

January 23, 2006

The Managing Director and Chief Executive Officer
HDFC Bank Ltd.
HDFC Bank House,
Senapati Bapat Marg
Mumbai - 400013

Dear Sir,

Violations of RBI instructions etc. – Imposition of Penalty

Please refer to our letter No. DBS. CO. PP. No. 9304 /11.01.021/2005-06 dated December 29, 2005, and your response letter dated January 10, 2006 in connection with imposition of penalty under Section 47A (1) (b) of the Banking Regulation Act, 1949.

2. After examining the bank's reply and your oral submission on January 20, 2006, the Reserve Bank of India held, inter-alia, that the bank had violated RBI guidelines/directives/instructions relating to opening of deposit accounts, and monitoring of transactions for adherence to KYC norms and failure of internal controls.

3. In view of the above, the Reserve Bank of India has imposed a penalty of Rs.5.00 lakh (Rupees five lakh only) on the bank.

4. You may also note to disclose the particulars of the above penalty in the "Notes on Accounts" to the Balance sheet in the Annual Report in terms of RBI Circular No. DBOD.BP. BC .49/21.04.018/2004-05 dated October 19, 2004.

Yours faithfully

(G. Gopalakrishna)
Chief General Manager-In-Charge

