



“HDFC Bank Limited's Q2 FY26 Earnings Conference Call”

October 18, 2025



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Moderator: Ladies and Gentlemen, Good Day and welcome to HDFC Bank Limited Q2 FY'26 Earnings Conference Call.

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 the conference call, please signal an operator by pressing “*” then “0” on your touchtone 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.

Srinivasan Vaidyanathan: Thank you, Nirav. Good evening, and welcome to all the participants on a very busy day.

Without much ado, let me get to our CEO and MD – Sashidhar Jagdishan, for his opening remarks before we get on. We also have Kaizad Bharucha – our Deputy Managing Director. We will also get him at some point. Yes, please, Sashi over to you.

Sashidhar Jagdishan: Good evening, friends. First, let me wish all of you Shubha Dhanteras and Shubha Deepavali.

So, first, let me start with the macro. Global outlook remains very volatile, thanks to the uncertainty related to tariffs and immigration policies. However, the domestic economy appears to be getting stronger. The triad of fiscal and monetary measures, whether it is the direct tax reductions, the GST reductions or the upfronting of interest rate cuts, I think, have galvanized the economic activity in the recent past. The headline inflation has been printing very low, thanks to the low food inflation. This probably gives the monetary policy committee to maneuver on future interest rate actions. We have had strong rainfall in most parts of the country. The GST rate changes have created a lot of buzz in the market in the later part of September onwards.

Coming to the bank, the improvements in the economic activity has given us the opportunity to accelerate loan growth. We can see a lot more color as we get into Q&A. We have seen our growth pick up across segments. We continue to see market share gains in deposits and we are very focused and disciplined in pricing. As expected, due to the front loading of the interest rate cuts on the asset side of the balance sheet, we did see NIM compress by about 8 basis points. We should see over the next 6 to 12 months the deposit repricing having some amount of tailwind effect in the NIMs.

We are managing our expenses in a very tight band and we should see our investments in distribution and technology creating an operating leverage over the medium to long-term.

We continue to invest in technology, not just in core platforms and middlewares which will bring about a lot of stability and scalability in availability, in resilience and in security, but we are also embarking on creating a platform to embark on certain low-hanging new age experiments such as in



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Gen AI. Largely, these are to reengineer our processes and create a kind of a great customer experience by reducing turnaround time. It will have a second order impact, if it becomes successful, which is what we are all working hard towards, in the bottom line of the bank.

I think our USP, as probably you have seen the numbers, continues to be our very healthy asset quality and we don't see too much of issues in that even in our early indicators as well.

Large part of our metrics, whether it is NIMs, whether it is Cost to Earnings, whether it is Return on Assets have been very range-bound, and we should see a fair amount of stability with a positive bias in the medium to long term.

So, let me pause out here and happy to take on any questions. We have our CFO, our DMD and other colleagues who will collectively be answering to some of your questions. Thank you.

Moderator: We will now begin with the question-and-answer session. The first question is from the line of Mahrukh Adajania from Nuvama Wealth. Please go ahead.

Mahrukh Adajania: Hi, I had a few questions. My first question is on the recoveries in the NPL movement, they look very strong. So, is it that the recovery environment has improved substantially or is there a one-off there?

Srinivasan Vaidyanathan: Yes. The recoveries, I have a one-off there, where there was an NPA, which performed satisfactorily over two years and appropriate ratings were received and upgraded and to that extent, yes, it did improve there. That also releases some provisions, as you know, but at an aggregate level, the contingent provisions have been added by about Rs.1,600 crores or so. We have created more resiliency and strengthened the position there. So, from an overall point of view, the upgrades have contributed to approximately 10 basis points.

Mahrukh Adajania: Okay. So, the one-off would be how much?

Srinivasan Vaidyanathan: 10 basis points. 1.4% was the prior quarter NPA, we ended up at 1.24%, about 10 basis points was upgrade, which I would not say is recurring.

