



CIN: L65920MH1994PLC080618
Email: shareholder.grievances@hdfc.bank.in
Website: www.hdfc.bank.in

HDFC Bank Limited,
HDFC House,
H T Parekh Marg,
165-166 Backbay Reclamation,
Churchgate, Mumbai- 400 020
Tel. No.:022-66316000

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October 23, 2026

BSE Limited

Dept of Corporate Services
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai 400 001
Scrip code: 500180

National Stock Exchange of India Limited

The Listing Department
Exchange Plaza
Bandra Kurla Complex,
Mumbai 400 051
Scrip code: HDFCBANK

Dear Sir/Madam,

Sub: Transcript of Earnings Call in relation to the unaudited standalone and consolidated financial results of the HDFC Bank Limited ("the Bank") for the quarter and half-year ended September 30, 2026

We wish to inform you that pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the Earnings Call with analysts and investors held on Saturday, October 17, 2026 with respect to the unaudited standalone and consolidated financial results of the Bank for the quarter and half year ended September 30, 2026, has been made available on the website of the Bank at the below link:

<https://www.hdfc.bank.in/about-us/investor-relations>

A copy of the transcript is also annexed herewith.

This is for your information and appropriate dissemination.

Thank you.

Yours faithfully,
For **HDFC Bank Limited**

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AJAY GIRIDHARILAL
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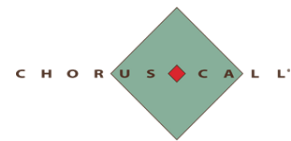
Ajay Agarwal
Company Secretary
Group Head – Secretarial & Group Oversight
Encl: a/a



“HDFC Bank Limited

Q2 FY27 Earnings Conference Call”

October 17, 2026



MANAGEMENT: **MR. SASHIDHAR JAGDISHAN** – MANAGING DIRECTOR
AND CHIEF EXECUTIVE OFFICER – HDFC BANK LIMITED
MR. ANUP BAGCHI – ADDITIONAL DIRECTOR – HDFC
BANK LIMITED
MR. KAIZAD BHARUCHA – DEPUTY MANAGING
DIRECTOR – HDFC BANK LIMITED
MR. SRINIVASAN VAIDYANATHAN – CHIEF FINANCIAL
OFFICER – HDFC BANK LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to HDFC Bank Limited Q2 FY27 Earnings Conference Call on the financial results presented by the management of HDFC Bank. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star, then zero on your touch-tone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Srinivasan Vaidyanathan, Chief Financial Officer, HDFC Bank. Thank you, and over to you, Mr. Vaidyanathan.

Srinivasan Vaidyanathan: Okay. Thank you, Neerav. Good evening, and a warm welcome to all the participants. Today, we have with us Sashi, Anup and Kaizad. Without much ado, we'll get the meeting started. With Sashi, for your opening remarks first, please.

Sashidhar Jagdishan: Thank you, Srini, and thank you, everyone. Let me start with the economic environment. The GDP growth in Q2 FY27 has been better than anticipated and high performance indicators such as industrial production, strong e-way bill, cargo activity, credit growth reflects sustained momentum. Retail consumption growth has also been robust with passenger vehicles, 2-wheeler sales all growing upwards of 30-plus percentage. Even consumer durables grew at about 11% year-on-year. This augurs very well for the economy, especially with the festive season underway. The broader policy environment has been supportive of economic activity. Alongside this, measures in the form of credit guarantee support to MSMEs have also been effective. RBI's proactive response through measures like the special FCNR (B) swap window generated record inflows, about \$133 billion and helped stabilize the currency.

With that background, let's take a quick look at how the business has been shaping up. We continue to strengthen our liabilities franchise, and it has been delivering with great vigor. Deposits increased 18.8% year-on-year on a reported basis, including a 4 percentage point lift from special FCNR (B) window. As you will see in our published deck, CASA grew at about 10.8% on an overall basis. And within this, retail CASA growth was about 11.2% year-on-year compared to 9% a year ago, reflecting improving momentum.

We added about 1.7 million liability relationships in the second quarter, which is 25% higher than Q1 and 33% higher than the fourth quarter of last year. Building on these new acquired relationships and deepening our existing relationships will enable the liabilities engine to step up further in the coming days even as we keep adding newer relationships at a rapid pace.

The asset side of the balance sheet also continued to get stronger. Total AUM grew 15.3% year-on-year, including a 1.9% impact of FCNR (B) leverage, with SME and retail assets leading the charge. The pace of retail disbursements is accelerating and has crossed Rs 90,000 crores during Q2 FY27 as against Rs 76,000 crores in Q1 of this year.

Growth has been balanced across all lines, whether it's personal loans, the wheels business, gold and agri and other MSME business as well. This is also reflected in the rising growth trend in EOP

loan book, especially for retail assets ex agri, September'26 annual growth is about 11.2% compared to 9.1% as of June'26 and 7.4% as of March'26.

New credit card issuances at 1.4 million have grown by nearly 19% quarter-on-quarter, indicating the expansion of the growth runway. On the MSME and mid-market business, growth momentum is also improving rapidly. September'26 EOP loan growth has grown 23.5% year-on-year compared to 17% to 18% year-on-year growth levels seen in the last few quarters. Of course, this quarter, we have the ECLGS 5.0 scheme that also created significant opportunities we successfully leveraged. Our ECLGS disbursements of Rs 41,000 crores were highest across all banks as of August 26, when the scheme achieved targeted levels.

