HDFC Bank

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Operator: Good day and welcome to the FY 2026 earnings conference call on the financial results presented by the management of HDFC Bank. As a reminder, all participant lines will be in a 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. S. Vaidyanathan, Chief Financial Officer, HDFC Bank. Thank you and over to you, Mr. Vaidyanathan.

Management: Thank you, Niraj. Good evening and a warm welcome to all the participants. Today we have with us our chairman, Mr. K. K. Mistry, our CEO Mr. Sashi Jagdishan, and our deputy managing director Mr. Kaizad Bharucha. I will hand off for opening remarks to Sashi. Over to you, Sashi, then we can get on to the other remarks.

Management: Thank you, Shini, and thank you all. Good afternoon to you and welcome to the full year FY 26 annual results call. Let me dive straight into the key aspects of FY 26 performance. We had estimated a system credit growth to be around 10.5-11.5%. We did 12%, up from 5.5% last year. As you can see, there is positive momentum as we had expected. Deposit growth rate at 14.4% continues to grow faster than the credit growth, which is what we've always been doing. The growth rate is better than the system growth rate yet again.

Net income growth clocked at 11%, similar to the last financial year, whilst EPS growth was 10% versus 3% last year. The yield on assets had a faster transmission as against deposits on a full year basis leading to a NIM drop. Despite the drop in NIM, the return on assets continued to be stable at 1.9% due to cost efficiencies with cost to income declining from 40.5% to 39.5% on a core basis and a focus on quality growth reflecting in lower credit costs.

I would like to remind you of the sizable investments we made over the last 5-6 years which will bear fruit in the coming years. These investments were made despite witnessing significant events such as COVID and a complex and one of the largest mergers in corporate history. The distribution nearly doubled to 9,700 branches. The number of customers nearly doubled to 100 million customers. Our tech investments more than quadrupled to around a billion dollars. The merger with mortgage company HDFC Limited too is an investment for the future. The bank navigated the same in a stable manner over the last few years despite changing economic outlook and regulatory stance. The above is going to provide a huge operating leverage for the future.

Sometimes all of us have short memories and forget the core business foundation which remains our moat and strength. Customers at 100 million continue; we continue to acquire about 6-8 million customers a year. This will be the funnel for future growth. 22% of our customers are actually 30 years of age, 42% are less than 40 years of age. This enables us an opportunity to engage through their lifecycle which would be the future engine of growth. We continue to be market leaders in our core franchise offerings such as cash management. In the capital market segment, we continue to hold about 35-40% of the account settlement. In the bank offers issue, we hold about 40-50% of the escrow settlement. In the trade part of the business, almost 18-20% of the country's exports go

through us. In the imports, 30-50% of the country's exports goes through us. In the cards merchant acquiring, almost about 35-36% of acquiring comes through the bank.

In the issuance of credit cards, 21-22% of issuance also in the system is from us. In the spends, almost 26-28% of the card spends in the market is through our cards. We are a dominant salary relationship bank in the private sector. We are amongst the top two SME banks in the country. Correspondingly in mortgages, we are among the top two mortgages banks in the country. In the wheels business, whether it's auto or transportation, we are the top wheels bank in the country. The above, despite an intense competitive environment, reflects the excellence and execution capability of the bank. Our financial parameters reflect the strength and resilience of the bank. We have a strong capital position at 19.7%. Our asset quality is extremely healthy at 1.15% gross NPAs. This has been tested across three decades of business cycles. The bank has created a large provisioning buffer of almost 125 basis points to absorb any shock in the future. While this is obviously contingent upon any future events that may occur, we don't have any threat in our portfolio as we speak. Our focus is on profitability by pursuing growth opportunities. The loan to deposit ratio is not a constraint; the regulator has come out and talked about it. We have demonstrated our ability to gain market share on deposits every year, almost around 30-50 basis points over the last five years. Hence, it is no longer a binding constraint. We have been building a granular and sustainable deposit franchise which is reflected thus. In the less than 3 crore retail advances, we have moved up from 31% of the total net total accretion to about 47% of the total net deposit accretion for the year. This reflects the focus on granular and sustainable deposits. Having said that, the bank will continue to improve its quality of deposit franchise over the years to come.