Mahrukh Adajania: All right. Got it. Makes sense. And then in terms of margins, you had been guiding that the exit margins will be same as last year's 4Q exit core margins. Does that guidance still hold good? Is the repricing on track for that?

Srinivasan Vaidyanathan: Okay. So, let me take that. See, there are two things, Mahrukh. If you look at the yield on assets, yield on assets have come down from the beginning of the rate cycle, which is in our published statements, you will be able to see it, I think, on Page #14, in the quarter, 30 basis points. But from December to now, almost 50 basis points has played out on yield on assets, right - 100 basis points



changed in the policy rates, about roughly 70% are on floating area. So, most of that is priced in, some tail kind of a partial month or a quarter kind of impact can come in the following quarter, but otherwise, a lot of it is priced in there. From a cost of funds point of view, the 4.9% came to 4.6%, so 30 basis points. So slightly half or little more than half is what you are seeing flowing through in the cost of funds, which is where the savings deposit change has flown through, but the time deposit rate change, which is between 70 and 80 basis points or so has changed, that takes almost six quarters to flow in. A little more than 1.5 quarter has gone by. In this quarter, you saw that the cost of funds improved by about 18 basis points on the page, you see about 20 basis points, I think, 19 basis points, you see a 20 basis points rounded number there that cost of funds has come down by. And so, it has got another at least four - five quarters to play out. Which means over the next few quarters, with the rate remaining constant, at a stable assumption level, the cost of funds starts to move down, and if the asset stabilizes at that level, you see that pickup coming. Yes, we are optimistic that with the stable rate scenario, our exit should be moving up from where it is today.

Mahrukh Adajania: Okay. And how do you view the deposit growth? This time loan growth was very good. And while the deposit growth was good, the incremental LDR did rise. How do we think about LDRs from here on?

Srinivasan Vaidyanathan: Okay. Good question. Thank you for asking that. See, our LDR, we started the year at about 96 and change. Our strategic objectives, when we laid out was that the rate of growth on loans in this year will be at market and in FY'27 will be faster than the market, predicated that the LDR will come below the 90 mark, somewhere, call it 85 to 90 or below the 90 mark, right, which is okay, that is the kind of strategic direction. It is not a linear progression, and what is more important is that direction of the travel, that means coming down from 96 to below 90, direction of travel is important. The quantum, how it moves, quarter-to-quarter, can vary because there are seasonalities that play out. In this quarter, we did see credit demand that was good. We participated with our clients where it made sense from our engagement and profitability and total relationships and we will continue to do that, and our strategic objective of getting to grow in line with the system this year and higher than the system in the following year continues to be there.

Moderator: Next question is from the line of Chintan from Autonomous.

Chintan: Thank you. Happy Diwali to all. Can I start with capital? The recent draft proposal seem to suggest a meaningful reduction in risk weighted assets. You are already at a very high CET1 ratio. You have got even more contingent provisions now. You chose to put more buffers on. Your loss experiences are not going to be that bad for ECL. What are we going to do with all this extra capital, given that you are able to grow with your retained earnings even when I look out beyond FY'27?

Sashidhar Jagdishan: Let me come in out here. It is obvious you are seeing this kind of a buildup of the capital ratios in the recent past because the bank chose to slow down in FY'25. Now, we are on that upward trajectory.