What's driving this momentum? Since May of 2026, the entire retail and MSME business and channel supervisory architecture across the country have been focusing on daily operating rigor across frontline, the credit and operations, and service verticals, all working from one view across products and across all channels to ensure a same-day, same-time resolution of delivery of products, services, queries, and complaints as well. The focus has been on digital adoption and straight-through processing, which is moving up significantly. The turnaround times on product deliveries have come down anyway between 10% and 15% in a short span of time, while service delivery TATs have come down by 30% during the quarter. Which means the frontline can touch more customers within the same work hours. This is reflected in the customer visits per resource per day going up significantly compared to the prior quarter, almost up by about 50%. This will have an impact on growth, and that's pretty much reflected in the early signs that we have seen on the momentum. For example, the savings accounts per branch per day have gone up by 19% in the last few months, between Q2 and Q1. Core incremental deposits per branch per day is up 2.3 times from Q1. Sometimes, of course, extraordinary one-off outflows may mask this underlying momentum. But at some point in time, this will start to reflect as we move forward.

Daily disbursement run rate of key retail and MSME products are up by 10% to 20% versus the prior quarter. Our asset quality remains pristine, with GNPA at 1.11%, 13 basis points lower than year-on-year. Credit costs remain low at 44 basis points, the risk weights to total assets at 69%. Our industry-leading asset quality metrics reflect the top-quartile credit quality choices we have consistently made. The bank's well-balanced performance translated to ROA of 1.8%, which has been the range that we've been there for a very long time, and quarterly PAT of Rs 19.5 billion, which is a growth of 12.7% approximately if you exclude the trading gains.

On technology, I would like to spend some time. HDFC Bank has always incorporated cutting-edge technologies into its operations, and we are now bringing AI into the heart of how the bank operates. In the quarter gone by, we introduced applications and apps and features in various areas that will help enhance customer experience and protection.

In the area of digital safety for customers, we've introduced Edge Security. Very mindful of the fact that a lot of our citizens in the country are being subjected to digital frauds, I think this is going to be a game changer in terms of cutting-edge technology that we can offer to customers: a unified protection stack and tools like Kavach and Secure Lock. We launched several apps to increase customer convenience, including product journeys, AI conversational banking, and AI collections

bot that helps customers stay repayment-ready. We also strengthened our real-time fraud prevention capabilities as well.

As my long innings at HDFC Bank come to an end, I would like to say that it has been an absolute privilege to lead this organization that brings together some of the most brilliant minds and over 200,000 extremely committed and focused professionals, a cutting-edge technology, a solid brand that binds the 100 million customers, and a collective zeal to consistently deliver top-class results for all our stakeholders.

While leaving this organization is an emotional moment for me personally, I take comfort in the fact that I'm leaving behind a solid platform, which has demonstrated strength and resilience to navigate regulatory embargoes, an unprecedented COVID event, a large, complex merger when the economic outlook warranted monetary tightening, and other governance matters of the recent past having been settled completely. A platform where we invested over the past few years in rearchitecting and reinforcing our technology from the core to AI layer, ready to be harnessed in our product and service deliveries. A distribution strength which will deliver as the vintage of branches mature. and optimism stemming from the fact that the net interest margins, which in recent times has borne the brunt of faster repricing of assets and a lag in cost of funds, in a down rate cycle is also positioned for a reversal as we enter the upward rate cycle. This will get further enhanced as the proportion of retail and MSME assets outweigh the proportion of corporate and home loans over a period of time.

I'm sure that the bank will keep scaling greater heights, which will be a matter of immense pride for all of us. I'll also leave behind in the hands of an able team spread across various levels in the organization throughout the country, led by a new and an able leader, and I welcome Anup at this juncture heartily to the institution as well.

Thank you for all the support over all these years, and I wish you and families a very Happy Dussehra and festivities, and I'm sure you will continue to provide the same kind of support and affection that all of you have showered on us over these 30 years to the new leadership team and take it to its rightful glory over a period of time. Thank you so much.

Srinivasan Vaidyanathan: Thank you. Thank you, Sashi, for that very passionate and a good recount of recent and the decades that you have served the bank. Thank you very much for all of that. Now we have with us today, Anup. We are delighted to have you, sir, here with us. Welcome, and over to you for a few sentences that you want to share.

Anup Bagchi: Thank you. Thank you, Sashi. Thank you, Srini. Thank you, Kaizad. I'm really grateful to the Board for the trust placed in me as MD and CEO. I look forward to working with the Board, Chairman, leadership team and colleagues across the bank and the group to build on the group's very strong foundation. It is indeed a privilege and a responsibility I hold with deep respect. The group's rich legacy, market leadership and reputation within India's financial ecosystems are exceptional. I thank Sashi for his impactful 6-year leadership, successfully navigating the post-pandemic phase, completing the landmark HDFC Limited merger, scaling our branch network and strengthening the core technology capabilities. The clear long-term goal is to deliver sustainable long-term value for shareholders, employees and clients.

In the near term, I will engage with regulators, customers, shareholders and other stakeholders to gather insights that will be a key input to our organizational priorities. As macroeconomic dynamics evolve and AI technology and digital infrastructures accelerate, we'll focus on capturing these opportunities with prudence and discipline.

