HDFC BANK

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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July 24, 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 ended June 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, July 18, 2026 with respect to the unaudited standalone and consolidated financial results of the Bank for the quarter ended June 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**

AJAY GIRIDHARILAL AGARWAL
Digitally signed by AJAY GIRIDHARILAL AGARWAL
Date: 2026.07.24 15:42:38 +05'30'

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

"HDFC Bank Limited

Q1 FY27 Earnings Conference Call"

July 18, 2026

MANAGEMENT: **MR. SASHIDHAR JAGDISHAN –** MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – 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 Q1 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 touchtone 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 Mr. Vaidyanathan.

Srinivasan Vaidyanathan: Thank you, Neerav. Good evening and a warm welcome to all the participants. We have today with us our CEO, Sashi Jagdishan, and our Deputy MD, Kaizad Bharucha. I'll hand off the call to Sashi and then we can take it forward from there.

Sashidhar Jagdishan: Thank you, Srini, and thank you all for joining in on this investor call for the Q1 results for FY27. As you know, we navigated during this period certain challenges over the last four months. Our people have kept steadfast focus on customer needs and further built the franchise. It's been a very tough period, but I really am proud of them and thank you to each one of them who really stood behind in continuing the strength and resilience of the institution.

I also sincerely thank the board for their guidance and more so Keki Mistry for chairing as the Interim Chairman during this period. I also heartily welcome our new Chairman, Rajiv Kumar. We look forward to taking the franchise to the next growth stage. With the appointment of Mr. Rajiv Kumar, there is a sense of stability and a clear signal to minimize uncertainties in a very short time period.

Coming to some of the accomplishments in Q1, the deposit growth continues to be relatively better than the historical Q1 trends. We continue to gain market share both on an incremental basis and on a stock basis as well. Our productivity at the branch continues to move up and we realize benefits of the investments that we've done over the last five, six years.

Advances, as we had envisioned a while ago, I think we are on the verge of pressing the pedal. As you have seen, the advances have done very well over the last three, four quarters and that trajectory continues. We are focusing on certain customer segments to manage more longer-term opportunities.

Our focus now, as I may have mentioned in the past and also in our annual report, we are trying to take customer service to a different level, especially in focusing on the turnaround time of product and service offerings. We're now measuring it at a more granular level across the length and breadth of the country. We are reimagining our digital journeys analytics so that we are able to have a new levels of adoption. That should sort of bring in fair amount of efficiencies in the quarters to come.

As regards environment, we see our policy responses have been very timely and effective. There is a very healthy credit demand that we are seeing in the system as we speak. We believe that the FCNR policy window that has been offered to the banking system is a great opportunity and we are focusing on that. We've spent a large part of the month of June in completing the documentation and approvals necessary from our side and also from the counterparty banks across various jurisdictions. The ECLGS scheme 5.0 is also a very good opportunity and you will see a fair amount of growth that we will pick up in the mid-market segment.

Competition has been very intense, both on the corporate side where the spreads continue to be very thin and we have been rather selective, but we are also looking at a holistic primary relationship engagement. The deposits rates on the granular side has been reasonably stable, but on the non-granular side, I think rates have continued to remain elevated.

This quarter, you may see some amount of mix change in terms of more non-retail shorter-term asset mix, the cost of funds moderation, these are all elements which I believe are just tactically being managed. Fundamentally, the franchise continues to be extremely strong and we will be stepping up the multiple product offerings and one customer view and you will see the changes happening in the quarters to come.

Productivity is a very key focus and you would see the outcomes of the efficiencies from our focus on digital adoption, the process re-engineering, the kind of customer focus by the senior supervisory architecture which will ensure that we are able to turn around the delivery times much shorter than what we have ever enjoyed and what the best-in-class market is offering today.

We have provided a fair amount of tools for deeper customer engagement as I did allude in terms of technology. We are on the cusp of harnessing some of the GenAI technologies on our processes and we do have a fair amount of lighthouse programs that will go into production during the course of the year. Obviously, all of us realize that security is going to be an extremely important part of our strategy and we are focusing on seeing how we can leverage on AI to augment our defence mechanisms as well.

Of course, there are risks in the horizon in terms of the weather-related disruptions like El Nino and also the geopolitical situation in West Asia. But I think the country has weathered these reasonably well. I think we continue to remain very sanguine. We are prepared for as the country and hence as a company in terms of weathering any such challenges in the near future.

I once again thank everyone for a wonderful performance despite a lot of challenges that have happened over these several months. I think good times are here to come and we stay committed towards customer and other stakeholders in terms of what HDFC Bank has always been to all these stakeholders over these last 30 years.

Thank you so much and over to Srini.

Srinivasan Vaidyanathan: Thank you, Sashi. Neerav, with that, let's open up the line for questions. We go straight into the questions relating to the earnings of the quarter. Please go ahead.