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You are right, all the potential regulatory changes will have a little bit of a benefit on the capital ratios. But on the ECL side, I'm not too sure because if you really look at it, the bank has a proven track record and having very well-established models in ECL. So, that is already known to the world and known to you, I am sure, as we disclose the U.S. GAAP results. But having said that, if you look at the draft guidelines or the fine print of that, there are a lot of prescriptions or floors that have been prescribed, which means that the pure ECL advantages may get nullified, if not, you may even have to maintain higher levels of ECL if such draft guidelines were to go through. Obviously, we need to wait and watch when this starts to come out as final guidelines. But having said that, as we have just mentioned, we believe that the change in economic cycle probably has just begun. Whilst I do appreciate that we need to wait and watch whether this is sustained even beyond the festive period, but there is a fair amount of optimism in most of us out here to say that this will be sustained. And the moment we hit the trajectory that we have laid out for ourselves, that is in FY'27, we will start to grow faster than the system, we should start to consume capital. If you look at our long-term trajectory, we have been consuming capital about 60 to 70 basis points every year on a very steady-state scenario in the past prior to any of these events such as merger, etc. Also for a large systemically important bank, it is very imperative that we don't go down necessarily to the regulatory prescribed threshold levels. We need to provide capital or allocate capital for unknown and unforeseeable risk as well. So, we do have a capital planning process, where obviously the threshold levels are far higher than the regulatory prescriptions. So, frankly, whilst optically, it may be higher today, but as we get back on to the growth path, I think we would have sufficient capital as one would have when we raise capital, as you have seen in our past history, when we raise capital, we have enough capital for about three to four years of growth. So, I would say that from FY'27, when we get back to that kind of a growth, we should have that much of room and that much of cushion to be able to have three to four years of growth, at least, for consuming before we start to look at other options.

Chintan: Yes. I mean the only thing I would say to that is I don't think you are in a place where you consume 60 to 70 bps of capital every year now. Given your size, even if you grow at 17% - 18%, you would be breakeven on the capital you already generate. Am I wrong out there?

Srinivasan Vaidyanathan: You are right. Even in this quarter if you look at it, our capital generated is 60 basis points and the consumption is 60 basis points, right, and 19.9% to 20% - the capital ratio change 0.1 is the rounding, other than that, it is about 10 basis points change in capital. So, generation and consumption at this level is there. But then when you grow faster than the system, the consumption will be faster. When there is a mix which is a little more oriented on the retail, the consumption will be even faster than that. So, we need to cater and provide for all of those things, so it is important to keep the capital on our side to essentially keep that opportunity space for growth as much as we can.

Sashidhar Jagdishan: Having said that, if there are any opportunities that may arise in terms of other options that are available to sort of delight shareholders, we would be more than happy to do so. We will keep on exploring such options.



Chintan: Yes. And my second question was on margins. LDR seems to have benefited this quarter, but when I look at cost of funds, it seems like it is not falling as fast as some of the other larger players. Is that just the timing difference in the way you built up your TD book versus the other guys given the merger and that it should unwind over the next few quarters?

Srinivasan Vaidyanathan: Yes. Our cost of funds moved down by about 18 - 19 basis points or so in this quarter. Deposit cost of funds came down by a similar amount. Yes, our savings account rate change is fully factored in. The time deposit rate change to factor in fully, the magnitude of the changes in the rates that we and many players have done are of similar order, except that it takes us almost six quarters to play it through into the cost of funds.

Chintan: So, slightly longer duration, okay.

Sashidhar Jagdishan: Yes, that is right. Chintan, it is also about duration. Because we need stability in our balance sheet, we tend to have a slightly longer duration especially on the retail side. So, that is the reason why the tailwinds will be slightly longer in terms of visibility of drawing back this kind of repricing advantage.

Chintan: Okay. And a quick data question. Borrowings from erstwhile limited, how much is left on your books just now?

Srinivasan Vaidyanathan: Yes, annual report reflects the maturity profile of this over the next few years.

Chintan: Okay. Thank you.

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

Kunal Shah: Hi. So, the first question is particularly with respect to deposit market share. So, obviously, we would tend to maintain a particular market share on the incremental deposits, which seems to have come off. Is it largely to do with the rundown of bulk deposits during the quarter? Now, we see some increase in the proportion of retail deposits as well. But the lower deposit growth this quarter, in particular, maybe just 1.2x the industry average. What could be the reason for that? And should we see the uptick going forward?

