HDFC Bank

Asian Banks

HDFCB IN - INR1,089

17 October, 2008

Company Rating: IN LINE

Second Quarter Earnings

Sector Ranking: Marketweight

R-Pitt Kelton Cochran

Caronia Wa

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Steady as she goes

HDFC Bank's 2Q FY09 (3M to 30 September) net income of INR5.28bn came in 1.5% ahead of our estimate of INR5.19bn (CNBC estimate was INR5.15bn). PPOP, at INR11.2bn, was 5% below our estimate of INR11.8 bn, As 2Q08 numbers are taken at the standalone level, it would be incorrect to compare 2Q09 results (which are for the merged entity, HDFC Bank and Centurion Bank of Punjab - Centurion Bank of Punjab [CBOP] whose merger became effective on 23 May, 2008) with the prior period. With 1H earnings coming in at 45% of the full-year estimate, we do not see any case for revising our estimates.

- Margins lower on a sequential comparison. While HDFC Bank appears to have done well to stem its funding costs, lower loan yields (down 80bp QoQ to 12.3%) have led to NIMs contracting 18bp QoQ to 4.39%. We believe this may be a part of an intentional strategy to shift focus to lower risk assets in a tighter credit environment.
- Liquidity advantage exploited in a tighter funding environment. Despite the significant surge in systemic deposit rates, HDFC Bank's liquid asset profile provided it with the flexibility to fund its loan growth, as opposed to boosting higher-cost deposits to the greater detriment of margins. That said, with loan deposit ratios rising to 76%, HDFC Bank has lost much of its liquidity advantage.
- Marginal rise in delinquency ratios. One of our prime concerns about the merger with CBOP was related to negative surprises on the NPL front. However, the bank has negotiated this fairly well, with gross and net NPLs on a merged basis rising a mere 30bp to 1.6% and 20bp to 0.6%, respectively. That said, we remain vigilant, CBOP's gross delinguencies were as high as 3.7% in December 2007 and we had envisaged a merged delinquency ratio of 2.2% as at March 2008.
- CASA ratios sequentially constant at 44%. With over 500 branch additions, distribution reach is a positive. Nevertheless. HDFC Bank appears to be struggling to push up its current account-savings account (CASA) ratio. We believe further CASA gains are critical in order for HDFC Bank to reap gains from synergies.
- Valuations not low enough to call a buy. On the back of the recent de-rating, we warming to the story, although we maintain our In Line rating as the stock's valuation, at 2.8x FY09e P/B, is not cheap and the probability of a further macro-led de-rating is still high.

Fundamental data for HDFC Bank (price as at class on 16 October)

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	Net income	EPS	P/E	BVPS	P/BV	Dividend	Yield	ROA	ROE
	(INRmn)	(INR)	(x)	(INR)	(x)	(INR)	(%)	(%)	(%)
March 2006	8,816	27.62	39.4	170	6.4	5.50	0.5%	1.41%	17.90%
March 2007	11,510	34.93	31.2	203	5.4	7.00	0.6%	1.40%	19.51%
March 2008	15,951	45.50	23.9	326	3.3	8.94	0.8%	1.42%	17.72%
March 2009e	21,580	50.55	21.5	393	2.8	9.72	0.9%	1.27%	14.34%
March 2010e	29,499	60.72	17.9	492	2.2	11.86	1.1%	1.27%	14.13%
Price (INR):	1,089			Shares outstan	ding (mn): 471	.9		Market cap (USDmn):	10,536
Normalised R	OE		Fir	m value			P/E	-based valuation	
NIM (on averag	je assets)	4.65%	Mar-09e Tier 1 capital ratio			9.0%	Fai	r P/E (x)	17.2
Non-IR/revenues 28.2%		28.2%	Excess capital per share (INR)			49	121	M fwd. EPS (INR)	53.3
Costs/income -53.1%		-53.1%	Cost of capital			13.9%	Fair value (INR)		915
Operating ROA 3.10%		3.10%	Long-term growth			12.5%	Implied value of growth		
LLP/loans -1.95%		-1.95%	Fair P/B (x)			2.84	12M fwd EPS (INR)		53
Net ROAA 1.36%		Ad	Adj. NAV (INR)			Capitalised value (INR)		595	
Equity/assets 8.18%		8.18%	Va	Value of operations (INR)		1,265	Value of growth (INR)		494
Normalised ROE 16.6%		16.6%	Total value (INR)			1.315	315 Attrib. to growth		45.4%

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Figure 1: Quarterly financials