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. My first question is on margins. Do you think margins have bottomed out now? That's my first question. And, what are the headwinds or tailwinds for margins? How would the FCNR mobilization impact them? So that's my first question. And my second question is that HDFC Bank does require one more ED, right? So when will we hear of that appointment?

Srinivasan Vaidyanathan: Okay, first probably I'll take the first part of the question, how to think about the margin. There are two aspects as you know, one, the cost of funds is the biggest opportunity on the margin where compared to our historical norms as well as compared to what we have seen in the industry as such, there can be 40, 50 basis points change, but it is not going to change in a hurry.

And the elements of that is one is the liquidity, country's liquidity scenario needs to be slightly different than where it is. For example, even in the recent quarter, the average liquidity in the system was about 2.08 trillion. However, the peak was 5.5 trillion and the trough was a negative 0.43 trillion. So there's a big difference between the peak and the trough and on an average it is 2.08. We need that standard deviation to that average to be minimal so then there could be an active market where the rates can stabilize well. And that's part of what the policy is also envisaged and you've seen that FCNR or the swap window and all of that is in the direction to ensure that there's adequate flows and there is a stabilization of the rates there.

So it depends on that and that's what determines both the deposit cost, particularly the non-retail deposit cost. The retail deposit costs, us as well as various players in the industry, have been circumspect and have been steady there. But the non-retail deposit costs have been elevated.

And similarly, the borrowing mix has not come off yet. We still remain at about 11%. That continues to be a space that we keep watching, but again it doesn't change in the short term and doesn't change in a hurry. CASA mix again, we've been relentlessly following up on the CASA. I mean on a quarter-to-quarter basis we can't see and we don't judge, but on a yearly basis for the year that went by, for example, March 26, for which data got published across the industry, while we grew between 9.5% - 10% or so, we still gained market share on that, right, on that front. And so we do envisage and we are positioned with our distribution and customer addition to get that, but again that is a journey and not a shorter-term impact. So that remains on that. On the asset yield, asset yield is a function of whether if you ask me whether the margins have bottomed out for the year we can talk about. Quarter-to-quarter we cannot and we don't manage for the shorter term. The reason is there are timing in the year through which various types of loans get booked and so we have to wait for the year to see, but we do think that on a full-year basis, we are well positioned with our reach and with our customer selection to be better.

Sashidhar Jagdishan: As regards the second question that you asked about, enhancing the number of the Whole-Time Directors on the Board. Yes, there are several milestones which the Board is seized of, including, with the appointment of the new Chairman, from a new part-time Chairman. Some of which all of you know. I think a fair amount of action will be visible in a short time period and I would like you to sort of wait for the same.

Mahrukh Adajania: Okay, thank you very much. Thanks.

Moderator: Thank you. Next question is from the line of Pranav Gundlapalle from Bernstein. Please go ahead.

Pranav Gundlapalle: Hi, good afternoon. Thanks for taking my question. Question is largely on the branch network where we had a big boost in FY22, '23. Do you think all the branches that were added in that period are scaling up the way or have scaled up the way you would have initially expected? And the related question is on the SA market shares, which have been -- the incremental market shares have been largely flatlined despite the branch additions. So what should change for us to once again start seeing meaningful gains in SA market share?

Srinivasan Vaidyanathan: Yes. I'll first talk about the branch as such, right, from a branch vintage model. Yes, about close to 40% of the branches are less than 5 years and yes, those time period that you mentioned, we did make a significant addition to branches. If you look at the per branch metrics, we are about INR 330 crores per branch currently. And if you go back to the FY'23 time period, we were INR 266 crores per branch. And if you go back even further, right, it's less than INR200 crores. So the point is the branch addition at an aggregate level, the early vintages are performing to the legacy branch vintages and the legacy branch vintages are also progressing towards what a 10-plus years and a 15-years plus years will do, which is what is demonstrated in the average per branch when you see it INR330 crores per branch is extremely productive and one of the best in class in the industry on a per branch basis. So, the branches are behaving according to the model that is envisaged.

One thing I want to mention is that while it's very important that the branches are the key arm to get the deposits in, branches are a very significant part of how we grow part of the retail assets and the small and medium enterprises loans, SME loans. The wholesale and the top corporate mid-corporate loans get centrally managed through various relationships, but branch level is where all the other segments operate and the growth that you see there, these branches do deliver all of those things, right? I just want to leave the thought there.