Srinivasan Vaidyanathan: On the deposits, the market share is an outcome, and our approach is as granular as possible and as far reaching through our branch network, which is why the deposits that come from our retail network is about 83% or thereabouts. Yes, in this quarter, you have seen that the proportion went up by a percentage point, where the non-retail deposits came down in this quarter, while retail deposits did grow. Yes, in terms of the pricing and in terms of the availability and the client relationships, time-to-time that gets determined, right. We do participate in many of those, but we will be circumspect in how much and when we participate.



Sashidhar Jagdishan: Kunal, when I did my opening remarks, I did mention that there was an element of disciplined pricing and this is what I meant, which Srinivas elaborated just now. But having said that, whilst all of you look at period-end deposits, I have been maintaining every time in my call that you should also look at averages. And averages, I think we have grown really decently well at about 15% year-on-year. I think that is something that we are very comfortable on our year-on-year growth. Thank you.

Kunal Shah: Got it. And this increase in contingency provisions, so you indicated that on the recoveries, there was some provisioning release, and that was the reason for contingency, or is there anything to do with maybe the ECL buildup, you already carry a very decent level of contingency provisioning and we are adding over and above that. So, how should we read it? Maybe is it a particular recovery effect, which is getting nullified and that is the reason it's created?

Srinivasan Vaidyanathan: Yes, that is exactly, there is an opportunity space. Contingent provision as the name suggests, it is precautionary and not anticipatory and where there is available an opportune space, we do. ECL provisions to the side, whenever that comes to life and those draft guidelines are finalized, we can do the fine-tuning of what it entails. But we do feel comfortable with ECL, both from an implementation or from a requirement of provisioning and so on. But at this time, exactly as you alluded to, was the thought process on the contingent.

Kunal Shah: Sure. And lastly, on fee income side, the sequential uptick is more volume related or is there any element of one-off or some particular pickup in these segments, in any of the sub segments which we are seeing during the quarter?

Srinivasan Vaidyanathan: No. The fee element, if you look at it, the fee has grown by about 9% or thereabouts. In fact, the proportion by various products, if you see, is almost consistent where you have to look at prior year more than prior quarter because one quarter to another quarter, there are seasonalities of various products, but it is consistent and that is part of the regular growth.

Kunal Shah: Okay. Got it. Some element of wholesale would be there because that proportion is going.

Sashidhar Jagdishan: No, not wholesale. Kunal, the fact of the matter is you started to see the asset buildup happening, the disbursals would have started to kick in during this quarter. So, there would be definitely better earnings arising out of the asset disbursals as well.

Kunal Shah: Okay. Thank you and wish you all a very best happy diwali.

Srinivasan Vaidyanathan: Thank you and you too have a great one.

Moderator: Next question is from the line of Anand Swaminathan from BofA. Please go ahead.



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Anand Swaminathan: I have a couple of questions. One, we have just crossed the two-year mark post-merger as well. If we can give some key success metrics in terms of synergies and what has worked out the best? And also, if you can highlight what has been lagging versus what we had envisaged two years back? And number two, in terms of the line of sight of ROAs, what kind of timeframe are you thinking about now to get back above the 2% ROA mark, which we used to do consistently before?

Sashidhar Jagdishan: So, let me try and attempt this and maybe later on, Kaizad or Srinivas can just jump in. Number one is, let us face it, this is one of the most complex mergers in recent history. Two is, as you know, the bank had to do much more than what it was normally doing in terms of trying to step up the pace of raising funds to meet the incremental reserve requirements, the other LCR requirements that happened on their liabilities, which we inherited and also the funding for the incremental priority sector requirements as well. In addition to that, obviously, when we realized that the economic outlook was changing post the merger, we took a strategic call that we would like to relook at our glide path and we said we want to bring down the credit deposit ratio much faster than what we had envisaged at the time of announcing the merger. So, that meant that you needed to step up the pace of deposit growth much more than what one would have done, even though the liquidity environment is extremely tight. So, I think these were all extraordinary events that we went through post the merger, and I think doing all these slightly more than what the organization's capacity was, we still maintained reasonable stability in terms of margins right from the time we had our day zero or day one financial metrics, whether it is in NIMs, whether it is cost to earnings, whether it is the asset quality or whether it is a return on assets. If you have looked at it over the two-year period, I think it has been reasonably stable and range bound and that itself is very commendable for a population scale kind of an organization.

