427,72	11,658,11	17,653,81	22,376,07	30,408,86	36,354,25	55,796,82
150,00	200,00	200,00	200,00	600,00	500,00	1,702,00
751,52	913,09	1,942,28	2,244,83	2,691,88	4,519,85	5,299,53
11,731,03	15,617,33	23,787,38	30,424,08	42,306,99	51,429,00	73,506,39
3,462,34	4,636,66	6,813,72	11,754,86	17,744,51	25,566,30	35,061,26
5,748,28	7,145,14	12,004,02	13,388,08	19,256,79	19,349,81	28,393,96
5.93	8.64	11.01	13.75	17.95	22.92	27.92
29.00%	24.53%	18.30%	18.10%	20.14%	20.44%	17.47%
9.56%	8.69%	10.81%	9.49%	8.03%	9.60%	8.55%
12.19%	11.09%	13.93%	11.12%	11.66%	12.16%	11.41%
1.60	2.00	2.50	3.00	3.50	4.50	5.50**
29.96%	25.55%	23.68%	24.72%	22.15%	24.00%	22.55%
30.90	37.50	69.00	79.60	94.52	145.86	169.24
257.20	228.35	236.60	234.55	378.75	573.64	774.25
43.37	26.43	21.50	17.06	21.10	25.03	27.74

**Proposed

*Source : NSE

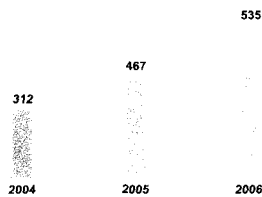




HDFC BANK

We understand your world

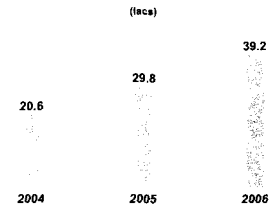
BRANCHES



ATM's



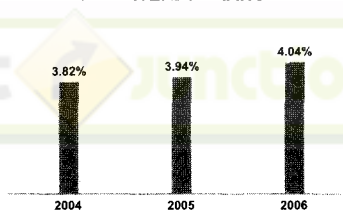
DEBIT CARDS



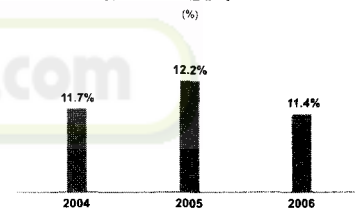
CREDIT CARDS



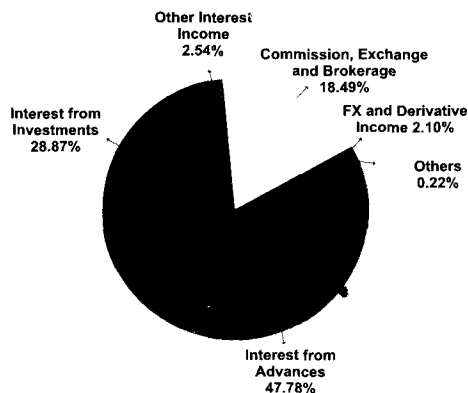
NET INTEREST MARGIN



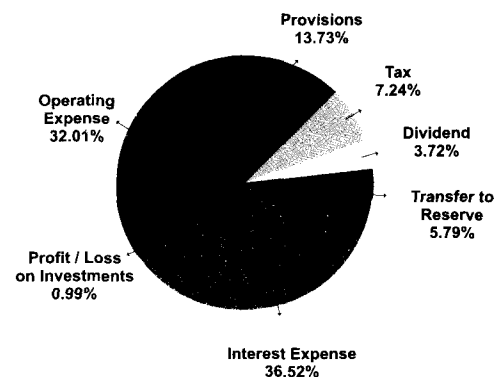
CAPITAL ADEQUACY



RUPEE EARNED (%)



RUPEE SPENT (%)



BOARD OF DIRECTORS

Mr. Jagdish Capoor
Chairman

Mr. Aditya Puri
Managing Director

Mr. Keki Mistry

Dr. Venkat Rao Gadwal

Mr. Vineet Jain

Mrs. Renu Karnad

Mr. Arvind Pande

Mr. Ranjan Kapur
(resigned w.e.f.
29th March, 2006)

Mr. Bobby Parikh

Mr. Ashim Samanta

SENIOR MANAGEMENT TEAM

Mr. A. Parthasarthy

Mr. A. Rajan

Mr. Abhay Aima

Mr. Bharat Shah

Mr. C. N. Ram

Mr. G. Subramanian

Mr. Harish Engineer

Mr. Kaizad Bharucha

Ms. Mandeep Maitra

Mr. Paresh Sukthankar

Mr. Samir Bhatia

Mr. Sudhir M. Joshi

Mr. Vinod G. Yennemadi

VICE PRESIDENT (LEGAL) & COMPANY SECRETARY

Mr. Sanjay Dongre

AUDITORS

M/s. P. C. Hansotia & Co.