Cash and balances with the RBI 84,717 120,273 91,379 125,532 158,138 152,552 158,138 152,552 17,178 22,262 27,102 21,191 Investments 36,134 402,890 417,389 433,335 456,849 41,195 443,335 456,849 41,195 41,1751 14,882 15,596 Cher assets 10,436 10,545 10,681 11,1751 14,882 15,596 Other assets 35,439 40,720 38,350 44,027 1,032,707 1,032,707 1,032,707 1,032,707 1,032,707 1,032,707 1,032,707 1,032,707 1,032,707 1,032,707 1,007,800 1,039,176 1,333,700 1,039,176 1,332,700 1,039,176 1,332,700 1,022,222 2,021 1,007,800 1,009,176 1,333,700 1,007,800 1,009,177 1,000,000 1,007,800 1,009,176 1,332,00 1,002,222 2,002,000 1,007,800 1,009,000 1,000,000 1,000,000 1,000,000 1,000,000 1,000,000 1,000,000 <t< th=""><th>Balance sheet (INRmn)</th><th>06/07</th><th>09/07</th><th>12/07</th><th>03/08</th><th>06/08</th><th>09/08</th></t<>	Balance sheet (INRmn)	06/07	09/07	12/07	03/08	06/08	09/08
Interbank assets 36,314 18,241 42,778 22,252 27,012 21,191 Innestments 351,654 40,2890 417,389 493,935 456,849 441,955 Loans and advances 538,393 622,780 713,888 634,289 967,969 1,022,222 Fixed assets 10,436 10,545 10,651 11,751 14,982 15,590 10,042 38,360 44,027 61,037 64,137 714,685 714,056,953 1,215,450 1,314,395 1,331,770 1,685,967 1,717,645 Doposits 816,045 91,0866 99,370 1,076,990 1,091,77 1,387,900 1,000,0							
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Laans and advances 538,393 622,780 7,13,868 634,289 967,969 1,022,225 1,024 1,025 1,		· ·		-	· ·	-	441,952
Fixed assets	Loans and advances	· ·		•	•	•	1,022,223
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Total liabilities 975,983 1,106,572 1,200,811 1,216,798 1,552,808 1,578,938 Total shareholders' equity 80,869 108,878 113,584 114,972 133,179 134,681 140,501 141,622 143,36 143,36 143,36 143,36 143,36 143,36 143,26 143,26 143,26 143,26 143,275 143,26 143,27 143,275 143,26 143,27 143,2	Other	•		-	· ·	-	
Total shareholders' equity 80,969 108,878 113,584 114,972 133,179 138,711 Income statement (INRmn) 06/07 09/07 12/07 03/08 06/08 09/08 Net interest income 10,422 11,627 14,376 16,421 17,235 18,660 Other income 5,158 4,824 6,789 5,493 5,934 6,437 Total revenue 15,581 16,451 21,165 21,914 23,169 25,098 Operating costs (7,744) (8,184) (10,501) (10,2891) (12,884) (13,867 Pre-provision operating profit 7,837 8,267 10,664 10,887 10,275 11,225 Loan loss provisions (2,997) (2,792) (3,501) (2,990) (3,244) (3,373 Other provisions (74) (162) (730) (1,752) (2,187) (2,488 Atter-tax profit 4,766 5,373 6,433 6,236 6,830 7,766 Income tax expenses	Total liabilities	•	•	•		•	1,578,938
Net interest income	Total shareholders' equity						138,711
Other income 5,158 4,824 6,789 5,493 5,934 6,431 Total revenue 15,581 16,451 21,165 21,914 23,169 25,094 (13,867) Pre-provision operating profit 7,837 8,267 10,664 10,887 10,275 11,225 Loan loss provisions (2,997) (2,732) (3,501) (2,930) (3,244) (3,373 Pre-tax profit 4,766 5,373 6,433 6,236 6,830 7,766 Income tax expense (1,553) (1,688) (2,139) (1,525) (2,187) (2,488 NIM analysis 06/07 09/07 12/07 03/08 06/08 99/07 Loan yield 11,54% 11,28% 11,18% 11,92% 13,16% 12,30% Total asset yield 8,64% 8,32% 8,52% 8,54% 9,60% 9,33% Underflore yield 15,54% 11,28% 11,18% 11,92% 13,16% 12,30% Total revenue 3,29%	Income statement (INRmn)	06/07	09/07	12/07	03/08	06/08	09/08
Total revenue 15,581 16,451 21,165 21,914 23,169 25,096 Operating costs (7,744) (8,184) (10,501) (11,027) (12,894) (13,867) Pre-provision operating profit 7,837 8,267 10,664 10,887 10,275 11,225 Loan loss provisions (2,997) (2,732) (3,501) (2,930) (3,244) (3,373 Other provisions (74) (162) (730) (1,721) (201) (877 Pre-tax profit 4,766 5,373 6,433 6,236 6,830 7,766 Income tax expense (1,553) (1,688) (2,139) (1,525) (2,187) (2,488 After-tax profit 3,212 3,685 4,294 4,711 4,643 5,286 NIM analysis 06/07 09/07 12/07 03/08 06/08 9,00 Total asset yield 8,64% 8,32% 8,62% 8,94% 9,60% 9,38% Funding sept 06/07 09	Net interest income	10,422	11,627	14,376	16,421	17,235	18,665