And in terms of the SA, the savings account that you mentioned, one thing that if you look at the household deposit growth in the country as such, when you're looking at the data that gets published by RBI across various categories, segmentation of deposits, household deposit growth is one of the lowest among various, right? When you look at the corporates, when you look at the government and institutions and when you look at the households, the household deposit growth is one of the lowest. That doesn't mean that that's how it's supposed to be, that's it's going through that phase of how it's remaining in the single digit. And the way we have approached to address this is there will be only certain level of savings accounts anybody will have. And that is why the distribution reach and addition of the customers is about increasing the unit and so thereby the unit value can marginally go up. We need the unit. So, this is about the unit economics that we need to drive and at the same time as we drive the unit economics, we are today little more than 100 million customers, and as we drive the unit economics, keep the cost in check and under control on efficiency so that we scale this. That's what is happening, the scaling is happening with unit economics slightly moving. Because we are not counting on the household deposit growth to go from 8%, 9% to a 15%. That may happen, may not happen, but that's not our approach. Our approach is to increase the units to get that benefit. Sashi, you can add.

Pranav Gundlapalle: Srini, if I can just follow up, like my question was largely on the relative basis. So you obviously had a very, very high productivity to start with, but if you see it relative to the system, it's actually come off a bit in the last three years. Same with, you know, deposit growth, SA growth, etcetera. You had a very big delta with the system with the peers. That seems to be narrowing.

So, some color on what has changed. Like are you adding the same number of accounts? Is it balances that are coming off? Some color there that will reassure that you'll eventually get back to industry-leading growth.

Sashidhar Jagdishan: So, Pranav, thank you for that. I mean, number one is you yourself alluded the fact that we've had a fair amount of investment in distribution over these five years. So our denominator has a fair amount of branches which will start to, you know, generate more and more customers and hence balances as we start to move into the 0 to 5, 5 to 10, 10 to 15 vintage of these investments that will happen. And you have seen in the in our presentations how the economics work for different vintage branches. Number two is despite that, the productivity may have come down relatively, but it's still one of the best in class in the industry. The second part of it is, as Srini was saying, it is a fact that in the last couple of years or more so three years, the industry and the system were also plagued with a fair amount of number of accounts which were not necessarily behaving in an orderly manner. And what I meant by that is you did see a fair amount of fraudsters using accounts as mules and that sort of started to increase in the banking system significantly. We needed to, you know, we use a fair amount of our algorithms and rule engines to try and see how we can bring in some amount of quality acquisitions over the periods of FY24, '25 and '26. I think these are the three or '25, ‘26, which is what we did and that was pretty much reflected in the slowdown in the new acquisitions because we were gearing ourselves to the new realm of better quality acquisitions. As we now move forward, you will and one should see a step up in as what Srini calls it unit economics in terms of the numbers moving up at the quality and the kind of diligence that one would necessarily need in this kind of an environment, digital environment, and that is what we are trying to do. So, I guess it was a matter of correction to ensure that we put in a guardrails not to bring in unwanted accounts.

I think as we move forward, I think we are reasonably confident that we not only should reach reasonable healthy numbers in terms of annual momentum depending on the capacity of the overall 9,700 branches, but also the quality acquisition value unit value as well. So my hunch tells me that I think you should see reasonably healthy growth over a one, two, three-year period in the savings account as well.

Pranav Gundlapalle: Very clear. Thank you, Srini and Sashi. Thank you.

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

Kunal Shah: Yes, thanks for taking the question. So firstly on margins, so now we are almost down to 3.4 odd percent. Borrowing has also come off to 11 odd percent and we had highlighted that it can come down to 8, 9, so not much room left out there. Obviously, it's a competitive environment, but with this franchise, where should we eventually see margins settling down because earlier the expectations were much higher, but now it's trailing a bit and what would actually lead to this? What are the levers available for the same? So that's the first question.

Second is when you look at it on the FCNR deposits, last time we were quite active, we mobilized the largest chunk. So if you can just guide in terms of you mentioned like documentation is on, but what is the kind of number which we would look at or maybe the market share in the overall FCNR deposits that we would want to target at this point in time?

And thirdly on CEO reappointment, if you can just highlight in terms of where the process is because it's now due, so has it been already applied to RBI or would there be announcement from the board in terms of the approval and then we would see the application to the RBI? So, if you can just highlight in terms of the process where we are in terms of the CEO appointment?

Srinivasan Vaidyanathan: Okay, I'll handle the margin then. First is, Kunal, thanks for asking that. One is I do want to mention that the borrowing mix which is at 11%, we don't expect that it will just settle at 8% or 9%, right? The industry is more like a 5% or a 6%, right? So we do think that the maturity should take care of that to some extent and the overall growth should also take care of it to the balance of the extent because as the growth happens and you don't need to fund only through borrowing, so then the borrowing percentage will dwarf and come down.

Now, that's one. Second thing connected to that you asked is what is the longer-term margin, where does this settle, right? See, the again as I mentioned both from a when you benchmark and see against us and against the peer group and so on, the cost of fund elements that needs to play out are very much intact and those are being…

Moderator: Participants, please stay connected while we check the management connection. Ladies and gentlemen, thank you for your patience. We have the line for the management reconnected. Kunal, may I request you to help serve where the line dropped, please?

Srinivasan Vaidyanathan: Okay. Thank you. Kunal, where did it get dropped?