I will soon present a perspective on growth, margins, quality and productivity built on disciplined capital deployment and a strong execution culture grounded in governance, excellence and trust. I look forward to all your support. Over to you, Srin.

Srinivasan Vaidyanathan: Thank you, Anup, for that, and welcome again, hearty welcome again. We look forward to, as an organization, partnering and delivering all that you drive to. Thank you.

With that, Neerav, let's open it up for question-and-answers, please.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Mahrukh Adajania from Tara Capital Partners. Please go ahead.

Mahrukh Adajania: Yes, hi. Good evening. Thank you, Sashi, for all the guidance and interactions. Thanks a lot and congratulations, Anup. I had a few questions on the results. Firstly, Sashi, you did outline the various efforts and progress you've made on retail deposits, savings, core deposits. So when do you see the proportion of retail deposits inching up now? Because it's come off a bit over the last few quarters. So when do you see that proportion inching up? That's my first question.

And then my second question is that you do have a sizable agri book. There have been droughts. So any impact you see either on your small business loans or on your agri/agri-related loans from that? And my third question is for Anup. I know it's early days. But if at all, he sees any strategy changes in HDFC Life?

Sashidhar Jagdishan: Okay. Let me answer the first part of it, Mahrukh. As I had mentioned, the kind of rigor that the institution is undertaking in terms of building better customer interactions and engagement and trying to step up new account acquisitions. The fact of the matter is a lot of our distribution, which has doubled over the last 5 years, will start to mature as we move to the next 5 years.

The fact of the matter is that we are trying to enable a lot of product and service delivery journeys, which can help in having a one-click experience, including on bundling of products depending on the needs of the customer. All this from a foundation and structural perspective is going to have a massive impact as we move forward.

As I mentioned as well, sometimes you do have some amount of extraordinary outflows that happen, because as you say, in retail, we mean at the branch banking level, there could be at the catchment some amount of small MSME customers or government deposits or some of the inherited deposits such as what we had in the past, some leverage FCNR (B), old FCNR (B) leverage deposits or some of the deposits that we inherited from the erstwhile HDFC Limited.

This quarter, we did have kind of an outflow of some of these large deposits in multiple such segments, which I've just alluded to, which is actually masking it. So in reality, you will see at

some point in time when some of these extraordinary outflows sort of become smaller, you will start the momentum coming about very well.

I think in the presentations which the team has displayed, you will see the productivity of the branches, which is deposits per branch continues to be very healthy and probably best-in-class in the banking system. Now I'm sure, Anup, in his next weeks or a couple of months' time will unveil his strategy. And one of the things is how do we create less pressure on the system to minimize the intake or inflow of corporate liabilities and then ensure. So, these are some of the things that will be a part and parcel of his thought process as he unveils to the world at large, including yourselves in probably a month's time or so.

So fundamentally, the institution is extremely strong. The distribution is very strong. The rigor is very, very strong in the right direction. So underlying core momentum is very encouraging that should sort of reflect in a very strong momentum as we move forward. Because our balance sheet is extremely large, and the fact of the matter is we have a good demand across segments, whether it's corporate, whether it's MSME or retail, the need to pick up some of these non-retail liabilities is a given. I think as we restructure and have alternate strategies on the balance sheet, including some amount of non-deposit strategies, I think we probably will have the proportion of retail becoming larger and larger, and it will have a kind of a downstream impact on multiple metrics as well.

Anup Bagchi:

Thank you, Sashi. Like I said, Mahrukh, in the near term, I'll engage with the regulators, customers, shareholders, and all other stakeholders to gather insights. And that will be the key input into our organizational priorities. I think team here is very, very strong. And we are aware of the general strategic imperatives that are required. Sashi spelled it out. And I'll come back to you, all of you, soon on those.

Sashidhar Jagdishan:

On the agri piece, I would like Kaizad to just step in.

Kaizad Bharucha:

Yes. So, on the agriculture piece, I think we're all aware that we've had a shortfall in the monsoon, which has been also not very uniform given the peninsula as well as Northern India. Having said that, the actual sowing, for the kharif season has more or less remained constant with a marginal decrease of about 1.5% or 2%. So, it's not had that kind of impact where the sowing is concerned. And consequently, if we look through that, one would believe that the crop therefore should have the output, give or take a variance of about 3% to 5%. As of now, as of September, compared to June, our gross NPA on agri has remained largely constant. We've not seen any signs of concern or deterioration. It has held steady. And we will observe the situation as it unfolds. But as I said, what is encouraging is that the sowing has largely been about, you know, about 108 or 109 million hectares, which is just a marginally lower level than previous year.

Srinivasan Vaidyanathan:

The book growth has also moderated well at this time. It's still not in a double-digit growth. It's single-digit growth, considering all of the conditions that Kaizad mentioned. Yes.

Kaizad Bharucha:

That's right. Yes.

Srinivasan Vaidyanathan:

Thank you, Mahrukh. Neerav?

Mahrukh Adajania: Thank you.

Moderator: Thank you. Next question is from the line of Kunal Shah from Citi. Please go ahead.