Operating costs (7,744) (8,184) (10,501) (11,027) (12,894) (13,867) Pre-provision operating profit 7,837 8,267 10,664 10,887 10,275 11,225 11,225 11,225 11,235 11,235 11,235 11,235 11,235 11,235 (2,930) (3,244) (3,373 Other provisions (74) (162) (730) (1,721) (201) (87 4,766 5,373 6,433 6,236 6,830 7,766 1,721 (2,488 After-tax profit 4,766 5,373 6,433 6,236 6,830 7,766 1,644 4,711 4,643 5,286 After-tax profit 3,212 3,685 4,294 4,711 4,633 5,286 After-tax profit 3,212	Other income	5,158	4,824	6,789	5,493	5,934	6,431
Pre-provision operating profit 7,837 8,267 10,664 10,887 10,275 11,225 Loan loss provisions (2,997) (2,732) (3,501) (2,930) (3,244) (3,373 Other provisions (74) (162) (730) (1,721) (201) (87 Pre-lax profit 4,766 5,373 6,433 6,236 6,830 7,766 Income tax expense (1,553) (1,688) (2,139) (1,525) (2,187) (2,488 After-tax profit 3,212 3,685 4,294 4,711 4,643 5,280 MIM analysis 0607 09107 1207 03/08 06/08 09/09 Loan yield 11,54% 11,28% 11,18% 11,92% 13,16% 12,30% Total asset yield 8,64% 8,32% 8,62% 8,94% 9,60% 9,38% Funding cost -5,35% 5,14% -5,03% 4,90% 4,50% 3,52% 3,52% 3,52% 3,52% 3,52% 4,94	Total revenue	15,581	16,451	21,165	21,914	23,169	25,096
Loan loss provisions (2,997) (2,732) (3,501) (2,930) (3,244) (3,373) Other provisions (74) (162) (730) (1,721) (201) (87 Pre-tax profit 4,766 5,373 6,433 6,236 6,830 7,766 Income tax expense (1,553) (1,688) (2,139) (1,525) (2,187) (2,488 After-tax profit 3,212 3,685 4,294 4,711 4,643 5,286 MIM analysis 0607 09/07 12/07 03/08 06/08 09/06 Loan yield 11,549 11,128% 11,18% 11,18% 13,16% 23,685 Funding cost 5,35% 5,14% -5,03% 4,90% -6,09% -5,97% Asset – liability spread 3,29% 3,18% 3,59% 4,03% 3,52% 3,41% DuPont analysis 06/07 09/07 12/07 03/08 06/08 09/06 NIR/average assets 4,23% 4,09% 4,5	Operating costs	(7,744)	(8,184)	(10,501)	(11,027)	(12,894)	(13,867)
Other provisions (74) (162) (730) (1,721) (201) (87 Pre-tax profit 4,766 5,373 6,433 6,236 6,830 7,765 Income tax expense (1,553) (1,688) (2,139) (1,525) (2,187) (2,488) After-tax profit 3,212 3,685 4,294 4,711 4,643 5,286 NIM analysis 06/07 09/07 12/07 03/08 05/08 09/08 Loan yield 11,54% 11,28% 11,18% 11,92% 13,16% 12,30% Total asset yield 8,64% 8,32% 8,62% 8,94% 9,60% 9,38% Funding cost 5,35% 5,14% -5,03% 4,90% 6,08% 9,60% 9,38% Funding cost 3,29% 3,18% 3,59% 4,03% 5,57% 4,50% 4,09% 4,50% 4,09% 4,50% 4,50% 4,57% 4,39% Non-IR/total revenuel/average assets 4,33% 4,79% 4,96%	Pre-provision operating profit	7,837	8,267	10,664	10,887	10,275	11,229
Pre-tax profit 4,766 5,373 6,433 6,236 6,830 7,768 Income tax expense (1,553) (1,688) (2,139) (1,525) (2,187) (2,488 After-tax profit 3,212 3,685 4,294 4,711 4,643 5,280 Mill analysis 0507 09/07 12/07 03/08 06/08 09/06 Loan yield 11,54% 11,28% 11,18% 11,92% 13,16% 12,30% Total asset yield 8,64% 8,32% 8,62% 8,94% 9,60% 9,38% Funding cost -5,35% -5,14% -5,03% 4,90% -6,06% -5,97% Asset – liability spread 3,29% 3,18% 3,59% 4,03% 3,52% 3,41% DuPont analysis 06/07 09/07 12/07 03/08 06/08 9,00% NB/Raverage assets 4,23% 4,09% 4,55% 4,96% 4,57% 4,39% Non-IR/raverage assets 2,10% 1,70% 2,15% <td>Loan loss provisions</td> <td>(2,997)</td> <td>(2,732)</td> <td>(3,501)</td> <td>(2,930)</td> <td>(3,244)</td> <td>(3,373)</td>	Loan loss provisions	(2,997)	(2,732)	(3,501)	(2,930)	(3,244)	(3,373)
Income tax expense (1,553) (1,688) (2,139) (1,525) (2,187) (2,488 After-tax profit 3,212 3,685 4,294 4,711 4,643 5,286 NIM analysis 06/07 09/07 12/07 03/08 06/08 09/06 09/07 09/07 12/07 03/08 06/08 09/07 03/08 06/08 09/07 03/08 03	Other provisions	(74)	(162)	(730)	(1,721)	(201)	(87)
After-tax profit 3,212 3,685 4,294 4,711 4,643 5,280 NIM analysis 06/07 09/07 12/07 03/08 06/08 09/08 Loan yield 11.54% 11.28% 11.18% 11.92% 13.16% 12.30% Total asset yield 8.64% 8.32% 8.62% 8.94% 9.60% 9.38% Funding cost -5.35% -5.14% 5.03% 4.90% -6.08% 5.97% Asset – liability spread 3.29% 3.18% 3.59% 4.03% 3.52% 3.41% DuPont analysis 06/07 09/07 12/07 03/08 06/08 09/08 NIR/average assets 4.23% 4.09% 4.55% 4.96% 4.57% 4.39% Non-IR/average assets 4.23% 4.09% 4.55% 4.96% 4.57% 4.39% Non-IR/average assets 2.10% 1.70% 2.15% 1.66% 1.57% 1.51% Total revenue/average assets 6.33% 5.79% 4.669%	Pre-tax profit	4,766	5,373	6,433	6,236	6,830	7,769