Kunal Shah: So, you were mentioning that cost of funds benefit is yet to play out, yes.

Srinivasan Vaidyanathan: Yes. Cost of funds benefit will play out and it is very much in the works, both in our annual review of plans and as well as our strategic review. It's very much where we envisage and receiving the attention of various verticals to get that, right? Both from a mix of products within the deposits as well as mix of borrowings within that, very much there to get.

On the asset side, the mix of assets is also an important contributor for a longer-term margin. Today we are at a 52% retail mix. At our kind of an experience that we have seen, we were at about 60% or so and we always have thought that India's consumption component of the GDP is at about 60% and that's where we want to be as far as the retail mix is concerned because that's where we will mirror the economic growth and fortunes in the country so we can be going in tandem with that. And so, that mix of the asset is also an important contributor on that.

Kaizad Bharucha: As regards the third question that you had on the reappointment of the MD, I can, share with you that the GNRC and Board is fully seized of the matter and that is work in progress and as they arrive at a conclusion, we will certainly make the necessary announcements in that regard.

Sashidhar Jagdishan: And as regards FCNR (B), as I mentioned, even in 2014, the pace started to pick up only in the second month of the announcement. The first month, like in 2014, I think we have spent fair amount of time in the documentation part of it and the approvals both internally and also the respective counterparty banks. And you will see in the month of July, August, September, we have certain milestones. I'm sorry I can't sort of put a number to that in the public domain, but you will see a very handsome, or that's the endeavor to ensure that we are reasonably strong and significant market share in the market.

Srinivasan Vaidyanathan: Okay, thank you. Nirav, we can go to next. Thank you, Kunal.

Moderator: Thank you very much. Next question is from the line of Seshadri Sen from Emkay Global. Please go ahead.

Seshadri Sen: Hi, thank you for the opportunity. Can you hear me?

Srinivasan Vaidyanathan: Yes, yes, Seshadri.

Seshadri Sen: Thanks for the opportunity. So, a little bit of a follow-up on Pranav's question on deposits. So am I to understand that this, you know, decline in the CASA ratio is temporary or is a passing phase and as your, customer acquisition engine starts to fire in, we will see a restoration also seeing, you know, the share of wholesale deposits rise albeit not by a large amount, but it's gone up from 17% to 20%. And you're right that does reflect what the RBI has been talking about in change of the composition of deposits. So, being a large bank, do you think that even if the system, you know, continues to gravitate towards wholesale and non-CASA deposits, you'll be able to get back to your earlier ratios once your customer acquisition engine starts to bear fruit?

Sashidhar Jagdishan: Okay, let me let me try and attempt that, Sesh. For a start, the endeavor and our vision is to reach to somewhere near the pre-merger levels or just around the time of the merger, which was around 38.

Srinivasan Vaidyanathan: Post the merger we at we were 38 and before that we were 40.

Sashidhar Jagdishan: And as Srini had alluded, obviously there has been a significant change in the household savings pattern over the last three years more so. So, what are we trying to do? We're trying to see how we can gain more incremental market share on our low-cost funds much more than what we have as as a stock share. That's the first part of it.

Obviously, our appetite to grow is much more, so there is a need to, you know, even grow our time deposits and the result is because if you need to grow, then you would need a certain amount of time deposit growth which invariably over the last couple of years has been much higher than the low-cost funds growth rate. So therefore, the CASA ratio has been a little bit on the lower side.

So, the thought process that we have as Srini did mention is that we are probably now after putting in our guardrails in terms of what kind of customers need to come in into the institution from an acquisition perspective, I think we are now ready to press the pedal. I think that is what the entire franchise is driving about and maybe over the next nine months we hope to see a fair amount of change in the acquisition numbers and hence value.

If that sort of really changes the growth rates to be much better than our time deposit growth, I think that will be wonderful. But obviously, you know, world is not so perfect. And having said that also, I mean if you are also 50% of your balance sheet is non-retail which is wholesale, you know, you cannot really ignore that particular franchise as well. We cannot sort of pick and choose what we want. We need to ensure that we are there for all the needs of the corporate customer, whether it is for deposits, whether it's for cash management, whether it's for any other type of facility as long as the appetite is there for us. So yes, as I said we we're now not looking at a quarterly measurement. We want to see at the medium to long term.