Kunal Shah: Yes. Thanks for taking the question. And congratulations, Anup. And thanks, Sashi, for all the interactions over the years. So, firstly, with respect to margins, again, margins are down to 3.32. So, when we look at it, in fact, the corporate book growth is not as substantial sequentially as we see with the other banks, but the impact on NIMs for us has almost been similar in terms of the quantum, which maybe, compared to the banks which have been growing faster on the corporate side. So, what is ideally leading to this? And the related question is on interest expense side, particularly this time, there is a sequential uptick in the absolute term. And it appears like the cost of funds have actually gone up quite significantly sequentially, at least when we do the average of period end. So, what is actually driving that cost further up?

Srinivasan Vaidyanathan: I can take that. One is, coming on the interest expense side, you'll see that our cost of funds is flat quarter-to-quarter, at about 4.4% last quarter to this quarter. Sequentially, it has remained flat. Ideally, we would have expected that to be better. Better means lower. It didn't because of the mix of the FCNR deposits that came in.

So, if you look at the deposit growth that we have had, 1.57 trillion, almost 1.3 trillion is the growth in time deposit. So, that outweighs from an overall cost mix point of view, and offsets the kind of a repricing on any of the back book that was coming in. So, that is why the cost of funds is flat.

And also, one other aspect that in the cost of funds that you see is also some relief from the AT1 bonds that were called in August on the callable date. So, that was a relief, but then that relief was also through other, because we did have a borrowing for leverage, so, we did have borrowing offset that.

So, that is why you see at an aggregate level, the cost of funds remained flat. That means the numerator by the denominator, you're looking at perhaps only the numerator of interest expense, but when you look at both, it's 4.4, which is on one of those pages which is published there.

The second aspect of it that you asked about is the mix of the corporate bank. Yes, sequentially, the corporate bank has grown 2.8% in this quarter. Year-on-year, it is about 16.4%, which you're seeing in one of those Pages, Page 10 or something that you're seeing.

If you're asking about how that mix will evolve over a period of time, I think both Sashi had mentioned it, but, Kaizad, you want to take that to say?

Kaizad Bharucha: Yes, sure. So if you've seen the slide, which is there already in the investor deck, you've seen how we have brought back the entire retail space. And I talked about it in April and then again in July on responding to questions as to where do you see growth coming from and what's going to be the focus area.

So I think if you look at that chart, it clearly shows you that year-on-year from 7.9% or 8% in a year, we have grown that to 12%. And we've grown also business banking significantly out over there, which consists of the MSME largely. And if I take just the business banking component, it

has grown very handsomely at 28%. This, of course, has been supported by the fact what Sashi mentioned that we had the benefit of the ECLGS 5.0, where the bank did obtain the leadership position, and we had the significant coverage, which aided the substantial growth going into the 28% year-on-year.

So you will see the retail, which has come back in the last year and certainly in the last 3 quarters. You will see business banking continuing to grow. We see the momentum there. We are seeing it in the economy and the mid MSME is certainly doing well out there.

Coming to the corporate side, we have a significant presence across corporate and a good footprint. It's not that we will not grow corporate. I think we've grown it at about 16.5%, 17%. Other players have been a couple of percentage more, but we continue to approach it with a good mix of working capital term and project finance so that we have a good build in the portfolio as well as we are cognizant of the returns on the portfolio.

So I hope I've given you, along with the charts, how we have evolved and what we had said. And I think this is a journey that will continue where we will participate both in the investment part of the cycle of the economy as well as on the consumption side.

Kunal Shah: Yes, absolutely. So I understand maybe the question was particular, I do appreciate the traction on retail and SME and even within the corporate, we are cognizant of the overall mix. The only question was maybe why still our margin decline is similar to what other players are, why we are not outperforming even on a low base compared to where the other players are. The decline in margins for us is almost similar. So that's the only question here.

Kaizad Bharucha: So I think you will see a change because there is a large amount of the back book which comes into play in retail. Typically, given that retail, most products are up to 4 years and therefore, about 20% to 30% of the book runs off every year, you are seeing the back book effect play itself out. And therefore, I think going forward, across the next 2 quarters, you will see that change coming through as we also grow the volumes in retail and MSME.

Moderator: Thank you. Kunal, I request to come back for a follow-up. Next question is from the line of Rikin Shah from IIFL Capital.

Rikin Shah: Good evening and thanks. I had a couple of questions. So first one, I wanted to understand how are you deploying the FCNR funds? How much of it will be used to retire wholesale borrowings? And at what incremental yields are you able to lend or invest in the money markets until you find the loan deployment opportunities? So that's the first one.

Srinivasan Vaidyanathan: Yes. Rikin, maybe I should go ahead. Rikin, the FCNR deposits, you can take it as deployed because we do need to deploy it as soon as possible. That is why you will get the benefit of the ANBC in the following cycle for comparison for PSL purposes. So it's not just about getting an FCNR deposit. The FCNR deposit needs to be deployed to get that benefit of PSL. So, it has largely happened, because money is fungible, as you know that. You don't need to mark, identify, tag this with that. But overall, at an aggregate level, we did have a deposit growth of Rs 1,57,000 crores, and we had a loan growth of Rs 1,58,000 crores in this quarter. So, the sources and uses are largely matched within the quarter.