Having said that, during this period, we continue to invest into the future, into technology, into distribution and into resources because we believe that if you need to really harness the opportunity of the merger, we need to ensure that we have enough funding to be able to fund the future growth as well. So, that said, so we were not too focused on managing the cost to earnings during this period. We said, let us invest and this will harvest itself over the next three to five years phase.

As we see, one of the most important things is on the home loan space. Home loans, as we mentioned, is a very emotional product and the kind of relationship that comes about is going to be long-term in nature, having a better emotional quotient, and it is going to have a far-reaching impact than some of the short-term consumption products. The process has commenced I think the team has done a fabulous job of trying to ensure that we try and sell home loans from a larger distribution than what we were doing premerger. Two is when we started to offer home loans, we said that we will try and cut down the turnaround time of sanctions. I think now it is in the public domain. For salaried loans, we have now brought down the turnaround time to two days and for self-employed, it is about three days. Three is, we will have journeys, which will ensure that we have a one-click experience in offering a bouquet of products when we sell a home loan. So, in terms of the upsell, whether it is in



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terms of having a savings account attached to every home loan disbursal. Let me have Kaizad speak about it because he runs this very passionately.

Kaizad Bharucha: So, thank you, Sashi. Without going through all the pointers that Sashi mentioned, I think one of the advantages that we brought apart from changing the turnaround times was opening the segment to the self-employed base, which was not there previously when home loans were being done. And that has opened up a larger segment for us. It has also ensured that we are in a position to upsell far more products, including the liability side of it. Empirical data has shown that whenever a customer has a home loan and he brings with it the check-in account, there is a change in the value of the relationship that comes. So, I think we have been already able to start implementing that. We have seen good results over the last one year. So, with increased distribution, changing our turnaround times, being able to offer home loans and customized products in home loans to different customer segments based on geography as well as their demographics. And in addition to that, the upsell that we have been able to do across a whole range of products, which is the credit cards that go along with it, when a person buys a home loan, the consumer durable loans that go along with it, as well as being able to offer them our brokerage services and insurance. So, when you look at the whole gamut of the upsell along with the checking account and an emotional product like a home loan, which is a good duration product, its already started playing out what we had envisaged as the road map, and I would say that we are on track.

Srinivasan Vaidyanathan: I will add to Kaizad, so that this number we can keep talking and tracking - credit cards for when a new mortgage is given, the credit card penetration, we have been successful, as Kaizad alluded to, is now a little more than 14%, we are able to get that penetrated. On the consumer durable sanction, our penetration is in the mid-30s, and on a brokerage account, we are like a 15%-plus penetration. And so we are progressing on each of those products on the scale of how we want to hit. On the savings account, I think we alluded to, we are at 98%, 99%.

Sashidhar Jagdishan: And the end result in terms of the balance buildup in such accounts are far higher than the normal savings account where we don't place in a home loan. But having said that, as we have mentioned in the call, we believe that from FY'27, when we get back our trajectory, when we start to ensure that all our distribution outlets start to sell home loans, you will start to see the benefits getting more visible over a three-to five-year period. And more than that, even the operating leverage on the kind of investments that we have done both in distribution and technology will also start to play. So, I see a fair amount of positive bias in the key financial metrics over the next three to five years.

Anand Swaminathan: Any comments on the ROA trajectory? Our intention always was to go back to the upper end of that 1.8% to 2.2% ROA range. Where are we in that journey now? What timeframe we should think about?