The bank witnessed an unprecedented event recently, but its strength and resilience were seen with stable and strong deposit flows. I would like to take this opportunity to thank the Government of India, the Reserve Bank of India, and SEBI for their unequivocal support during that period. However, the most important strength will be our leadership in the technology space. Over the past few years, we have focused on strengthening the bank's long-term competitive position anchored heavily in our technology architecture to operate as a technology-first institution. A large share of our investment has gone towards improving the digital front and customer experience. We have been upgrading our interfaces, simplifying acquisition and service journeys, and modernizing our digital platform. We launched in the year our new net banking and mobile banking platforms and also our payment platform which we already did about a couple of years ago. All of them are at an operational scale.

Today, our mobile app serves over 60 million registered customer offerings. The USP of our build focuses on security. We have OTP-less authentication, we have a lock for enhanced security, and we have a full stack UPI enabled wallet which we call the ZAP account. The combination of the above will make it extremely secure and probably one of the most secure offerings in the country today. The efforts have increased digital adoption to 97% for payments and service transactions and 92% for acquisition journeys. Our goal remains simple: offer customers a seamless, reliable, friction-free experience across all touchpoints.

The next layer after the customer layer is the intelligence layer. This is principally to build an AI-ready engine. We have built a strong intelligence layer that brings automation and analytics to the core of our operations. By decoupling our front end and back end through a modern API

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gateway and orchestration layer, we now have a strong foundation for emerging agent-driven AI models. AI is only as strong as its data. We have built a robust data foundation anchored by a customer-level, enterprise-level, single source of truth from a customer's perspective. We went live with our lakehouse architecture, a centralized scalable data lake, and a reusable, enriched data mart. While not always visible externally, this work is essential to our long-term scalability and AI acceleration. But the real story is how we created in-house the unified AI platform, which is going to be the center that stands across the entire organization. It allows us to deploy AI agents quickly without building custom interfaces between systems. The platform brings together enterprise search, document extraction, voice-based agents, and a full AI development lifecycle. It supports multi-foundational and open models and includes unified evaluation models for strong governance, compliance, and security. We have an independent unit in the risk team that acts as a second line safeguard. The key components include the model context protocols, the agency studio, and the agency mesh. These will enable us to deploy AI agents to scale, placing us amongst the small group of Indian and global banks with such advanced in-house capabilities. We already have 5 use cases in production and 40 more in development, improving turnaround times, first-time-right outcomes, and freeing mid-office and back-office capacity for customer-facing roles. The above leadership position will enable us to harness efficiencies across the organization and will be a key driver to enhance return on assets over the next 1, 2, or 3 years.

The guiding principle is return on assets, loan growth, deposit growth, and quality of the balance sheet from a risk standpoint. All of it should culminate in consistent EPS growth. Let me also take on the subject matter relating to some of the matters that we witnessed during the quarter including the resignation of the former part-time chairman and the Dubai branch related matter. I and the members of the board did provide statements post the March 18, 2026 event. The Government of India, the Reserve Bank of India, and SEBI came out with statements in favor of the bank. The legal review, which is what we had committed at the time when we went to the press, is in process. As and when this happens, we shall provide a summary of the same. The audited financial statements of the bank for the year ended March 2026 carry notes, which are self-explanatory. On the Dubai branch related matter, the same has been covered in the notes to accounts as well. There is also an NCLT order which came out on March 23, which highlights that the complainants are not retail in nature or are not uninformed investors and they had a clear intent to pursue high-yield, high-risk investment products. So, we do not have anything material to add other than the above. We would like to pause here and probably take questions. Thank you.

Operator: Thank you, Sashi. With that, we can open it up for questions.