I think while this quarter it could be a 20% mix in terms of deposits, etcetera, but I guess these things then normalize and in the medium to long term, I think it's been more or less stable, which is what we have seen over the last 10 years. Our focus is going to be on retail because that's where you get the advantage on deposits, on the cost of funds. But at some point, in time from a holistic relationship perspective, even we need to patronize some of the capital markets and also the corporate segments as well. But be as it may, whilst margin is something that a lot of us have been focusing on, for us there are areas that we want to first, because margin will play out as we move forward. I'm sure assuming all things remaining same from next year there will be the base effect will wear off and how this sort of plays around is not something that I'm necessarily focusing. I need to be in the market, we need to be competitive, but we want to be competitive in such a way that we are able to garner a lot of efficiencies arising out of our enhanced and stepped-up focus on customer service, which will bring down turnaround time and hence will bring down the capacities in the back end which will move to the front end, which will see a fair amount of efficiencies over the next two, three years. This is how we are planning strategically and if in the bargain in the process, the outcome also sort of helps us in getting a better low-cost funds proportion and hence better margins, I think that's kind of a bonus as well. So, we are very focused on three or four things. Customer focus, to the level of obsession, riding on technology, especially in terms of embedding AI in our journeys. Three is trying to ensure that our daily operating rhythm just reduces the turnaround time for product and service delivery.

Four is stepping up and releasing a lot of capacity at the customer-facing end to be able to engage more with the customers and hence more of business momentum coming about, which is growth. And then the very fact that we are cutting down on turnaround time, efficiency should lead to better cost-to-earnings efficiencies as well. So this is an offset which is what we are looking at. And if in the bargain that we also sort of get the benefit of improved CASA ratios, CASA mobilization in the over the next two, three years, I think that's going to be a jam in over our strategy.

Seshadri Sen: Thanks. Just a quick follow-up. Given your investments in front-end tech and customer service, do you think there's also an opportunity to increase wallet share in existing and vintage customers? You were talking about customer acquisition being a driver, but do you think that that's also an opportunity?

Sashidhar Jagdishan: Yes, absolutely. Because see, the moment we start to focus on that and when we try and create a kind of a best-in-class experience, why would any customer move out? I mean, that's one of our key objectives. Gain market share within our existing base itself or even from a new-to-bank acquisitions as well.

So that's going to be our next two, three-year journey and we're all seized of this. We're not sort of too worried about the segmentation. I mean, we need to be agile in any customer segment that we are participating. Today we are focusing more and more in the retail and MSME segment. I'm sure we have a strong hold in the corporate segment, but even on that with the implementation of new technologies over a period of time. We have been prioritizing more on the retail and MSME segment, but I'm sure even the wholesale corporate and capital market segment will also get that and that will also sort of see a kind of a change in terms of the wallet share increase.

Seshadri Sen: Thank you so much. Thanks and all the best for the rest of the year.

Srinivasan Vaidyanathan: Thank you, Seshadri. One thing I do want to add is that while there is a relentless pursuit for CASA, granular CASA, that includes current account too from the retail merchant type of customers, time deposit continues to be a very big opportunity because only 14% of our customers have time deposits with us. So there is an enormous opportunity for a deeper penetration on that. And so it's not this or that, it's both. I just want to mention.

Moderator: Thank you very much. Next question is from the line of Suresh Ganapathy from Macquarie Capital. Please go ahead.

Suresh Ganapathy: Yes, sure. Thanks. Just two questions. One thing is your PAT growth or your earnings growth has been lagging your balance sheet growth, right? Look at last year, if I look at this quarter, it's been just 5%. Balance sheet growth is well upwards of 13%, 14%. So are you confident over the next two, three years you can get earnings growth above balance sheet growth? Because if you're going to grow at 15%, would earnings grow well above that? Are you confident of doing that? That's the first question.

The second question, I mean one of the biggest aspects post the merger is that sharp decline in CASA down to 34%. I know there are several reasons for it. All of your peers are at 40%. I know even RBI's own financial stability report has explicitly talked about that the correlation between rates and CASA is breaking down completely. So it doesn't mean that if rates are going to go down, CASA may go up or anything like that as per Reserve Bank of India's own report. So how can you go back to the levels of 40%? So just wanted an answer for these two questions.

Srinivasan Vaidyanathan: Okay. The first one in terms of the profits, Suresh, just to mention that, Suresh, you asked about the profit. The reported profits when you compare last year this year, it does show 5%. But last year included certain one-timers like HDB gains and then we had a floating provision counter-cyclical buffer that we added and some contingent provision and so on. So adjusted for that, I think in one of our reports that we filed, it shows 9.8% profit growth, yes. But 9.8% profit growth is still lower than the overall balance sheet growth correct. We do think that in the longer term that the profit growth should be at or above the balance sheet growth. Yes, that's still in our plans and that's how we approach. Again, please don't look at quarter-to-quarter, but since you touched upon the five, I talked about the 9.8, but you should look at the full year. And yes, that's part of how we envisage to do.

The second aspect that you touched upon is also where CASA correlation to the rates. Yes, we're cognizant of that fact and we have seen over the last few years about the household deposit growth and how that is functioning. We are also aware that you and me included, every individual is going to keep only certain level of their individuals' working capital, so to say, their needs in the savings account and similarly the small merchants, which is our target for current account, into their current account. And so the way I was describing to another person was that it is about the unit increase.