- Rikin Shah:** Got it, Srin. The second one is on margins, right? So, I mean directionally, I do understand where the trend can look like. But specifically in the next quarter, I mean, with full-quarter FCNR impact on your cost of funds, how do you think the margins move? I mean, the cost of funds have started to move up, so directionally what happens in the next quarter for you in margin? Because the repo increase which has happened, that pass-through may happen only from 4Q onwards in your P&L. And an extension to that is if you could just share the split of your loan book in terms of repo, MCLR, and fixed, please.
- Srinivasan Vaidyanathan:** I'll start, and, Sashi, you want to jump in, you do that. One is that the floating rate book is approximately 70% of the total book. And so, the 25 basis points change that has happened in October should largely be factored in by December. Not for full quarter, for part of the quarter, it should be factored in. So, that's one. So, there's a tailwind coming from the rate change that will be positive. The full-quarter impact of the FCNR will be a headwind that will offset. But I don't want to call it a headwind. That is part of how the businesses are structured to operate. There will be some funding that will come, and choices that we make, and so there will be an offset to that through that process. So, net of that, we still think that there can be neutral to positive on the margin as we go forward. And I don't want to get to whether what is the next quarter and the following quarter, and so on. But from a trajectory point of view, I think that it is at the bottom. You want to add something?
- Sashidhar Jagdishan:** No, perfect. I think you have answered that. The trajectory will be upward from the next quarter onwards.
- Moderator:** Thank you. Next question is from the line of Parag Thakkar from Fort Capital. Please go ahead.
- Parag Thakkar:** Hello? Am I audible?
- Moderator:** Yes, sir. Go ahead.
- Parag Thakkar:** Yes. First of all, I would like to congratulate Sashi sir, and Kaizad sir also. And great welcome to Mr. Anup Bagchi. And I'm a core, hard well-wisher of the bank, and so I wish you all the best. So, my basic question was, one is definitely that because of the rate cycle itself, I think for almost all banks, I think Q2 should be the bottom of the margins, right? That is what you alluded to, right? Q2 margin is the bottom for us also, right? Like for all banks, because repo rate hike cycle has already started.
- Srinivasan Vaidyanathan:** Yes, by all account, Parag, that is what we were alluding to, to say that the rate cycle having already kicked in earlier in October, that is a good tailwind on repricing 70% of the loans which are floating. Large part of that is repo, and some of that is other methods, but then mostly it is repo. So, it is already kicked in, and by December, it should be in. So, I don't want to give you exactly how much and what and how it moves, but directionally, yes.
- Parag Thakkar:** Yes. So, it should start improving from Q3 itself, right? That is something which I think everybody wants to know because all other peer banks are also hinting at that.
- Srinivasan Vaidyanathan:** I mean, I don't know if you're asking for one number.

Parag Thakkar: No, not number. From Q3 onwards, it will be an uptick from Q2, right? That is what I'm asking for.

Srinivasan Vaidyanathan: These are the items that are in play, positives, and the headwinds will be some full, full-quarter impact of whatever has come through in Q2.

Parag Thakkar: Okay. And as Kaizad sir also highlighted, that already we are seeing started growth in business banking, gold loans, personal loans, and such areas where the yield on advances are slightly higher. And while the corporate growth versus peers was slightly calibrated in this quarter itself. So, can we think like that at now that is the trajectory to increase our margins going ahead? Because that is what others have also done and demonstrated without compromising asset quality.

And for example, yesterday PNB result I saw that they reduced their lower yielding advances by Rs 58,000 crores in a quarter. And they gave it to places where there was a higher yield, and that is how they were able to improve their Q-o-Q margins by 8 bps. So, something like that can be the trajectory going ahead for HDFC Bank also?

Kaizad Bharucha: You have to look at it in a more wholesome manner. This is not something where on a quarter-on-quarter basis you keep shifting the goalposts. There are relationships which you as a bank have to value and nurture and for a 10 basis points more in a portfolio or thereabout, you don't walk away.

So, having said that, yes, there is a clear move, as already demonstrated, and I referred to it a little earlier while responding to a question, you will see us having certainly come back with more vigor on our retail assets and MSME space. And some of those products within retail assets give you sometimes the same return as some of your products in wholesale banking. So, it's not to generalize it with one brush. So, there are certain products in consumer bank which give you a higher yield. And we will take a calibrated approach in getting a little larger market share in those products whilst keeping our presence across each of our business segments that we operate in.

Srinivasan Vaidyanathan: Thank you, Kaizad. One other point I do want to mention, Parag, for you to note, it's there in a detailed disclosures in our 20-F, which where you will see the return on asset by broad segments. Whether it is a wholesale segment or retail segment, the return on asset is very similar and comparable. And the reason is there will be certain products with high margin, some products with low margin, and then it compensates itself through cost dynamics which are going in the opposite direction of what the margin offers. And similarly, the credit cost dynamics also operates in the opposite direction of what the margin provides. So that the return, at the end of the day, the return on asset when you look at it is comparable. And as Kaizad said, to the extent that it is about relationship building, from a returns, both ROA and ROE, it would be appropriate to have the right mix there. Yes.

Moderator: Thank you. Next question is from the line of Piran Engineer from CITIC Securities. Please go ahead.

Piran Engineer: Yes. Hi. Thanks for taking my question. And, thank you to Mr. Jagdishan and Mr. Bharucha for leading the bank since COVID, and congrats to Mr. Bagchi and Puneet.