Operator: Thank you very much. We will now begin with the question and answer session. Anyone who wishes to ask a question may press star and 1 on their touch tone telephone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use headsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Maruti Ganian from Tara Capital Partners. Please go ahead.

Maruti Ganian – Tara Capital Partners: Hi. I just have a few questions. Firstly, in terms of growth next year, what would be the key driver? Where do you see your growth placed possibly above the

sector? What range could that be? Also, corporate growth has been a good driver for everyone for the fourth quarter, and that's partly to do with yields as well. Do you see corporate growth sustaining or do you see retail growth picking up from these levels?

Management: For the growth drivers, first from the corporate side, you have seen in our release the increase that we have done over the previous year. We do see this sustaining, as there has been demand. Of course, we will have to temper it given the fallout of what we see in the geopolitical area, which hopefully should not be more than a couple of months going into this financial year. But we will use opportunities in corporate across sectors, in electronics, food processing, auto and auto ancillaries, the renewable sector, and semiconductors. Also, it opens up different opportunities which are now available from an acquisition financing point of view, including what was already there for project financing and the supply chain. So we see the corporate sector, including emerging corporates, holding up in the year ahead.

Coming to your point on retail growth, our retail growth has certainly stepped up from where we were last year, and we have seen a better step up if you followed our results in the last three quarters. The step up has been there across our wheels business as well as on the personal loan and business loan side. To add to that, we've also seen consistent holding of demand on the mortgage book and that has also performed well. So we've seen growth overall; if you look at the balance sheet, it's been about 53-54% in the retail and the balance coming out of wholesale.

Maruti Ganian – Tara Capital Partners: Got it. So what kind of growth trajectory should we look at for FY 27? The earlier guidance was of above sector growth, but the sector growth has also moved up substantially.

Management: Yes, so if you really see, our loan growth last year was 5% and our loan growth this year is 12%. I think we will continue to have a good momentum and trajectory in our growth, but you have to keep in mind what the geopolitical situation and its fallout is going to be. But we are confident that we see the positivity continuing. We've not seen any alarm bells go up as yet. Therefore, we will continue to focus on all these areas that I covered earlier.

Operator: Thank you. I request all the participants to kindly limit themselves to two questions per participant and rejoin the queue for follow-up questions. Next question is from the line of Nitin Agarwal from Motilal Oswal. Please go ahead.

Nitin Agarwal – Motilal Oswal: Hi, good evening. Am I audible?

Management: Yes, Nitin, you're audible. Please go ahead.

Nitin Agarwal – Motilal Oswal: Congrats on a good quarter in a very challenging environment. My questions are two-fold. Firstly, on the deposits, how do you look at the deposit market share? We have done very well in this quarter. But if I look at that in context to how the system itself has done, we have seen a very sharp pick-up in the deposit accretion for the system overall. So how do you look at the market share that HDFC Bank has been able to garner this quarter in context to the system number, and can you share any color on what has driven this surge in the business on the last fortnight?

Management: If you look at the quarter, 2.45 lakh crores of the deposits came in. Typically, the market is pretty active and accrues its maximum—almost half—of what the year accrues in the last quarter. This year was no exception. If anything, it was more skewed towards the last month of the quarter rather than the full quarter. March was generally tight all across. Somewhere from the later part of February to March, it has been quite easy and liquid for deposit gathering.

If you look at the composition between retail and wholesale, there is some level of wholesale deposits that come in the March quarter naturally because of relationships as well as how the corporates manage their balance sheets towards the end of their financial year. You'll see that the average of the retail versus wholesale is about a percentage point or two different in this quarter; in our earnings stack, you would notice that there is 82% against 84% in retail. Retail continues to stay around the 80% mark. Within that, when you look at core retail—which means higher ticket sizes in NRI or certain other institutions managed through the branches—core retail is faster and almost at that level. We are quite convinced by the relationship managers' engagement to get these things done, so we are well-positioned for continued growth in retail.

Nitin Agarwal – Motilal Oswal: Can you share color on what drove this surge in the business on the last fortnight? It seemed exceptionally strong across the system.

