MANAGEMENT DISCUSSION SECTION

Operator: Thank you for standing by, and welcome to the HDFC Bank Q3 Results Conference Call presented by Mr. Paresh Sukthankar, Executive Director.

At this time, all participants are in a listen-only mode. There will be a presentation followed by a question-and-answer session. Please be advised, this conference is being recorded today. I would like to hand the conference over to Mr. Paresh Sukthankar. Over to you, sir.

Paresh Sukthankar, Executive Director

Thank you, Reema. Very good evening to all of you and thanks for being on this call. I have Sashi Jagdishan and Bhavin Lakhpatwala with me as well on this call. Let me spend just a couple of minutes walking you through some of the highlights. You've probably seen the financials and might have seen the press release as well, but let me just spend a few minutes walking you through the key parameters here.

Our total income growth and total income is essentially and the other income. That growth was 35.6%, taking the total income to Rs. 8,622 crores. Net revenue growth was 16.2%, taking the net revenues for Rs. 4,536 crores. Net interest income was up 12.2% on the back of average assets growth and net interest margin of 4.1%. The 4.1% margin was stable on a sequential basis, but was 10 basis points lower from the corresponding quarter of the last year. So, it's 4.2% to 4.1% on a year-on-year basis, although September quarter was already at 4.1% and we have maintained that 4.1% from the December quarter.

The non-funded revenue, the other income grew at almost 26%, 25.9% and was at Rs. 1,420 crores. Of the Rs. 1,420 crores the largest component is fees and commissions, which was Rs. 1,127 crores and fees and commissions grew at 19.6%. The rest of it of course came from FX and derivatives revenues and we had a mark-to-market negative on the bond side.

The cost to income ratio was more or less stable as a core cost to income, which is excluding any impact of the bond gains, losses and so on, where it went up marginally from 46.5% to 46.7% and I'll elaborate on the infrastructure expansion a little later which is partly contributed to this marginal increase and cost to income.

Provisions on a total basis were down from Rs. 465 crores or Rs. 466 crores in the December quarter of last year to Rs. 329 crores for the quarter ended December 2011. Of the Rs. 329 crores of total provisions, the loan loss provisions were Rs. 289 crore, the rest were contingent provisions and so on. So the loan loss provisions of the Rs. 329 crores were Rs. 289 crores and these loan loss provisions include both specific provisions for the NPLs as well as general provisions and floating provisions. So of the Rs. 289 crores of loan loss provisions, roughly half of it -- a little less than half, around 45% or so were the general provision for standard assets and some floating provisions. Bottom line in terms of the net profit was up 31.4%. That's really the P&L numbers.

Quickly on the balance sheet numbers. The total deposits were up 21%. That's I think against a roughly 17% growth of deposits at a banking industry level as of December. Loan growth was just under 22%, 21.9% as compared to system loan growth of around 16% again as of December.

Core CASA ratio is at 47.7%, just under 48. I am mentioning core CASA because in the CASA as of December 31st, 2011, there was about Rs. 4,000 crores of current accounts in respect of some tax free bond issue which was open at that point of time and where we were a collecting bank. So, if you adjust for that then the CASA ratio as of December was 47.7% that we have mentioned in the press release as well.

So, that's on the rough breakup of the balance sheet figures. Capital adequacy is at 16.3% which is the same as what it was in the corresponding quarter of last year. Tier 1 is at 11.2%. The profits for this quarter are not included in the Tier 1 because that can be done only after audit. So, while the September – up to September the profits had been – the financials had been audited so the September Tier 1 already included the profits up to September. For the quarter ended December, the Tier I of 11.2% does not include the profits for that quarter.

The network expansion, if you look at in the last 12 months has been quite substantial. We've added 421 branches from December 2010 to December 2011, which takes us now from where we at 1780 branches to 2201.

So, additional 421 branches and of that we had an addition of 341 new cities. So there has been a large expansion, a continued expansion not just in terms of number of branches, but in terms of the geographical spread into a fair portion of these obviously, being in semi-urban locations and obviously some in rural as well.

On the asset quality front, gross NPA were the NPA percentage was at 1%, which is marginally better than what it was at 1.1% in December of last year. Net NPA is at 0.2% on a sequential basis the gross NPA, net NPA figures remain stable at 1% and 0.2% respectively.

The coverage ratio based on specific provisions is at 80%. This is a coverage based only on specific provisions and does not include any general or floating provisions. So that's – or it does – is not adjusted for any write-offs or so on. So this is purely specific provisions as a percentage of the NPLs and that is at 80%.

The restructured loans remains at 0.4% that's the level it has been in the previous quarter as well. So, these are just the few highlights. We'll be happy to take questions now.