Moderator: Piran, sorry to interrupt. Your voice is not clear. Can you speak through the handset, please?

Piran Engineer: Yes, is it better now?

Moderator: Yes, thank you.

Piran Engineer: Yes. Hi. My first question really is on MCLR. Now, in the last rate cycle, HDFC Bank cut their MCLR much more than ICICI and Axis. Just wanted to understand the reasons behind that and in a rate hike cycle, could we expect the same?

Srinivasan Vaidyanathan: See, there are, there are several nuances on MCLR. It operates on certain rate dynamics that exist on the last day of the prior period, not necessarily representative of a month or a quarter or anything. So, such nuances are there, right? You operate with day's data when you look forward and do. The second thing is also that MCLR also has got a component of the cost. You know that our cost to assets is at about 1.74, 1.73 thereabouts, which again is low. And similarly, the credit cost also plays into the dynamics of determining what the MCLR is. Having given you all of this theory of what MCLR is, the proportion of our book that is priced to MCLR is minuscule, single digit.

Piran Engineer: Understood. Okay. So, you are saying you factor in the credit costs also, or the outlook on credit cost also? Sorry, am I audible?

Srinivasan Vaidyanathan: Yes. Yes, go ahead.

Piran Engineer: Okay. So my second question is on asset quality. Now, we have seen slippages improve on a YoY basis for the last four, five quarters. Just wanted to understand, is it really a function of our loan mix changing towards corporate, or is it more a function that in each cohort we are seeing better slippage outcomes?

Srinivasan Vaidyanathan: We are seeing better.

Sashidhar Jagdishan: Please go ahead, Srini.

Srinivasan Vaidyanathan: Yes. We are seeing better across most of these portfolios on the slippages, so it's not mix. That's why if you look at Page 19 that we produce, we just do not do ratios. We also put numbers. We just put absolute value of slippages where you see that, right? So, yes, if you look at a percentages, then the denominator of a low risk or a highly rated book could weigh. But you are looking at an absolute number there, which you see on Page 19. So, it's a combination of across all of those books that contribute to that slippages. And the credit environment has also been benign for a long time and continues to be benign.

Moderator: Thank you very much. Next question is from the line of Chintan from Autonomous. Please go ahead.

Chintan: Hi. Thank you for taking my question. Firstly, congratulations to Sashi, Srini, and Kaizad for a long, successful career at HDFC, and I am sure the next chapter will be equally fascinating for you. And congrats to Anup for the new role.

My question would be, as kind of Anup comes into the role, what would be your guidance to him in terms of, with hindsight, what were maybe one or two or three mistakes that have happened

over the last three to five years? And I wouldn't say mistake per se, hindsight is a cruel reviewer. But with hindsight, what could have been done differently, and what would you recommend Anup does differently? Would love to be a fly on the wall of that conversation.

And then my second question would be on pricing policy. I think when we started the last cycle, say '22, when we had the big credit boom, the industry, and perhaps you as well, probably assumed that CASA ratio will come back for the industry, and it just hasn't come back. So, all the calculations you do in terms of anticipating ROEs for future business probably has been out of whack for the full industry. You have many a times highlighted that pricing has been irrational in the market. Do you think that on the current spreads that the industry is making, the industry is able to make an ROE above cost of equity, or there is a need for industry to think about repricing its cost of funds into its customer spreads? Thank you so much.

Srinivasan Vaidyanathan: Chintan, thank you for that. I will start, and then I think the others will join in. Your question of whether the cost of funds opportunity through better CASA mix, is it capped at this stage due to whatever customer behavior and market situation, I do not believe so. I am not going to talk about the industry as a whole, but I am going to talk about our bank.

For our bank, with the distribution that we have done and with the statistical models that we see in terms of how it progresses through the maturity model, we do think that the space to get more customers, more balances, increase the market share in certain of the districts out, out of the 765 districts that we are in, more than 54% of the districts, significant opportunity exists because we are 2 to 3 percentage points lower than our average market share in those markets, right? So, those are nascent branches. And so, when you look at whether household deposits do exist in those markets, right? So, that's what you go to look for. You may have a market share opportunity. But is it household deposits? Yes, it is the household deposits that are available in those markets to take. And if you look at the companies or the banks that are there, currently incumbent banks which are there, these are some legacy banks which are there, who have been ceding market share over time, and we are confident of continuing to impress upon those customers to get to us. So, I just want to leave the thought saying that it's not a saturated play, but at least the statistical model shows that there is a space there.

Sashidhar Jagdishan: See, if you really look at it, probably it's not in the public domain as yet. But when we split the deposits into retail and non-retail. And you look at the retail CASA ratio, it's a very healthy number. It is, you know, in the late 40s, and that's been a kind of an average, which is pretty much stable over a long period of time.

It's just that, you know, the balance sheet is so large. And the fact of the matter is that over the last 3 years, we have had to substitute the borrowing maturities of the erstwhile HDFC Limited, which is almost nearing about INR2.6 lakh crores, which necessitated the institution to take more time deposits, substituting that.

So, effectively, apart from that, as we have all of us seen and as you have alluded as well, the incremental accretion to low-cost current and savings accounts in the system is becoming smaller and smaller due to the fact that there is a structural shift that is happening in the household savings

behavior. Now, when you put all this together, structurally, I think this is going to be an issue in the system over a period of time.