Management: If you look at the liquidity and the funds that have been available in the system, last time they did a significant volume was around 175,000 crores or 180,000 crores. This year, given that we have added much more customers, more distribution, and stronger corporate relationships because we're lending this year—remember that we have grown corporate loans up 13%—we get a higher level of share from each one of them.

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

Kunal Shah – Citi Group: I have a question on growth. We indicated we would try to grow in line with the industry average, but we are seeing the industry average being upwards of 15% while we are at 12%. Next year, would we retain the guidance of growing above the industry average, or would we say we will still grow in line with the industry average because the industry itself has picked up substantially? And on the deposits, how much of this is of a transitory nature and how much can sustain? Last year we indicated that we would focus on sustainable deposits even during the period end. I want to get a sense because the difference between the end of period and average deposits is quite high this quarter.

Management: Let me take these one by one. The first one is on the growth in the system. Through a large part of FY 26, the nominal GDP growth was expected to be around 9.5%. One consensus until the last part of the year was a system credit growth of around 10.5-11.5%. This is what we had expected. We calibrated our strategies and our growth in line with that, which is why we grew at 12%. You have mentioned 15% or 13%, but when you compare the period-end numbers as of March 31 published by the Reserve Bank of India, the math comes to somewhere around 13.5-13.9% system growth. Obviously, it has been faster. It is something we have to navigate, but it's not far away from the momentum we have seen from 5.4% growth in FY 25 to 12% growth. We are very well positioned to continue that momentum in a manner where we do responsible growth. We don't want to overstretch beyond what could potentially have some land mines in the future. Because of this dichotomy in terms of growth being slightly more than what was expected in relation to the

nominal GDP growth, our trajectory is in the right direction. We will do what is appropriate from a risk and reward perspective.

On the deposits and the granularity, retail has always been about 80-85% of total bank deposits. There is definitely a focus on how we can garner more granular time deposits. As I mentioned in my opening remarks, the granularity of deposit has stepped up significantly. In fact, the less than 3 crore deposits mobilized in 2026 on a net basis has grown almost about 74% over the net incremental deposits for FY 25 on the less than 3 crore bucket. So what constituted 31% of the total net accretion in FY 25 now constitutes 47%. These are very less volatile and very sustainable. We are emphasizing this as we move ahead and this number should go up even further.

Kunal Shah - Citi Group: So 74% is the growth of the less than 3 crore bucket, and its share of the total incremental deposits is 47%?

Management: Yes, of the incremental time deposits. We have mobilized 4.9 lakh crores for the full year, and 47% is that. Now, in terms of volatile or high-frequency deposits, it is quite natural. When you have corporate and capital market segments constituting 53-55% of the balance sheet, you will have large relationships that you need to patronize. That aspect of the 15% of the total deposits will be volatile in nature. You will see those funds moving out and coming back during every month-end or quarter-end. But the endeavor is to try and inch the net incremental mobilization upwards on a core basis. That is what we are all working towards.

Kunal Shah - Citi Group: That gives me confidence on the LCR at around 114% because now we are below 115%. How would we look at LCR because now LDR is not in focus, but you would want to manage LCR? What range would you want to sustain the LCR within?

Management: Kunal, in the past we mentioned that our endeavor for LCR is to be between 110% and 115%. We are somewhere in the middle. Last quarter, I think we were about 114-115%. That's the range you can incorporate. Sometimes it goes higher, sometimes it comes below, but somewhere in the middle is where we are.

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

Pranav - Bernstein: Hi, thanks for taking my questions. My first question is generally on guidance. I think I heard you say LDR is no longer a constraint. I also heard you say that for loan growth, you'd rather focus on improving momentum rather than benchmarking the system. Is there one metric that you use internally to assess performance that captures some of these trade-offs on different metrics? That would be helpful for us to track performance.

Secondly, on your NIM, the borrowings have come off almost 11% year-on-year, but the NIM trajectory is broadly similar to what some of your peers have reported. Was this expected a year ago—meaning borrowings come off but NIM doesn't really get impacted? Or has something changed? Will a reduction in borrowing have a meaningful impact on NIM going forward, or is there another way you are thinking about this?