Srinivasan Vaidyanathan: Yes. Anand, those opportunity space on the ROA, yes, we are between 1.8% to 1.85% to 1.95%. That is where we have operated over the last eight quarters or so, as you see. The space on the ROA comes from cost of funds. The merger benefits come a lot on the P&L through the cost of funds because you replace the borrowings, you change the mix of the deposits from time deposits to CASA, as we have so far last two years had predominant growth in time deposits. So, these are some of those levers, they remain intact, and they remain the opportunity space for us to get there. And yes, these are the drivers, and it is about the cost of funds which changes that trajectory.

Anand Swaminathan: Thanks a lot.

Moderator: Next question is from the line of Rikin Shah from IIFL Capital.

Rikin Shah: Good evening and thank you for the opportunity. Two questions. First one is on cost of fund improvement in this quarter for us has been marginally lower than peers. Is that only due to the longer duration of liabilities, which means that it is just a timing problem and a lot of that could be back-ended for us vis-à-vis front-ended for the peers? Or is it due to higher TD mobilization for HDFC in the recent last one year and hence, this difference could potentially persist in the near-term?

Moderator: Rikin, sorry to interrupt. Your voice is coming muffled.

Rikin Shah: Yes. So, I was asking on the cost of fund trajectory in this quarter for us relative to the peers. It has been marginally lower improvement. So, I wanted to understand whether it is solely due to the longer duration of liabilities, as Sashi alluded to in the earlier point, which means that it would be a bit more back-ended for us? Or is it due to the fact that we have mobilized higher quantum of term deposits in the last one year, and hence, this difference may persist? So, that is the first question. The second one, just Srini, if you could quantify the additional provisions that we made in the quarter through the P&L against that one-time recovery upgrade that you mentioned. That's it.

Srinivasan Vaidyanathan: Yes. Rikin, the first thing is in terms of the cost of funds, every balance sheet has got a structure, a duration and the mix of time deposit, CASA and so on. These determine how the cost of funds move. I think in some other question, maybe 10 minutes ago, we did talk about the space, which is there in the cost of funds and the time that it takes to factor that in. And so you will have to wait for some time for that to play out. And we are focused on getting the core business of franchise of deposits growth and thereby the customer relationship, and it will play out - the cost of funds. That is the first thing. The second aspect that you talked about is the provision. I think, that also to Mahrush or somebody I had mentioned that we did add, if you look at the provisions on Page #19 of the deck, that is there, you will see that the right-side block, where you see the contingent provision of almost about Rs.1,600 crores, which is added there. We also have added general provisions of about Rs.600 crores. That general provision is because we have a loan growth that we need to support and various other things. And so effectively, the general provisions is about 41 basis points of loans coming up



from about 40 basis points. And similarly, the contingent provision is also up by a basis point or two. So, we have augmented that.

Rikin Shah: Okay. Thank you so much and happy diwali to the entire team.

Srinivasan Vaidyanathan: Happy diwali to you too.

Moderator: Next question is from the line of Abhishek Murarka from HSBC.

Abhishek Murarka: So, I have a couple of questions on some of the individual loan segments. First is on personal loans. Do you think all the parameters are now green and you can accelerate, is the risk appetite much better now versus earlier? And rather to accelerate, do you need to loosen any of the tighter underwriting norms you would have adopted after November'23 circular a couple of years back? Is that a requirement or even with the current norms, you can sort of accelerate? So, just some sense there on how you are looking at growth and revival? The second one is on home loans. Now I think you all made very valid points about the product itself and the importance of the product for the franchise, but if I look at the overall growth, you are still 300 bps below the industry growth. I understand maybe it was due to the fact that the period was such where margins were under pressure and maybe you wanted to trade that off. But now going forward, do you see that accelerating again, and enough risk-adjusted returns there to grow at least at par with the industry? And the third is on gold. What are the yields right now? You are growing 5%, 6% QoQ for several quarters over there, is that still lucrative from a return and margin perspective? Are you seeing some yield pressure there? So, just these three things if you could talk a little bit about?