NIM analysis 06/07 09/07 12/07 03/08 06/08 09/08 Loan yield 11.54% 11.28% 11.18% 11.92% 13.16% 12.30% Total asset yield 8.64% 8.32% 8.62% 8.94% 9.60% 9.38% Funding cost -5.35% -5.14% -5.03% -4.90% -6.08% -5.97% Asset – liability spread 3.29% 3.18% 3.59% 4.03% 3.52% 3.41% DuPont analysis 06/07 09/07 12/07 03/08 06/08 09/08 NIR/average assets 4.23% 4.09% 4.55% 4.96% 4.57% 4.39% Non-IR/average assets 2.10% 1.70% 2.15% 1.66% 1.57% 1.51% Non-IR/average assets 2.10% 1.70% 2.15% 1.66% 4.57% 4.39% Non-IR/average assets 2.10% 1.70% 2.15% 1.66% 1.47% 1.57% Total revenue/average assets 6.33% 5.79% <t< td=""><td>Income tax expense</td><td>(1,553)</td><td>(1,688)</td><td>(2,139)</td><td>(1,525)</td><td>(2,187)</td><td>(2,488)</td></t<>	Income tax expense	(1,553)	(1,688)	(2,139)	(1,525)	(2,187)	(2,488)
Loan yield 11.54% 11.28% 11.18% 11.92% 13.16% 12.30% Total asset yield 8.64% 8.32% 8.62% 8.94% 9.60% 9.38% Funding cost -5.35% -5.14% -5.03% -4.90% -6.08% -5.97% Asset – liability spread 3.29% 3.18% 3.59% 4.03% 3.52% 3.41% DuPont analysis 06/07 09/07 12/07 03/08 06/08 09/08 NIR/average assets 4.23% 4.09% 4.55% 4.96% 4.57% 4.39% Non-IR/average assets 2.10% 1.70% 2.15% 1.66% 1.57% 1.51% Non-IR/average assets 2.10% 1.70% 2.15% 1.66% 1.57% 1.51% Non-IR/average assets 2.10% 1.70% 2.15% 1.66% 1.57% 1.51% Non-IR/average assets 2.10% 1.70% 2.51% 25.6% 25.6% 25.6% Total revenue/average assets 3.15% 2.28%	After-tax profit	3,212	3,685	4,294	4,711	4,643	5,280
Total asset yield 8.64% 8.32% 8.62% 8.94% 9.60% 9.38% Funding cost -5.35% -5.14% -5.03% -4.90% -6.08% -5.97% Asset – liability spread 3.29% 3.18% 3.59% 4.03% 3.52% 3.41% -5.03% 4.03% 3.52% 3.41% -5.03% 4.03% 3.52% 3.41% -5.03% 4.03% 3.52% 3.41% -5.03% 4.03% 3.52% 3.41% -5.03% 4.03% 3.52% 3.41% -5.03% 4.03% 3.52% 3.41% -5.03% 4.03% 3.52% 3.41% -5.03% 4.03% 3.52% 3.41% -5.03% 4.03% 3.52% 4.09% 4.55% 4.96% 4.57% 4.39% Non-IR/average assets 4.23% 4.09% 4.55% 4.96% 4.57% 4.39% Non-IR/average assets 2.10% 1.70% 2.15% 1.66% 1.57% 1.51% 1.51% -6.60% 1.57% 2.56% 25.6	NIM analysis	06/07	09/07	12/07	03/08	06/08	09/08
Funding cost	Loan yield		11.28%	11.18%	11.92%	13.16%	12.30%
Asset – liability spread 3.29% 3.18% 3.59% 4.03% 3.52% 3.41% DuPont analysis 06/07 09/07 12/07 03/08 06/08 09/08 NIR/average assets 4.23% 4.09% 4.55% 4.96% 4.57% 4.39% Non-IR/average assets 2.10% 1.70% 2.15% 1.66% 1.57% 1.51% Non-IR/total revenue 33.1% 29.3% 32.1% 25.1% 25.6% 25.6% Total revenue/average assets 6.33% 5.79% 6.69% 6.63% 6.14% 5.90% Cost/income 49.7% 49.7% 49.6% 50.3% 55.7% 555.3% Cost/average assets 3.15% 2.88% 3.32% 3.33% 3.42% 3.26% Pre-provision ROAA 3.18% 2.91% 3.37% 3.29% 2.72% 2.64% Loan loss provisions/average loans 2.38% 1.88% 2.10% 1.74% 1.62% 1.36% Loans/assets 51.2% 51.1% 52.8% 50.9% 53.1% 58.5% Other provisions/assets -0.03% -0.06% -0.23% -0.52% -0.05% -0.02% Pre-tax ROAA 1.94% 1.89% 2.03% 1.89% 1.81% 1.83% ROAA 1.30% 1.30% 1.36% 1.42% 1.23% 1.23% 1.24% Average equity/average assets 7.38% 8.35% 8.79% 8.64% 8.22% 7.99% ROAE 17.7% 15.5% 15.4% 16.5% 15.0% 15.5% Balance sheet ratios 66.0% 68.4% 71.8% 62.9% 73.9% 76.4% lnvestments/assets 33.3% 33.1% 31.8% 37.1% 27.1% 25.7% lnvestments/assets 50.9% 51.2% 51.2% 51.2% 51.2% 54.3% 47.6% 57.4% 59.5% 50.5%	Total asset yield	8.64%	8.32%	8.62%	8.94%	9.60%	9.38%
DuPont analysis 06/07 09/07 12/07 03/08 06/08 09/08 NIR/average assets 4.23% 4.09% 4.55% 4.96% 4.57% 4.39% Non-IR/average assets 2.10% 1.70% 2.15% 1.66% 1.57% 1.51% Non-IR/total revenue 33.1% 29.3% 32.1% 25.1% 25.6% 25.6% Total revenue/average assets 6.33% 5.79% 6.69% 6.63% 6.14% 5.90% Cost/income -49.7% -49.7% -49.6% -50.3% -55.7% -55.3% Cost/average assets -3.15% -2.88% -3.32% -3.33% -3.42% -3.26% Pre-provision ROAA 3.18% 2.91% 3.37% 3.29% 2.72% 2.64% Loan loss provisions/average loans -2.38% -1.88% -2.10% -1.74% -1.62% -1.36% Loans/assets 51.2% 51.1% 52.8% 50.9% 53.1% 58.5% Other provisions/assets -0.03%	Funding cost	-5.35%	-5.14%	-5.03%	-4.90%	-6.08%	-5.97%
NIR/average assets	Asset – liability spread	3.29%	3.18%	3.59%	4.03%	3.52%	3.41%