And that is why the distribution is important and we are adding customers into that and we are more than 100 million, 101 million, 102 million customer relationships. We'll keep building on that and that's an important ingredient to get that. Yes, can it organically go by the nominal rate of a 10%? Yes, it can go. Nominally 10%, but anything more gaining on the market share comes from the unit economics here, which is get more units for the same average balance.

Suresh Ganapathy: Thank you.

Srinivasan Vaidyanathan: Thank you.

Moderator: Thank you very much. Next question is from the line of Abhishek Murarka from HSBC. Please go ahead.

Abhishek Murarka: Yes, good evening and thanks for taking my question. So I'll just squeeze in few short direct questions. One, can you quantify how much of the bonds are maturing this year and probably this quarter? And what is the rate differential, what is the rate benefit you are getting on the maturing bonds versus the retail TD rates? So that's one.

The second one is, if I look at your interest income breakup, and if you look at the interest on balances with RBI and others, there are pretty high balances over there. So is there any one-off or some kind of refund or anything else? So why is that growing at, 50% Q-o-Q, 20% Q-o-Q? So that's just some explanation around that.

And the third is on ECL, can you quantify what will be the one-time impact and also on an ongoing basis how much would your credit cost be impacted? So yes, those are the three quick questions. Thank you.

Srinivasan Vaidyanathan: The annual report we just published few days ago will show you the profile of maturity of borrowings. You'll see that INR40,000 crores or INR50,000 crores over the next couple of years you'll see that. And it does have a differential in rate. It's a little more than 7%, if you get a retail, it could be 6%-odd. So you can pick up 100 basis points, 125 basis points depending on the source of the time deposit.

If you just replace borrowings with time deposit or you envisage to replace with a mix of time and CASA, but only time little more than 100 basis points you will see. Second question we didn't get that second question you can repeat, but we'll go to the third on the ECL.

ECL method, see there are two aspects. On the ECL method, the overall provision that we are carrying seems adequate and sufficient for the ECL methodology, which is going to kick in in 1st of April'27. One thing on the ECL that you need to take into account is that at that time, it depends on the pool position, it depends on the behavior, historical behavior of that pool position, and that is various pools of assets I'm talking about. And then you look forward from there for 12 months, right? That means whatever is the various categories of pools, from that you look forward for 12 months from then on and then you have a modeling. Then on top of that, there is a flexibility for management overlay. And there are floors to take into account.

Considering where we are today and looking 12 months down the line, we do believe that our reserving process and the reserving methodology is quite adequate. And for us to think about the stage 3 assets which is equivalent to the NPA today that you have, that coverage is quite adequate there. Stage 1 and stage 2 which are in various buckets of delinquencies or stage 1 is not in any delinquency, stage 2 could be in various buckets of delinquency, the floors that are there, for example, the floor in the unsecured category is 1% and the floor in the secured category is 5% -- no stage 2 is 5% and so on.

So if you look at that, the standard asset carries a 40 basis points provision, but then here the floor is 1% for unsecured and for stage 1 and then for stage 2 it is 5%. So there will be enhancement. But then those enhancements are adequately covered in various manner through various contingent provisions and others that we have. So we feel confident of working through this process on the reserves. The second question we didn't get it you can repeat.

Abhishek Murarka: Sure, so just to clarify on ECL at the time of transition you don't see much of an impact, you have enough provisions for that. After transition on an ongoing basis, do you think there will be a material increase in credit cost like I don't know, 5, 10 basis points or 15 basis points, anything of that sort?

Srinivasan Vaidyanathan: I don't think there will be anything material, but there will be some because as exactly I described, standard assets today are approximately 40, there are some 25 basis points, some 100 basis points, but on an average 40 basis points standard assets. And that by definition because of the floor which are there, unsecured floor is 1% in stage 1, which is standard, stage 2 in any delinquency bucket the floor is 5% and so on. So because of the floor there will be enhancement, but then the way we look today and look forward from here, it would be some impact but nothing material in terms of the impact.

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

Nitin Aggarwal: Yes. Hi, good evening everyone and thanks for the opportunity. I have two questions. One is around growth. Now with this like we have started Q1 on a healthy note with this FCNR opportunity that is there, are we looking at a improved growth run rate this year? We earlier talked about that we'll want to grow higher than the system, but I believe with the system in a different tangent, I'm not sure we'll want to really go by that? So any number if you can share or growth estimate outlook that we are targeting at. That's one.

And second is on the PCR, provisioning coverage we have seen some downward drift on in this number over the last few years. So post ECL transition, where we would like our coverage ratio to be maintained?

Kaizad Bharucha: So Nitin, I'll answer your first question and ask Srini to take the second. In terms of growth we've seen growth if you see the pack that we've already released and the advances mix, we have seen, very good growth happen in our corporate and wholesale segment. We've seen that grow at about 18% and this is continuing from the growth that we had seen in the previous quarter as well, which was around those levels.