Kaizad Bharucha: Okay. So, your first question is being on the unsecured book. We have always had an approach where we will not go down our credit standards for underwriting, whatever would be the cycle, that would be present. We have always looked at opportunities to grow in the segments that we are comfortable and based on the economic environment and the growth that is there in the economic environment. We have seen a steady growth come through because there has been an uptick in the credit offtake in unsecured loans, and we have appropriately participated out over there. As it unfolds and as Sashi alluded to, we see a positive traction continuing in the economic environment and we will certainly participate in our target market and ensure we capture our rightful share out over there without having to dilute any credit standards.

If I move to the mortgage piece out over there, on the volume rate of growth, last year, if you step back, we did a lot of corrections that needed to be carried out in terms of process, target market, the kind of yields that we wanted to participate in. From there, if you see, we have started increasing our market share and today, we do believe that we have closed the gap between what we had about a year, year and a half ago, and where we are. If you see some of the participants in the last 90 to 120 days, post the RBI reduction of 50 basis points in June, we witnessed a lowering of rates in the market



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by a host of players. We chose not to go down the interest rate ladder and participate at those levels, because it has to make a certain level of economic sense and return as we also balance it with market share. We do believe we navigated that in a manner where we saw very quickly some of the players revise their rates and bring it back up. We do believe that over the next 18-to-24 months, this is a product where we will be with market. We have already shown that over the last several quarters, but we will not do anything only to get market share gain. That has never been our philosophy. It is a long duration product. It is a product where you connect with the customer and you want to have a customer quality where you can engage even greater across our product suite and have a relationship which lasts through the lifetime of the loans. So, that is our outlook with regard to the mortgage business. The third question was on the gold.

Abhishek Murarka: Yes. I just had a very quick follow-up here. Is the pragmatism on pricing returning? Or is it just still quite competitive and still not the right time to press the pedal?

Kaizad Bharucha: It is coming back to some levels of sanity, but I would think it is yet a little distance away, because it is quite an uneven market where you see different players come and accelerate their appetite on home loans and therefore, use rates as a strategy to try and meet their objectives. So, we will have to see how this unfolds and would not want to jump the gun where that is concerned.

Very quickly, in the interest of time, I move to your query on gold loans. Yields have been good. Our experience, as we are growing this book in a steady manner, has thus far been very helpful. We do see us continuing on that path. We will be watchful as it is again a very emotional item with clients, who we deal with and the clarity of the terms on which we deal with them, we will be cautious of. But yields on gold loan book have been, I would say, pretty rich given that it is a fully collateralized exposure.

Abhishek Murarka: Yes. Is the yield here higher than your retail blended yield or at par, just the retail portfolio?

Srinivasan Vaidyanathan: Abhishek, so going into one particular product rate, all I will tell you is that this is incremental to the bank's yield as well as the retail product yield.

Abhishek Murarka: Okay, yes. That helps. Alright. Thank you so much and happy diwali to the team.

Moderator: Next question is from the line of Jayant from Axis Capital. Please go ahead.

Jayant: Yes. My question was regarding credit cards. The cards book has not grown as much in this quarter. However, the card issuances and the spends have been growing very sharply ahead of industry for the past several months. So, is there a mismatch? And have we observed any uptick in the post 22nd of September period?



Srinivasan Vaidyanathan: First on the card overall, first is that the card growth I alluded to, I think it is 1-1.5 million new card additions in the quarter. We have talked over the last four quarters, where from various spend categories, there are certain spend categories that we are cautious of, and we have been managing through the spend time. There are certain things we like and certain things that we have restricted. Secondly, in terms of various credit lines, we are again circumspect on increasing credit lines for revolvers. And we have seen that the revolve rate has not picked up, if anything, it has only come down. So again, from an overall balances point of view, a good amount of transactors who spend and pay.