Non-IR/average assets 2.10% 1.70% 2.15% 1.66% 1.57% 1.51% Non-IR/total revenue 33.1% 29.3% 32.1% 25.1% 25.6% 25.6% 25.6% 7 total revenue/average assets 6.33% 5.79% 6.69% 6.63% 6.14% 5.90% 6.00% 6.63% 6.14% 5.90% 6.00	DuPont analysis						09/08
Non-IR/total revenue 33.1% 29.3% 32.1% 25.1% 25.6% 25.6% Total revenue/average assets 6.33% 5.79% 6.69% 6.63% 6.14% 5.90% Cost/income -49.7% -49.7% -49.6% -50.3% -55.7% -55.3% Cost/average assets -3.15% -2.88% -3.32% -3.33% -3.42% -3.26% Pre-provision ROAA 3.18% 2.91% 3.37% 3.29% 2.72% 2.64% Loan loss provisions/average loans -2.38% -1.88% -2.10% -1.74% -1.62% -1.36% Loans/assets 51.2% 51.1% 52.8% 50.9% 53.1% 58.5% Other provisions/assets -0.03% -0.06% -0.23% -0.52% -0.05% -0.02% Pre-tax ROAA 1.94% 1.89% 2.03% 1.89% 1.81% 1.83% Tax rate -32.6% -31.4% -33.2% -24.5% -32.0% -32.0% ROAA 1.30% 1.30%	_	4.23%		4.55%		4.57%	4.39%
Total revenue/average assets 6.33% 5.79% 6.69% 6.63% 6.14% 5.90% Cost/income -49.7% -49.7% -49.6% -50.3% -55.7% -55.3% Cost/average assets -3.15% -2.88% -3.32% -3.33% -3.42% -3.26% Pre-provision ROAA 3.18% 2.91% 3.37% 3.29% 2.72% 2.64% Loan loss provisions/average loans -2.38% -1.88% -2.10% -1.74% -1.62% -1.36% Loans/assets 51.2% 51.1% 52.8% 50.9% 53.1% 58.5% Other provisions/assets -0.03% -0.06% -0.23% -0.52% -0.05% -0.02% Pre-tax ROAA 1.94% 1.89% 2.03% 1.89% 1.81% 1.83% Tax rate -32.6% -31.4% -33.2% -24.5% -32.0% -32.0% ROAA 1.30% 1.30% 1.36% 1.42% 1.23% 1.24% Average equity/average assets 7.38% 8.35	•						1.51%
Cost/income -49.7% -49.7% -49.6% -50.3% -55.7% -55.3% Cost/average assets -3.15% -2.88% -3.32% -3.33% -3.42% -3.26% Pre-provision ROAA 3.18% 2.91% 3.37% 3.29% 2.72% 2.64% Loan loss provisions/average loans -2.38% -1.88% -2.10% -1.74% -1.62% -1.36% Loans/assets 51.2% 51.1% 52.8% 50.9% 53.1% 58.5% Other provisions/assets -0.03% -0.06% -0.23% -0.52% -0.05% -0.02% Pre-tax ROAA 1.94% 1.89% 2.03% 1.89% 1.81% 1.83% Tax rate -32.6% -31.4% -33.2% -24.5% -32.0% -32.0% ROAA 1.30% 1.30% 1.36% 1.42% 1.23% 1.24% Average equity/average assets 7.38% 8.35% 8.79% 8.64% 8.22% 7.99% ROAE 17.7% 15.5% 15.4%	Non-IR/total revenue	33.1%	29.3%	32.1%	25.1%	25.6%	25.6%
Cost/average assets -3.15% -2.88% -3.32% -3.33% -3.42% -3.26% Pre-provision ROAA 3.18% 2.91% 3.37% 3.29% 2.72% 2.64% Loan loss provisions/average loans -2.38% -1.88% -2.10% -1.74% -1.62% -1.36% Loans/assets 51.2% 51.1% 52.8% 50.9% 53.1% 58.5% Other provisions/assets -0.03% -0.06% -0.23% -0.52% -0.05% -0.02% Pre-tax ROAA 1.94% 1.89% 2.03% 1.89% 1.81% 1.83% Tax rate -32.6% -31.4% -33.2% -24.5% -32.0% -32.0% ROAA 1.30% 1.30% 1.36% 1.42% 1.23% 1.24% Average equity/average assets 7.38% 8.35% 8.79% 8.64% 8.22% 7.99% ROAE 17.7% 15.5% 15.4% 16.5% 15.0% 15.5% Balance sheet ratios 06/07 09/07 12	_						5.90%
Pre-provision ROAA 3.18% 2.91% 3.37% 3.29% 2.72% 2.64% Loan loss provisions/average loans -2.38% -1.88% -2.10% -1.74% -1.62% -1.36% Loans/assets 51.2% 51.1% 52.8% 50.9% 53.1% 58.5% Other provisions/assets -0.03% -0.06% -0.23% -0.52% -0.05% -0.02% Pre-tax ROAA 1.94% 1.89% 2.03% 1.89% 1.81% 1.83% Tax rate -32.6% -31.4% -33.2% -24.5% -32.0% -32.0% ROAA 1.30% 1.30% 1.36% 1.42% 1.23% 1.24% Average equity/average assets 7.38% 8.35% 8.79% 8.64% 8.22% 7.99% ROAE 17.7% 15.5% 15.4% 16.5% 15.0% 15.5% Balance sheet ratios 06/07 09/07 12/07 03/08 06/08 09/08 Loans/deposits 66.0% 68.4% 71.8%				-49.6%			-55.3%
Loan loss provisions/average loans -2.38% -1.88% -2.10% -1.74% -1.62% -1.36% Loans/assets 51.2% 51.1% 52.8% 50.9% 53.1% 58.5% Other provisions/assets -0.03% -0.06% -0.23% -0.52% -0.05% -0.02% Pre-tax ROAA 1.94% 1.89% 2.03% 1.89% 1.81% 1.83% Tax rate -32.6% -31.4% -33.2% -24.5% -32.0% -32.0% ROAA 1.30% 1.30% 1.36% 1.42% 1.23% 1.24% Average equity/average assets 7.38% 8.35% 8.79% 8.64% 8.22% 7.99% ROAE 17.7% 15.5% 15.4% 16.5% 15.0% 15.5% Balance sheet ratios 06/07 09/07 12/07 03/08 06/08 09/08 Loans/deposits 66.0% 68.4% 71.8% 62.9% 73.9% 76.4% Investments/assets 50.9% 51.2% 54.3%	_						-3.26%