REGISTERED OFFICE

**HDFC Bank House,
Senapati Bapat Marg,
Lower Parel,
Mumbai 400 013.**

Tel: 6652 1000

Fax: 2496 0737

Website: www.hdfcbank.com

REGISTRARS & TRANSFER AGENTS MCS LIMITED

**Sri Venkatesh Bhavan,
Plot No. 27, Road No. 11,
MIDC Area, Andheri (East),
Mumbai 400 093.**

Tel: 6702 5235 - 44

Fax: 6702 5245

Email: mcssvb@eth.net



Directors' Report	1 - 13
Auditors' Report	14
Accounts	15 - 61
Auditors' Certificate on Corporate Governance	62
Corporate Governance	63 - 81
Key Comparative between U.S. and Indian Regulations	82 - 83
Auditors' Report for Consolidated Accounts	84
Consolidated Accounts	85 - 115
Directors' Report of Subsidiary	116 - 120
Auditors' Report of Subsidiary	121 - 122
Accounts of Subsidiary	123 - 139

12TH ANNUAL GENERAL MEETING

Date: 30 May, 2006
Day: Tuesday
Time: 3.30 p.m.
Place: Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020
Book Closure Dates: 13 May, 2006 to 30 May, 2006, (both days inclusive)

DIRECTORS' REPORT

To the Members,

Your Directors have great pleasure in presenting the Twelfth Annual Report on the business and operations of your Bank together with the audited accounts for the year ended March 31, 2006.

FINANCIAL PERFORMANCE

	(Rs. crores) For the year ended	
	March 31, 2006	March 31, 2005
Deposits and other borrowings	58,655.3	41,144.3
Advances	35,061.3	25,566.3
Total income	5,599.3	3,744.8
Profit before depreciation and tax	1,432.1	1,123.0
Net profit	870.8	665.6
Profit brought forward	602.3	405.3
Transfer from Investment Fluctuation Reserve	484.2	-
Total profit available for appropriation	1,957.3	1,070.9
Appropriations:		
Transfer to statutory reserve	217.7	166.4
Transfer to general reserve	87.1	66.6
Transfer to capital reserve	1.1	0.6
Transfer to investment fluctuation reserve	-	75.0
Proposed dividend	172.2	140.1
Tax including surcharge and education cess on dividend	24.2	19.6
Education cess on dividend paid for prior year	-	0.3
Balance carried over to Balance Sheet	1,455.0	602.3

The Bank posted total income and net profit of Rs. 5,599.3 crores and Rs. 870.8 crores respectively for the financial year 2005-06 as against Rs. 3,744.8 crores and Rs. 665.6 crores respectively in the previous year. Appropriations from the net profit have been effected as per the table given above.

DIVIDEND

Your Bank's dividend policy is based on the need to balance the twin objectives of appropriately

rewarding shareholders with cash dividends and of retaining capital to maintain a healthy capital adequacy ratio to support future growth. In line with this policy and in recognition of the healthy performance during 2005-06, your directors are pleased to recommend a dividend of 55% for the year ended March 31, 2006 as against 45% for the year ended March 31, 2005, which included a special one-time dividend of 5% in recognition of the Bank having completed 10 years. This dividend

DIRECTORS' REPORT (Contd.)

shall be subject to tax on dividend to be paid by the Bank but will be tax-free in the hands of the members.

AWARDS

Your Bank continued to receive awards and gain recognition from various leading domestic and international publications during 2005-06. The Bank was selected as the "Best Bank in India" in the Business Today-KPMG Survey of the Best Banks in India. This is a unique achievement in as much as this is the third year in a row that the Bank has secured the top spot. Asiamoney Awards selected the Bank as 'Best Domestic Commercial Bank', Best Domestic Provider for Local Currency Products' and 'Best Cash Management Bank – India'. Hong Kong-based Finance Asia magazine selected the Bank as "Best Bank in India". Economic Times Awarded the Bank "Company of the Year" Award for Corporate Excellence 2004-05. The Asset magazine named the Bank "Best Cash Management Bank" and "Best Trade Finance Bank" in India, in 2006. The Economic Times - Avaya Global Connect Customer Responsiveness Awards 2005 named the Bank "Most Customer Responsive Company - Banking and Financial Services". The Bank has also been named 'Best Domestic Bank in India' in The Asset Triple A Country Awards 2005.

RATINGS

The Bank has its deposit programs rated by two rating agencies - Credit Analysis & Research Limited (CARE) and Fitch Ratings India Private Limited. The Bank's Fixed Deposit programme has been rated 'CARE AAA (FD)' [Triple A] by CARE, which represents instruments considered to be

"of the best quality, carrying negligible investment risk". CARE has also rated the bank's Certificate of Deposit (CD) programme "PR 1 + " which represents "superior capacity for repayment of short term promissory obligations". Fitch Ratings India Pvt. Ltd. (100% subsidiary of Fitch Inc.) has assigned the "tAAA (ind)" rating to the Bank's deposit programme, with the outlook on the rating as "stable". This rating indicates "highest credit quality" where "protection factors are very high".

The Bank also has its long term unsecured, subordinated (Tier 2) Bonds rated by CARE and Fitch Ratings India Private Limited. CARE has assigned the rating of "CARE AAA" for the Tier 2 Bonds while Fitch Ratings India Pvt. Ltd. has assigned the rating "AAA(ind)" with the outlook on the rating as "stable". In each of the cases referred to above, the ratings awarded were the highest assigned by the rating agency for those instruments.

ADDITIONAL CAPITAL

During the year under review, 32.7 lac shares were allotted to the employees of the Bank pursuant to the exercise of options under the Employee Stock Option Scheme of the Bank.

During the year, the Bank raised Rs. 1,202 crores subordinated debt at an annualised coupon ranging between 7.5% to 8.6% and having a maturity ranging from 9 to 10 years. The debt is subordinated to present and future senior indebtedness of the Bank and qualifies as Tier 2 capital under RBI's guidelines for assessing capital adequacy.