Sashidhar Jagdishan: See, very similar to what Kaizad and Srini have mentioned, I just wanted to add that there will be times where probably because of festivities, there will be a fair amount of offers that will be there from e-commerce platforms and participants in that particular platform probably would have seen a fair amount of buoyancy in terms of spends and spends per card. If you look at the industry data, you would see a fair amount of spends happening on account of the festivities or the start of the festivities by some of these e-commerce platforms, and we have elected and we keep evaluating this particular space to see whether it makes economic sense to participate in some of these spends or not. So, if you are comparing or looking at it from an industry perspective, as has been the philosophy, we try and ensure that whatever we participate largely should make some economic sense. It is a fact that we did not participate in some of the large spends that happens during just about the start of the festival on e-commerce platforms. And that is probably one of the reasons why you are seeing a very tepid additions to the net receivables on cards for this quarter.

Jayant: Understood. And second question was the mix of the new acquisitions. How much would be existing to bank and new to bank? Is there any change of thought here of targeting new consumer pools through cards, because we are not seeing this kind of aggression from other players right now?

Srinivasan Vaidyanathan: Normally, it has been between 65% to 75% or so is existing, and that has been the level at which we have operated over time.

Jayant: There is no change in the last six months?

Srinivasan Vaidyanathan: Yes, there is no big change.

Jayant: Thank you. That was my question. Happy Diwali to the team.

Moderator: Next question is from the line of Ravi Purohit from SIMPL.

Ravi Purohit: Thanks for the opportunity and happy Diwali to the entire team of HDFC Bank. So, I have two questions. Most of the other questions have been answered. One is about two quarters back, we had mentioned that from the erstwhile HDFC book, we had about 15 to 20 bps of stressed assets which are actually performing, but we were still classifying them as NPAs, so, can you just update us on



the status of those? Have a lot of those gotten upgraded or some of it, if in this quarter, one of the assets that you were saying that got upgraded was probably part of that eHDFC book, and is there more left there? If you could just share some thoughts there? And second is, in our advances book, we have seen healthy growth on the SME side, the medium and mid-corporate side. So, if you could just share some thoughts on what we are seeing on the ground on the SME side from loan opportunities? Those are my two questions. Thanks a lot.

Srinivasan Vaidyanathan: The first one is simple. Yes, I did mention to Mahrukh and to another person that the 10 basis points upgrade is part of that.

Kaizad Bharucha: As regards to the SME part of it, I think we have seen at a ground level a fair amount of positivity come back. There is actual credit demand, which one is seeing in that segment. We do believe that with our clientele and our footprint, it gives us an opportunity to continue to participate, keeping the underwriting standards, but also participating out over here. And right now, it is continuing to give us the positivity on that segment. The asset quality in that segment has also held up well. So, we continue to mine that space within our parameters going forward.

Ravi Purohit: And sir, in the RBI policy recently, they had mentioned about Indian banks being allowed to participate in cross-border or fund cross-border M&As and also there were a lot of relaxations that have come in. So, if you could just share some thoughts as to how does it kind of open up opportunities for larger banks to participate in larger cross-border transactions, which hitherto were not available and most of that money was being raised in the overseas markets?

Kaizad Bharucha: Yes. So, I think this certainly opens an avenue for large banks to participate, in fact, for most banks to participate. We will await the final guidelines from the regulator as well as the draft guidelines which have to come out over here. I do believe that there is a large market available, which was being financed offshore or to a smaller extent being addressed by the NBFCs or by alternate funds. This would now be available to banks, and we will most certainly examine this and look at it and be able to participate given our clientele and the depth of our balance sheet.

Ravi Purohit: Okay. Great. Thanks a lot and once again seasons greetings to everyone.

Kaizad Bharucha: Thank you and wish you the same.

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

Srinivasan Vaidyanathan: Thank you. I want to take this opportune time to wish all of you a very happy festival time with your family and friends. Have a great weekend. And if you have any more questions or comments and clarifications required, please feel free to reach out to our Investor Relations. We will be happy to engage. Thank you. Bye-bye.



*HDFC Bank Limited
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Moderator: 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.