But having said that, which Anup and team will unveil it in the near future, you know, there may be certain structural adjustments that one may have to do not just on a onetime basis, but maybe on a continuous basis on the balance sheet side, which will ensure that we continue to have patronized core retail deposits. And he will find alternate ways of trying to see how to keep the funding requirements to the bare minimum, which is far more affordable and which does not stretch the system, which will necessitate us to, you know, take on high-cost liabilities and hence, the CASA ratio may be protected in future. These are all blue-sky thoughts since you mentioned what is it that one would need to do. But having said that, why, you know, conjecture that, Anup is here. I mean he will probably talk to you all in about a month's time to both the sell and buy-side analysts. And that, as I said, I'm sure you will hear from him directly, but give him some time. Thank you.

Chintan: Okay.

Moderator: Thank you. Next question is from Nitin Aggarwal from Motilal Oswal. Please go ahead.

Nitin Aggarwal: Yes. Hi. Good evening. And thanks for the opportunity. I would like to firstly thank Sashi, Kaizad and Srini for the valuable leadership and all the insightful interactions all these years. And also congrats, Anup, and convey my best wishes for the journey ahead.

So, first question is on the manpower requirement, if I look at HDFC Bank over the last 3 years, our employee base has been the same, which is partly the way the trend has been for the all private banks to some extent. But how do you look at trend over the next 2, 3 years? Will the operating leverage, will the gains from digitization continue to drive a similar trend? Or you see some changes happening to the employee hiring run rate over the coming years?

Sashidhar Jagdishan: Nitin, you will be risking asking me this question, and I hope I don't put Anup in a spot. But having said that, the view I have is I think the technology investments is on the cusp of being harnessed much more than what we had. I think it's coming out of the investment phase. So, that's part one. And that's pretty much reflected in the fact that a fair amount of our product and service journeys are becoming far more straight through, which means that the turnaround times for the deliveries of products and services has been coming down, which means that the capacities are increasing.

The way I see it is that as we see the adoption move up, as we see the overlay of AI on top of these applications becoming far more mature, the need for enabler functions, whether it is, firstly, the business enabler functions, whether it's the operations or the credit verticals and maybe in future, the corporate enabler functions, you know, will not need to have that kind of a capacity in their verticals in future.

But having said that, we are still about 11% to 12% of the market, which means that the runway for growth is massive. And we have said this in the past, and I continue to believe, and I'm sure Anup will also sort of look at these aspects. We believe there would be a kind of a mix change in our employee composition. We'll have more and more people in the frontline customer-facing roles and we'll have lesser and lesser people at the back end. And maybe there'll be some who will

move on to technology as well, because technology investments are going to be extremely intense and large going forward.

As we see that kind of a transition that keeps happening and which is still some more time to go, I believe the institution will try to maintain the staff count and try and move more and more people to the frontline. But there will be an inflection point. The fact of the matter is, when the opportunity is pretty large, they will start to hire incrementally even in the frontline and maybe at some point in time, even at the back end.

So, I think India is going to be blessed and so will the institution, whoever adopts the digitization and AI in a very significant manner. I would say that this would be the trajectory where it will remain flat and probably it will start to increase over maybe three, four years' time. Anup says that he is also on the same page. So, I will now ask him as an investor like you all.

Srinivasan Vaidyanathan: But Nitin, one thing, don't lose the sight that if you look at our resources, head count addition, you're talking about last one year or two years where it is modest. And so any growth that we have had over a one-year period, which is a 15% or over a two-year period, when you look at it probably still in double-digit that is fully productivity-realizing.

But when you look at a longer period, let's say, take a five- or a six-year period, we have added 10% compounded annual rate of growth on head count, 10% we have added. And we've got volumes which are like high teens, 18%, 19% thereabouts, which means we've realized productivity which was single-digit when you look at a long period. In the recent period, double-digit productivity. So, more room there to realize the productivity there. That's what he's saying. And there are there are tools that he talked about that will give, but even without tools, the productivity is still in store to be realized there.

Nitin Aggarwal: Right. Got that. And the other question is on the liabilities, because I believe that liabilities accretion is something that has to be the most important, because even this quarter if you see, be it the LCR ratio, CD ratio, this is a quarter wherein banks benefited from FCNR deposits, but these ratios have still not moved in the right direction. So, can we really rely on to the branch productivity metrics that we have historically seen over the long period in a very changing market environment? There are banks who are not investing in as many branches, but playing on rates probably, and generating pretty healthy liability accretion. So, what all initiatives, what all levers can we pull to accelerate liability growth over the coming years? So, again, this question is open both to you, Sashi and Anup.

Sashidhar Jagdishan: So, don't go by a quarter phenomenon, Nitin. The fact of the matter is, I alluded to it as well, whilst the underlying momentum is very encouraging, unfortunately, you had some large, one-off outflows, which is not within our control, some planned, some unplanned as well, which necessitated the institution to take resort to some of the non-retail deposits which have a lesser LCR cover and which is the reason why you're not seeing commensurate improvement in the LCR ratios. But the institution is seized and I'm sure that over a period of next couple of quarters, you will see a strategic thought process as to what one would like to do and what they will be doing in terms of not only ensuring that the core liability momentum continues in a strong manner to what

are the balance sheet adjustments one needs to do to ensure that the LCR coverage is also very healthy.