We've also continued to see very good growth come in our MSME segment and out over there, we have seen a business banking which is the largest component of our MSME segment grow at 22.3% this year. And this even tops what we had done in the March quarter. Typically June is a little softer quarter, but what we have done in June in the MSME segment tells you the traction that we are seeing out over there.

We've also in the MSME, as you would be aware, the scheme of ECLGS 5.0 was launched and we have participated in that scheme and we have already as of 30th of June had a disbursement in that scheme of close to INR14,000 crores under the ECLGS scheme. And I think and I believe that's amongst the highest in terms of the participating banks because of the spread of customers and the quality of the portfolio that we have out over there.

So we've seen even the MSME segment grow very robustly and I mentioned to you the pace of growth that has taken place over there. In addition to the wholesale and MSME, we've seen good growth also come through in our core retail segment. We've seen on a year-on-year basis very strong growth in our disbursements in the wheels business. We've also similarly seen a strong growth in our unsecured business on disbursements in terms of the personal loans and business loans that we do out over there, as well as touching upon finally the mortgages piece. Again, we've seen a growth of close to 14% in terms of disbursements on mortgages on year-on-year and the earlier two pieces that I talked about, we've seen disbursement growth approximately of about 20% odd. So that should give you a flavor of how we've participated in each of these segments and we do see credit demand holding. We do see a lot of resilience which has been there in the economy even post what we have seen in terms of the geopolitical situation. Yes, we have to wait for the full impact of the El Niño and see because that does have a bearing which plays out in the third quarter of the financial year. So therefore we're well positioned across most of our business segments in terms of how we have approached them and there continues to be an opportunity and a relationship which we will continue to mine whether on the wholesale segment or in the mid-market and retail segment.

Srinivasan Vaidyanathan: Okay, thank you, Kaizad. I want to take your second part of the question relating to the coverage. See, the overall coverage that you see now is 66%, right? I would draw your attention to go back to 2019. And the reason for that is in between there could be COVID, somewhere up, somewhere down in terms of coverage and subsequently there was a merger, somewhere up and then subsequently down in terms of various coverage. There are several other nuances in between. So you go back to a longer term what the coverage is, it was 71, now it is 66. That is the headline coverage. If you peel that and get to what is it, if you look at the coverage excluding the agricultural book, agriculture is a secured part of the book, at that time it was 71 was the total and today excluding agri it is 70.

So it's the proportion of the agriculture book which is at a higher proportion right now, that is the difference that you are seeing in the coverage. That's number one. Number two in the shorter term, shorter term means when you look at a quarter or a year kind of a shorter term, it is the secured-unsecured mix that shows the difference.

If you look at the unsecured mix, the provision coverage will be in the 70s, mid-70s or higher. The secured will be lower, the unsecured is in the mid-70s or above. And the reason for that is if you look at our rate of growth that we've had over a 2 year period on some of those retail type of unsecured loans have been modest.

Even now when you look at the book growth on cards is 2.3% or something, while the spends growth at 13%, but the book grows at 2% to 3%. And similarly the unsecured on personal loan and so on and so forth still remains in the in the single digit there, right? And it is the disbursements are in healthy double digit, but it's yet to catch up on that.

So the PCR is a function of the composition of the book and where there is a necessity to build reserves, it is there, it's formulaic, it doesn't go through any kind of a discretion, it goes through formula and gets it done. And same when we benchmark this to an ECL method also, which is the which is the stage 3 ECL provision, we seem to be adequate there too even in the go-to model.

Nitin Aggarwal: Right. Thanks for this. I have one small question one more question if I can squeeze in. The other question is on the FCNR, well you talked about that this will gain traction, but how should we benchmark the whatever quantum we raise to what number should we benchmark that to? Should it be to the outstanding deposit share? Should it be to what you raised in FCNR (B) [Inaudible] that, in terms of total quantum at HDFC Bank.

Moderator: Nitin, sorry to interrupt we lost your audio in between.

Nitin Aggarwal: Hello am I audible?

Sashidhar Jagdishan: Nitin, we're just commencing the drive. Whilst demand is there, we just don't want to commit any number. Let it start to flow and you will see it. But definitely if the system is X, we will be a significant portion of the system as we were in the 2014, '15 period. That is our endeavour and I think we are all, you know, the entire team is quite gung-ho to mobilize that kind of we're all energized and I think we are on track towards that.

Nitin Aggarwal: Sure. Thanks, Sashi and everyone so much. Thanks a lot.

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

Piran Engineer: Yes, hi, thanks for taking my question and congrats on the quarter. Firstly, just on cost of funds, can you highlight how much cost of funds are down quarter-on-quarter as well as year-on-year?