Management: Let me talk about what you have ascribed to the borrowings mix changing. Changing the borrowings mix is a favorable item where costs that are higher, especially the spreads, can be

saved on. However, if you look back about a year to March or April, the rate cycle reduction of 125 basis points was not something that was widely anticipated. When that happens, and because about 30% of the loans are floating, the transmission takes place immediately. The deposit side is managed based on what that cycle is. There is a higher propensity for time deposits to shift. You have seen time deposit growth of 15.5% year-on-year, compared to total deposit growth of 14.4%. Time deposits are, on a relative basis, higher priced than CASA. So that is where we are sitting; it still needs to unlock both from how the rate cycle plays out as well as how the mix of the deposit changes. Essentially, we moved from one type of funding, borrowing, into another type of funding which is also higher in the stack than CASA.

On the question of NIM, when policy rates started to come down, the assets came down faster and more or less fully transmitted. On the deposit side, the transmission that has happened is only about 50-60 basis points so far. It hasn't fully offset what the asset pricing move was. Now, due to the geopolitical situation and uncertainty, the rate cycle is currently on pause. If anything, the tendency we are seeing from the securities market is that yields are moving up. We don't want to hazard a guess whether the rate reduction cycle has stopped and will now go up, but by all indications looking at the securities market, yields seem to be going up. It depends on how the geopolitical situation settles and how oil prices settle, which will determine country liquidity and borrowing needs. More importantly, what we are focused on more than NIM is the return. In this market environment, we have levers for enhancing efficiencies on both the operating and credit sides. Recently we have seen NIM in a small range-bound movement, but the offsets have come from those efficiencies to keep the returns stable. For us, NIM was 1.96%, but the year was 1.94%, similar to the full year you saw last year on the return on assets.

Pranav - Bernstein: If I may follow up, hypothetically, if borrowings have declined significantly, say down to 6-7% of liabilities, do you think NIM will improve very significantly?

Management: If all else remains the same, meaning no other factors play in, the borrowing percentage coming down will change the NIM trajectory upwards and boost returns.

Pranav - Bernstein: On the metric question, I think I heard you say that you focus more on returns rather than NIM. Is some version of ROA the metric that will be approximate, or what is the target metric then?

Management: ROA is what we should focus on. ROE is an intermediate metric. If you take higher risks and bring that into the top line, you may lose it in the credit loss below the ROA line. So, we focus on the returns on assets.

To give you some granularity, we are number one in 15 out of 28 states and in the top two in 25 out of the 28 states in MSME. We've grown our business banking, which is mainly representative of our MSME, at about 20% year-on-year. That will continue to be in the range of 18-21% depending upon developments in the economy. That should give you a good sense of the levers on our consumer bank and the channels through which we will grow.

Pranav - Bernstein: Can you talk about the merger synergies as well?

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Management: From the book we inherited, we had roughly a penetration on the liability side which was about 36% share. 36% of the people who had home loans with HDFC had their liabilities with us. Net of attritions and acquisitions, over this journey, this 36% has come as high as 50% within the last 2.5 years. That tells you the strength of the liability franchise. We continue to have 98% of all home loans that we disburse resulting in customers opening a liability account with us. This is why you've seen the shift move from 36% to nearly 50% of the stock today.

More importantly, a little over 60-65% of that stock pays their EMI through an account with us. That tells you the synergy between a home loan and a liability link from a value accretion perspective and a risk perspective. Secondly, the actual CASA balances have grown. At that point in time, we had about 50,000 crores in CASA balances. We have today grown that to 86,000 crores. That's the growth in 2.5 years in terms of both the numbers and the engagement of the accounts. Also, as the book matures, the average balances of customers who have their home loan and liability with us go up 2-2.25 times compared to the standard average balances.