Loans/assets 51.2% 51.1% 52.8% 50.9% 53.1% 58.5% Other provisions/assets -0.03% -0.06% -0.23% -0.52% -0.05% -0.02% Pre-tax ROAA 1.94% 1.89% 2.03% 1.89% 1.81% 1.83% Tax rate -32.6% -31.4% -33.2% -24.5% -32.0% -32.0% ROAA 1.30% 1.30% 1.36% 1.42% 1.23% 1.24% Average equity/average assets 7.38% 8.35% 8.79% 8.64% 8.22% 7.99% ROAE 17.7% 15.5% 15.4% 16.5% 15.0% 15.5% Balance sheet ratios 06/07 09/07 12/07 03/08 06/08 09/08 Loans/deposits 66.0% 68.4% 71.8% 62.9% 73.9% 76.4% Investments/assets 33.3% 33.1% 31.8% 37.1% 27.1% 25.7% Loans/assets 50.9% 51.2% 54.3% 47.6%	Pre-provision ROAA	3.18%	2.91%	3.37%	3.29%	2.72%	2.64%
Other provisions/assets -0.03% -0.06% -0.23% -0.52% -0.05% -0.02% Pre-tax ROAA 1.94% 1.89% 2.03% 1.89% 1.81% 1.83% Tax rate -32.6% -31.4% -33.2% -24.5% -32.0% -32.0% ROAA 1.30% 1.30% 1.36% 1.42% 1.23% 1.24% Average equity/average assets 7.38% 8.35% 8.79% 8.64% 8.22% 7.99% ROAE 17.7% 15.5% 15.4% 16.5% 15.0% 15.5% Balance sheet ratios 06/07 09/07 12/07 03/08 06/08 09/08 Loans/deposits 66.0% 68.4% 71.8% 62.9% 73.9% 76.4% Investments/assets 33.3% 33.1% 31.8% 37.1% 27.1% 25.7% Loans/assets 50.9% 51.2% 54.3% 47.6% 57.4% 59.5%	Loan loss provisions/average loans	-2.38%	-1.88%	-2.10%		-1.62%	-1.36%
Pre-tax ROAA 1.94% 1.89% 2.03% 1.89% 1.81% 1.83% Tax rate -32.6% -31.4% -33.2% -24.5% -32.0% -32.0% ROAA 1.30% 1.30% 1.36% 1.42% 1.23% 1.24% Average equity/average assets 7.38% 8.35% 8.79% 8.64% 8.22% 7.99% ROAE 17.7% 15.5% 15.4% 16.5% 15.0% 15.5% Balance sheet ratios 06/07 09/07 12/07 03/08 06/08 09/08 Loans/deposits 66.0% 68.4% 71.8% 62.9% 73.9% 76.4% Investments/assets 33.3% 33.1% 31.8% 37.1% 27.1% 25.7% Loans/assets 50.9% 51.2% 54.3% 47.6% 57.4% 59.5%		51.2%	51.1%	52.8%	50.9%	53.1%	58.5%
Tax rate -32.6% -31.4% -33.2% -24.5% -32.0% -32.0% ROAA 1.30% 1.30% 1.36% 1.42% 1.23% 1.24% Average equity/average assets 7.38% 8.35% 8.79% 8.64% 8.22% 7.99% ROAE 17.7% 15.5% 15.4% 16.5% 15.0% 15.5% Balance sheet ratios 06/07 09/07 12/07 03/08 06/08 09/08 Loans/deposits 66.0% 68.4% 71.8% 62.9% 73.9% 76.4% Investments/assets 33.3% 33.1% 31.8% 37.1% 27.1% 25.7% Loans/assets 50.9% 51.2% 54.3% 47.6% 57.4% 59.5%	Other provisions/assets	-0.03%	-0.06%	-0.23%	-0.52%	-0.05%	-0.02%
ROAA 1.30% 1.30% 1.36% 1.42% 1.23% 1.24% Average equity/average assets 7.38% 8.35% 8.79% 8.64% 8.22% 7.99% ROAE 17.7% 15.5% 15.4% 16.5% 15.0% 15.5% Balance sheet ratios 06/07 09/07 12/07 03/08 06/08 09/08 Loans/deposits 66.0% 68.4% 71.8% 62.9% 73.9% 76.4% Investments/assets 33.3% 33.1% 31.8% 37.1% 27.1% 25.7% Loans/assets 50.9% 51.2% 54.3% 47.6% 57.4% 59.5%		1.94%	1.89%	2.03%	1.89%	1.81%	1.83%
Average equity/average assets 7.38% 8.35% 8.79% 8.64% 8.22% 7.99% ROAE 17.7% 15.5% 15.4% 16.5% 15.0% 15.5% Balance sheet ratios 06/07 09/07 12/07 03/08 06/08 09/08 Loans/deposits 66.0% 68.4% 71.8% 62.9% 73.9% 76.4% Investments/assets 33.3% 33.1% 31.8% 37.1% 27.1% 25.7% Loans/assets 50.9% 51.2% 54.3% 47.6% 57.4% 59.5%	Tax rate	-32.6%	-31.4%	-33.2%	-24.5%	-32.0%	-32.0%
ROAE 17.7% 15.5% 15.4% 16.5% 15.0% 15.5% Balance sheet ratios 06/07 09/07 12/07 03/08 06/08 09/08 Loans/deposits 66.0% 68.4% 71.8% 62.9% 73.9% 76.4% Investments/assets 33.3% 33.1% 31.8% 37.1% 27.1% 25.7% Loans/assets 50.9% 51.2% 54.3% 47.6% 57.4% 59.5%	ROAA	1.30%	1.30%	1.36%	1.42%	1.23%	1.24%
Balance sheet ratios 06/07 09/07 12/07 03/08 06/08 09/08 Loans/deposits 66.0% 68.4% 71.8% 62.9% 73.9% 76.4% Investments/assets 33.3% 33.1% 31.8% 37.1% 27.1% 25.7% Loans/assets 50.9% 51.2% 54.3% 47.6% 57.4% 59.5%	Average equity/average assets	7.38%	8.35%	8.79%	8.64%	8.22%	7.99%
Loans/deposits 66.0% 68.4% 71.8% 62.9% 73.9% 76.4% Investments/assets 33.3% 33.1% 31.8% 37.1% 27.1% 25.7% Loans/assets 50.9% 51.2% 54.3% 47.6% 57.4% 59.5%	ROAE	17.7%	15.5%	15.4%	16.5%	15.0%	15.5%
Investments/assets 33.3% 33.1% 31.8% 37.1% 27.1% 25.7% Loans/assets 50.9% 51.2% 54.3% 47.6% 57.4% 59.5%	Balance sheet ratios	06/07	09/07	12/07	03/08	06/08	09/08
Loans/assets 50.9% 51.2% 54.3% 47.6% 57.4% 59.5%	Loans/deposits	66.0%	68.4%	71.8%	62.9%	73.9%	76.4%
	Investments/assets	33.3%		31.8%			25.7%
Customer deposits/liabilities 83.6% 82.3% 82.8% 82.8% 84.3% 84.7%	Loans/assets	50.9%	51.2%	54.3%	47.6%	57.4%	59.5%
	Customer deposits/liabilities	83.6%	82.3%	82.8%	82.8%	84.3%	84.7%