Srinivasan Vaidyanathan: Piran, I think it's in whatever page the team will tell you, it's the cost of funds is published along with the yield too. Sequential quarter I think it's almost there flat a couple of basis points plus-minus, it's within the range. And over a period of a year, I think it's about call it 40, 50 basis points, 40 basis points or so year-to-year, Yes.

Piran Engineer: Got it. Okay, sorry, if it's published I might have missed it. I thought otherwise. Anyway, sorry for that. Secondly, just in terms of loan growth, barring MSME, which segments are you confident that will result in a pickup in loan growth from current levels? Because our retail growth has been fairly, you know, range-bound at 7%, 8% and it doesn't seem to be picking up.

Kaizad Bharucha: So Piran, the growth, you know, as we have always said, is going to be a function of how the growth is being seen in the economy in the segments which are bankable by our credit underwriting standards. So I just alluded to an earlier response, you know, where I talked about the fact that we've seen good traction year-on-year on the disbursement side in terms of our core retail book, which consists of our wheels business, the unsecured as well as the mortgage business.

So we do see that certainly picking up over the next several quarters. It doesn't happen overnight, it's a journey and we're well on the path to see that really moving forward. We've also seen good traction in the system on the mid-market and corporate side and we have a very good franchise and presence in that segment where we are market leaders and we see that also continuing to contribute in the year ahead.

So there are several drivers, including, you know, other products that we've got in our basket on the retail side such as gold loans, which have started contributing. Yes, right now it's a little more smaller part of the whole retail basket, but growing very well. We've also got other micro loans that we've started in terms of our dukandar lending, which is bringing up the core retail. So we do see it being well diversified within the retail space, but I think both corporate and retail along with mid-market should continue to drive growth in the coming quarters.

Piran Engineer: Understood. And just lastly, you'll have a good leash on costs over the last two years now. Now some part of it is technology, etcetera, AI, but how do we get comfort around you'll not under-investing in the future of the business?

Sashidhar Jagdishan: No, Piran, I think on the contrary, I think, the kind of investments that we have done over a period of five years has been one of the most despite the fact that, there have been a lot of events that have happened during these five years, I mean, whether it's the merger, whether it is COVID initially, then merger, and then fair amount of investments but distribution, investment in resources, and investment in technology has been there.

Now, probably as you may have heard Srini in the past, there's always an investment phase and then a harnessing of the investment phase that will happen. So, we also want to enjoy some of the things that what we have invested is it sort of giving us a kind of returns as envisaged, and I think you will see a whilst investments will be slightly muted, especially in distribution for now, but technology we're continuing because security and AI is going to be a very significant part of any organization which wants to really thrive into the future, that will continue to be there.

It's just that what you're not seeing is that, we have up-fronted a fair amount of investments, and therefore you don't need that kind of a large incremental investments, but the investments will continue into the future. As I had mentioned, I think, we are probably at the cusp of harnessing these investments, whether it's on the branch distribution or in terms of the technology investments, and over the next two to three years, returns in terms of efficiencies will start to play out and which is what is going to be our key strategy in terms of how we balance growth and efficiencies offsetting some of the margins, if at all there is in the same levels as we are today.

Piran Engineer: Got it. Okay, that was useful. Just lastly, if I may request, I do this with all corporates and this is probably the first chance I'm having here, but if we could go back to weekday reporting rather than Saturday reporting, it would really help us a lot and it would help you'll because you'll will get much more investor participation across the globe if you report on a weekday.

Sashidhar Jagdishan: There is a reason why most of us are all doing on Saturdays. It's not that we have a joy in coming to work on a Saturday, I can assure you that, or to spoil your weekend. There is a reason why because since the markets are closed and a fair amount of people will get exposed to this kind of information through the day, we just want to minimize some of the regulatory transgressions that may happen, if we do it on a weekday. So that's why all of us, a large part of the banking system, I think is now gravitating towards weekend as a disclosure for this very reason. It's not that we're not going to be ready on a weekday, we would be, but it's a little bit of a high risk during that period.

Piran Engineer: No, that's true, sir, but I think, this argument is true for all banks, not just all companies, not just financials or all banks all over the world. I think it's just that Indian banks stand out especially on this front, and more so in an era where you'll manage trillions of rupees of money and trillions of transactions per year which are safe, I'm sure you'll can keep your information safe while reporting. So this is just a request. I hope you'll consider it with all due seriousness and thought. But my questions are done and all the best.

Srinivasan Vaidyanathan: Thank you, we'll give a thought to that. Thank you.

Moderator: Thank you very much, ladies and gentlemen. We have come to the end of the time allotted for the call. I would now like to hand the conference over to Mr. Vaidyanathan for closing comments. Thank you and over to you, sir.

Srinivasan Vaidyanathan: Thank you all for participating. With this, we'll close the call, and if there are any more open questions, we'll be continuing the dialogue with any of you that you need to talk either today or any other day. Our investor relations team will be available. We'll stay in touch. Thank you. Bye-bye.

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