Mind you, whilst you're looking at an LCR, there's another metric called liquidity which may not be visible to you all but the institution's liquidity is extremely comfortable and probably slightly more than comfortable. So, I just want to leave that thought to the larger world and the audience that a low LCR does not mean a low liquidity. The liquidity is extremely comfortable.

But having said that, we hear you, and you will see a kind of a thought process in the near future from Anup and team on what they are planning to do in improving core liability momentum and the LCR glide path as well.

Moderator: Thank you. Next question is from the line of Ankit Bihani from Nomura. Please go ahead.

Ankit Bihani: Yes, hi. Thank you for the opportunity. So, I had a question on LCR again. So, at this level, now we're at 113%. Will this become a constraint on your incremental loan growth going ahead if the deposit mobilization remains relatively weak? And further, post the FCNR thing, we have still seen HDFC Bank be quite active in the CD market. Why is it so? And given that what I understand is that certificate of deposits are kind of LCR positive, given that their run-off is 100% only on the month they are maturing. So, if you could shed some light on that. And my second question is on the draft insurance norms. Any analysis that we have done, what could be the impact on our bancassurance income there? And the third is on the PSL front. So, we have seen on the SMF side, the shortfall has widened. What are we doing to address that?

Srinivasan Vaidyanathan: So first is the LCR question. Yes, we would like to operate between 110 and 120, which we have told you over last few years, somewhere probably in the middle, 115. Yes, we are at 113 or so. That's part of how time to time space on growth that one has to use. You know that the regulatory standard is 100, but we do operate, want to operate between 110 and 115. Yes, we do need to keep that at that kind of a level for us to keep growing. So, that's one. Your thought process and assumption that we do need to use that as an important kind of a floor somewhere around that level so that we are able to grow is correct.

CD issuances, that's part of what market opportunities exist. And Sashi alluded to certain outflows that we manage, replace one large ticket with another large ticket. And so, if you look at our total deposits, branch-driven deposits is at about 80% or so of the total, which is on one of those pages that we have published, you will see that. So, within that, whatever the churn that happens has happened. And again, we'll be opportunistic to take whatever is available at a price that is suitable there.

The third one was relating to draft insurance policy that is there, as you know it is still in a draft form calling for comments by end of sometime in November, I think, is due. The comments are due. Once that settles, we will know where it is. But one thing, yes, indeed, the cut down in the commission rates is quite high. There are three other things that one need to work with to see as soon as we know where that commission rate settles. One is, what kind of persistency pick-up it will provide, so that could be kind of a positive effect to that. The other one could be this whole exercise of better commission rates, so thereby lower cost of insurance is the goal. It is not about

the commission. It is about how does the end consumer have a cost of insurance which is low, which means higher levels of participation, which will mean more volumes. That's the second thing. And the third thing is, of course, the cost structure itself, right? One has to address if some of the commission structures are changing, you'll have to address it through some cost structures too, right?

So, in terms of what do you have in terms of certain programs that we could combine and bring some efficiency there, both on our side as well as the manufacturer's side, we need to work on that, because there is also expense of management targets there. And for us also, when the commission goes, we'll look at our structure of what we spend, particularly certain variable related. So, we do have certain levers to work. But yes, in its current form, when you look at only the commission, it is pretty strong, pretty high impact.

Ankit Bihani: And on the PSL, the question on PSL?

Srinivasan Vaidyanathan: See, our PSL achievement is at aggregate level, about 50% or so. So aggregate level, we are quite okay. The place where we always scramble around to make it is the last 2 miles on the small and marginal and weaker section that they have a dual qualification. The small and marginal farmer, to the extent it's available, we are there to take, either originate organically in our book or buy it in the market. It's very scarce. So, it's not available. The cost is high, right? And that's true. And we are in the market to buy, and we are short by a few percentage points, and we are trying to address it in whatever way we can, to the extent it's available. And if you have anything, your organization can broker to sell, we'll be happy to buy.

Moderator: Thank you very much. Ladies and gentlemen, we will take that as the last question. I now hand the conference over to Mr. Vaidyanathan for closing comments.

Srinivasan Vaidyanathan: Yes. Thank you, Neerav. Sashi, over to you for final remarks.

Sashidhar Jagdishan: Yes. So, as we were in the call, I think the world would have just got another notification to the exchanges that our dear colleague, Kaizad, has requested for an early retirement by end of December. I would like to sort of really place on record this wonderful contribution of Kaizad to the institution. He's been a founding member. He has been one of the key architects of the USP of the institution, which is the credit architecture, and then moving on to a fair amount of areas of business, now handling the entire asset side of the balance sheet. It's going to be a big loss to the institution, but obviously he has done it for the right intentions and for the love of this institution. I think we'll all miss him, but my best wishes to him and his family for such a wonderful stint at the institution. Thank you, Kaizad and the very best to you.

Kaizad Bharucha: Thank you, Sashi.

Srinivasan Vaidyanathan: Thank you. With that, we'll sign off. And any other questions, comments, or other inputs that you all need, please reach out to our Investor Relations team and we will be happy to join and participate with you to discuss. Thank you. Bye-bye.

Moderator: Thank you. On behalf of HDFC Bank Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.