Source: Company data, FPKe

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Figure 2: Deviation analysis

INRmn	2Q FY09e	2Q FY09a	Deviation (%)
NII	19,251	18,665	-3.0
Other income	5,968	6,431	7.8
Total income	25,219	25,096	-0.5
Operating profit	11,853	11,229	-5.3
Provisions	4,425	3,460	-21.8
PBT	7,428	7,769	4.6
PAT	5,199	5,280	1.6

Source: Company data, FPKe



Figure 3: Annual financial summary (year-end 31 March)

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Balance sheet (INRmn)	2006	2007	YoY	2008e	YoY	2009e	YoY	2010e	YoY
Net customer loans	348,998	469,448	35%	634,269	35%	1,020,050	61%	1,333,494	31%
Loans loss reserves	5,378	7,988	49%	13,685	71%	22,282	63%	33,426	50%
NPL	5,089	6,578	29%	15,411	134%	19,688	28%	35,005	78%
Gross loans	354,376	477,436	35%	647,954	36%	1,042,332	61%	1,366,920	31%
Investments	283,907	305,670	8%	492,880	61%	825,018	67%	1,031,273	25%
Other earning assets	69,424	90,734	31%	148,280	63%	165,004	11%	206,255	25%
Total earning assets	707,706	873,840	23%	1,289,114	48%	2,032,354	58%	2,604,447	28%
Average earning assets = (A)	603,084	790,773	31%	1,081,477	37%	1,660,734	54%	2,318,401	40%
Total assets	736,229	913,083	24%	1,331,931	46%	2,062,831	55%	2,578,497	25%
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Interbank funding	28,585	26,154	-9%	44,789	71%	69,357	55%	86,696	25%
Customer deposits	557,471	682,643	22%	1,006,314	47%	1,546,909	54%	1,933,636	25%
Long-term debt	17,020	32,826	93%	32,491	-1%	50,314	55%	62,892	25%
Total interest-bearing liabilities	603,076	741,623	23%	1,083,593	46%	1,666,580	54%	2,083,224	25%
Average interest bearing liabilities = (B)	509,759	672,349	32%	912,608	36%	1,375,086	51%	1,874,902	36%
Average assets	624,507	824,656	32%	1,122,507	36%	1,697,381	51%	2,320,664	37%
Shareholders' equity	53,273	64,704	21%	115,351	78%	185,629	61%	232,036	25%
Average common equity	49,238	58,988	20%	90,027	53%	150,490	67%	208,833	39%
Average risk-weighted assets	507,443	671,497	32%	907,650	35%	1,494,766	65%	2,877,492	93%
Income statement (INRmn)	2006	2007	YoY	2008e	YoY	2009e	YoY	2010e	YoY
Margins (% of earning assets)	4.22%	4.38%	101	4.84%	101	4.87%	101	4.73%	101
Earning assets/assets	97%	96%		96%		98%		100%	
NIM	4.08%	4.20%		4.66%		4.76%		4.73%	
Interest earned	44,753	66,462	49%	101,170	52%	159,116	57%	214,524	35%
Interest expense	(19,292)	(31,793)	65%	(48,874)	54%	(78,313)	60%	(104,816)	34%
Net interest income	25,461	34,669	36%	52,297	51%	80,802	55%	109,709	36%
Total non-interest revenues	11,556	15,773	36%	23,758	51%	32,321	36%	42,786	32%
Fee income	10,774	13,543	26%	18,299	35%	21,924	20%	27,356	25%
FX/trading gains	473	1,219	158%	5,127	320%	4,374	-15%	6,344	45%
Other operating income	309	1,010	227%	332	-67%	6,024	1717%	9,087	51%
Total operating revenues	37,017	50,441	36%	76,054	51%	113,123	49%	152,495	35%
Operating costs	(17,148)	(24,740)	44%	(38,264)	55%	(61,087)	60%	(80,822)	32%
Operating profit	19,870	25,702	29%	37,791	47%	52,037	38%	71,673	38%
Loan loss provisions	(4,796)	(8,610)	80%	(12,160)	41%	(17,905)	47%	(24,944)	39%
Other provisions	(2,455)	(642)	-74%	(2,689)	319%	(2,686)	0%	(3,742)	39%
Pre-tax profit	12,619	16,450	30%	22,942	39%	31,446	37%	42,987	37%
Tax	(3,860)	(5,016)	30%	(7,020)	40%	(9,906)	41%	(13,541)	37%
Minorities/preference dividends	57	75	31%	29	-62%	39	35%	53	37%
Attributable net income	8,816	11,510	31%	15,951	39%	21,580	35%	29,499	37%
Per share data	2006	2007	V V	0000				0010	V-V
			YoY	2008e	YoY	2009e	YoY	2010e	YoY
EPS – diluted (INR)	27.62	34.93	26%	45.50	30%	50.55	11%	60.72	20%
EPS – diluted (INR) Dividend (INR)	27.62 5.50	34.93 7.00		45.50 8.94		50.55 9.72		60.72 11.86	
EPS – diluted (INR) Dividend (INR) Payout ratio	27.62 5.50 19.9%	34.93 7.00 20.0%	26% 27%	45.50 8.94 19.7%	30% 28%	50.55 9.72 19.2%	11% 9%	60.72 11.86 19.5%	20% 22%
EPS – diluted (INR) Dividend (INR) Payout ratio BVPS (INR)	27.62 5.50 19.9% 170.1	34.93 7.00 20.0% 202.6	26% 27% 19%	45.50 8.94 19.7% 325.5	30% 28% 61%	50.55 9.72 19.2% 393.4	11% 9% 21%	60.72 11.86 19.5% 491.76	20% 22% 25%
EPS – diluted (INR) Dividend (INR) Payout ratio BVPS (INR) Average shares oustanding – diluted (mn)	27.62 5.50 19.9% 170.1 321.9	34.93 7.00 20.0% 202.6 331.3	26% 27% 19% 3%	45.50 8.94 19.7% 325.5 351.9	30% 28% 61% 6%	50.55 9.72 19.2% 393.4 428.1	11% 9% 21% 22%	60.72 11.86 19.5% 491.76 486.9	20% 22% 25% 14%
EPS – diluted (INR) Dividend (INR) Payout ratio BVPS (INR)	27.62 5.50 19.9% 170.1	34.93 7.00 20.0% 202.6	26% 27% 19%	45.50 8.94 19.7% 325.5	30% 28% 61%	50.55 9.72 19.2% 393.4	11% 9% 21%	60.72 11.86 19.5% 491.76	20% 22% 25%
EPS – diluted (INR) Dividend (INR) Payout ratio BVPS (INR) Average shares oustanding – diluted (mn)	27.62 5.50 19.9% 170.1 321.9	34.93 7.00 20.0% 202.6 331.3	26% 27% 19% 3%	45.50 8.94 19.7% 325.5 351.9	30% 28% 61% 6%	50.55 9.72 19.2% 393.4 428.1	11% 9% 21% 22%	60.72 11.86 19.5% 491.76 486.9	20% 22% 25% 14%
EPS – diluted (INR) Dividend (INR) Payout ratio BVPS (INR) Average shares oustanding – diluted (mn) Year-end shares outstanding (mn)	27.62 5.50 19.9% 170.1 321.9 313.1	34.93 7.00 20.0% 202.6 331.3 319.4	26% 27% 19% 3%	45.50 8.94 19.7% 325.5 351.9 354.3	30% 28% 61% 6%	50.55 9.72 19.2% 393.4 428.1 471.9	11% 9% 21% 22%	60.72 11.86 19.5% 491.76 486.9 471.9	20% 22% 25% 14%
EPS – diluted (INR) Dividend (INR) Payout ratio BVPS (INR) Average shares oustanding – diluted (mn) Year-end shares outstanding (mn) DuPont analysis	27.62 5.50 19.9% 170.1 321.9 313.1	34.93 7.00 20.0% 202.6 331.3 319.4	26% 27% 19% 3%	45.50 8.94 19.7% 325.5 351.9 354.3	30% 28% 61% 6%	50.55 9.72 19.2% 393.4 428.1 471.9	11% 9% 21% 22%	60.72 11.86 19.5% 491.76 486.9 471.9	20% 22% 25% 14%