Finally, there is what we call the cross-sell internally, which consists of a host of products. These include credit cards, insurance policies to ensure their home, wealth accounts, and engagement on our digital properties including smart wealth and the ZAP wallet. Today, nearly 23% of our home loan customers have active credit cards with us. I hope that gives a flavor of how this has grown and will continue to grow.

Management: Thank you. That is extremely important. Looking at the mortgage book perspective, it's not just the book but the primary relationship we are focusing on. That's going to be a large, sustainable franchise over the long run. We are very confident on the credit quality on the home loan book.

Operator: Thank you. Next question is from the line of Rekensha from IIFL Capital. Please go ahead.

Rekensha - IIFL Capital: Good evening. I have three questions. The first one is on the yield on investment. This number is down about 60 basis points in the last two quarters when overall yields have gone up. Why is the interest income on investment yields going down? Secondly, could you highlight what the cost of deposits is and what residual repricing remains from current levels? Thirdly, on treasury gains, there seems to be no impact despite yield movements. How should we think about these points as we move into next year?

Management: Regarding the investment yield, you should appreciate that until the geopolitical risks increased, yields were coming down. It's an effect of the maturing book going out and new securities coming in. Given the size of the book, when you pick up a new security at a new yield, it's a drop in the ocean; it takes time to reflect. You are seeing the effect of the previous rate cycle moving in. There is also duration to consider; managers may adjust the duration from 5 years to 4 years, which places them at different parts of the cycle. It's not a simple equation of the current yield you see on the screen.

On the cost of funds, it's about 4.4%. From last year to this year, it has come down by about 50 basis points. Cost of deposits moves in line with that.

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Rekensha – IIFL Capital: Any comment on residual repricing? Or are we already at the bottom in terms of the cost of funds?

Management: If everything else remains the same, there will be further reduction from residual repricing because time deposits take 5-6 quarters to mature. Some residual remains to be seen. Given the geopolitical situation, we have not seen deposit rates change in the market for the last four months. We are fairly priced to the competition. We want to see returns be stable.

Rekensha – IIFL Capital: The last question is on treasury and forex; there seems to be no negative impact this quarter. How do we think about it going ahead?

Management: There is some impact. If you see, the rate of growth on the treasury income is modest. This is because there is a volume impact. Due to various risks on foreign exchange trade, there have been lower volumes and lower spreads. There is also some impact from unwinding.

Operator: Thank you. Next question is from Abhishek Murrarka from HSBC. Please go ahead.

Abhishek Murrarka – HSBC: Hi, good evening. I had a question on the third-party distribution fee. On a full-year basis, the growth has been hardly 3.5%. This is lagging overall customer growth and retail asset fee growth. What is leading to this? Is it a slowdown, or has cross-selling become more difficult?

Secondly, on margins, you said there is some repricing of time deposits left which should be positive, but the loan mix is gradually changing more towards corporate. How should we look at margins for next year? Do they trend down or flatten out?

Management: Regarding third-party products, revenue growth has been modest. Both components, volume growth and spreads, have been modest. Spreads are impacted by the mix of products, and we have seen an unfavorable impact from the mix lately. Nothing specific is to be read into it. It is a function of customer preferences. We still have significant room for penetration in our base, so the opportunity continues to be there.

On assets and margins, the transition of assets is ongoing. The cost of time deposit repricing will depend on the rate cycle. We have seen stability in the deposit range for at least four months. The aim is to move toward stable returns.

Operator: Thank you. Next question is from Kiran Soans from CLSA India. Please go ahead.

Kiran Soans – CLSA India: Hi team, congratulations.

Management: Please kindly repeat, we lost your audio.

Operator: Sorry, we have lost the line for the participant. Ladies and gentlemen, we will take that as our last question as we have come to the end of the time allotted for the call. I would now like to hand the conference over for closing remarks.

Management: Thank you for participating today. We are closing at 5 PM because we have another meeting scheduled soon. If there are any more questions or comments, please feel free to contact our relationship team. We will be happy to engage with you over the next few days. Thank you. Have

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a great evening.

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