EPS – diluted (INR) Dividend (INR) Payout ratio BVPS (INR) Average shares oustanding – diluted (mn) Year-end shares outstanding (mn) DuPont analysis NII/average assets	27.62 5.50 19.9% 170.1 321.9 313.1 2006 4.08%	34.93 7.00 20.0% 202.6 331.3 319.4 2007 4.20%	26% 27% 19% 3%	45.50 8.94 19.7% 325.5 351.9 354.3 2008e 4.66%	30% 28% 61% 6%	50.55 9.72 19.2% 393.4 428.1 471.9 2009e 4.76%	11% 9% 21% 22%	60.72 11.86 19.5% 491.76 486.9 471.9 2010e 4.73%	20% 22% 25% 14%
EPS – diluted (INR) Dividend (INR) Payout ratio BVPS (INR) Average shares oustanding – diluted (mn) Year-end shares outstanding (mn) DuPont analysis NII/average assets Non-IR/average assets	27.62 5.50 19.9% 170.1 321.9 313.1 2006 4.08% 1.85%	34.93 7.00 20.0% 202.6 331.3 319.4 2007 4.20% 1.91%	26% 27% 19% 3%	45.50 8.94 19.7% 325.5 351.9 354.3 2008e 4.66% 2.12%	30% 28% 61% 6%	50.55 9.72 19.2% 393.4 428.1 471.9 2009e 4.76% 1.90%	11% 9% 21% 22%	60.72 11.86 19.5% 491.76 486.9 471.9 2010e 4.73% 1.84%	20% 22% 25% 14%
EPS – diluted (INR) Dividend (INR) Payout ratio BVPS (INR) Average shares oustanding – diluted (mn) Year-end shares outstanding (mn) DuPont analysis NII/average assets Non-IR/average assets Non-IR/total revenue	27.62 5.50 19.9% 170.1 321.9 313.1 2006 4.08% 1.85% 31.2% 5.93%	34.93 7.00 20.0% 202.6 331.3 319.4 2007 4.20% 1.91% 31.3% 6.12%	26% 27% 19% 3%	45.50 8.94 19.7% 325.5 351.9 354.3 2008e 4.66% 2.12% 31.2% 6.78%	30% 28% 61% 6%	50.55 9.72 19.2% 393.4 428.1 471.9 2009e 4.76% 1.90% 28.6% 6.66%	11% 9% 21% 22%	60.72 11.86 19.5% 491.76 486.9 471.9 2010e 4.73% 1.84% 28.1% 6.57%	20% 22% 25% 14%
EPS – diluted (INR) Dividend (INR) Payout ratio BVPS (INR) Average shares oustanding – diluted (mn) Year-end shares outstanding (mn) DuPont analysis NII/average assets Non-IR/average assets Non-IR/average assets Total revenue Total revenue/average assets Costs/income	27.62 5.50 19.9% 170.1 321.9 313.1 2006 4.08% 1.85% 31.2% 5.93% -46.3%	34.93 7.00 20.0% 202.6 331.3 319.4 2007 4.20% 1.91% 31.3% 6.12% -49.0%	26% 27% 19% 3%	45.50 8.94 19.7% 325.5 351.9 354.3 2008e 4.66% 2.12% 31.2% 6.78% -50.3%	30% 28% 61% 6%	50.55 9.72 19.2% 393.4 428.1 471.9 2009e 4.76% 1.90% 28.6% 6.66%	11% 9% 21% 22%	60.72 11.86 19.5% 491.76 486.9 471.9 2010e 4.73% 1.84% 28.1% 6.57% -53.0%	20% 22% 25% 14%
EPS – diluted (INR) Dividend (INR) Payout ratio BVPS (INR) Average shares oustanding – diluted (mn) Year-end shares outstanding (mn) DuPont analysis NII/average assets Non-IR/average assets Non-IR/total revenue Total revenue/average assets Costs/income Costs/average assets	27.62 5.50 19.9% 170.1 321.9 313.1 2006 4.08% 1.85% 31.2% 5.93% 446.3% -2.75%	34.93 7.00 20.0% 202.6 331.3 319.4 2007 4.20% 1.91% 31.3% 6.12% 49.0% -3.00%	26% 27% 19% 3%	45.50 8.94 19.7% 325.5 351.9 354.3 2008e 4.66% 2.12% 31.2% 6.78% -50.3% -3.41%	30% 28% 61% 6%	50.55 9.72 19.2% 393.4 428.1 471.9 2009e 4.76% 1.90% 28.6% 6.66% -54.0% -3.60%	11% 9% 21% 22%	60.72 11.86 19.5% 491.76 486.9 471.9 2010e 4.73% 1.84% 28.1% 6.57% -53.0% -3.48%	20% 22% 25% 14%
EPS – diluted (INR) Dividend (INR) Payout ratio BVPS (INR) Average shares oustanding – diluted (mn) Year-end shares outstanding (mn) DuPont analysis NII/average assets Non-IR/average assets Non-IR/average assets Costs/income Costs/average assets Operating ROAA	27.62 5.50 19.9% 170.1 321.9 313.1 2006 4.08% 1.85% 31.2% 5.93% -46.3% -2.75% 3.18%	34.93 7.00 20.0% 202.6 331.3 319.4 2007 4.20% 1.91% 31.3% 6.12% -49.0% -3.00% 3.12%	26% 27% 19% 3%	45.50 8.94 19.7% 325.5 351.9 354.3 2008e 4.66% 2.12% 31.2% 6.78% -50.3% -3.41% 3.37%	30% 28% 61% 6%	50.55 9.72 19.2% 393.4 428.1 471.9 2009e 4.76% 1.90% 28.6% 6.66% -54.0% -3.60% 3.07%	11% 9% 21% 22%	60.72 11.86 19.5% 491.76 486.9 471.9 2010e 4.73% 1.84% 28.1% 6.57% -53.0% -3.48% 3.09%	20% 22% 25% 14%
EPS – diluted (INR) Dividend (INR) Payout ratio BVPS (INR) Average shares oustanding – diluted (mn) Year-end shares outstanding (mn) DuPont analysis Nill/average assets Non-IR/total revenue Total revenue/average assets Costs/income Costs/average assets Operating ROAA LLP/loans	27.62 5.50 19.9% 170.1 321.9 313.1 2006 4.08% 1.85% 31.2% 5.93% 46.3% -2.75% 3.18% -1.59%	34.93 7.00 20.0% 202.6 331.3 319.4 2007 4.20% 1.91% 31.3% 6.12% 49.0% -3.00% 3.12% -2.10%	26% 27% 19% 3%	45.50 8.94 19.7% 325.5 351.9 354.3 2008e 4.66% 2.12% 6.78% -50.3% -3.41% 3.37% -2.20%	30% 28% 61% 6%	50.55 9.72 19.2% 393.4 428.1 471.9 2009e 4.76% 1.90% 28.6% 6.66% -54.0% -3.60% -3.00% -2.15%	11% 9% 21% 22%	60.72 11.86 19.5% 491.76 486.9 471.9 2010e 4.73% 1.84% 28.1% 6.57% -53.0% -3.48% 3.09% -2.15%	20% 22% 25% 14%
EPS – diluted (INR) Dividend (INR) Payout ratio BVPS (INR) Average shares oustanding – diluted (mn) Year-end shares outstanding (mn) DuPont analysis NII/average assets Non-IR/average assets Non-IR/atotal revenue Total revenue/average assets Costs/income Costs/average assets Ooprading ROAA LLP/loans Loans/assets	27.62 5.50 19.9% 170.1 321.9 313.1 2006 4.08% 1.85% 31.2% 5.93% -46.3% -2.75% 3.18% -1.59% 48.4%	34.93 7.00 20.0% 202.6 331.3 319.4 2007 4.20% 1.91% 31.3% 6.12% -49.0% -3.00% 3.12% 49.7%	26% 27% 19% 3%	45.50 8.94 19.7% 325.5 351.9 354.3 2008e 4.66% 2.12% 6.78% -50.3% -3.41% 3.37% -2.20% 49.2%	30% 28% 61% 6%	50.55 9.72 19.2% 393.4 428.1 471.9 2009e 4.76% 1.90% 28.6% 6.66% -54.0% -3.60% 3.07% -2.15% 49.1%	11% 9% 21% 22%	60.72 11.86 19.5% 491.76 486.9 471.9 2010e 4.73% 1.84% 28.1% 6.57% -53.0% -3.48% 3.09% -2.15% 50.0%	20% 22% 25% 14%
EPS – diluted (INR) Dividend (INR) Payout ratio BVPS (INR) Average shares oustanding – diluted (mn) Year-end shares outstanding (mn) DuPont analysis NII/average assets Non-IR/average assets Non-IR/total revenue Total revenue/average assets Costs/income Costs/average assets Operating ROAA LLP/loans Loans/assets Other inc.:provs	27.62 5.50 19.9% 170.1 321.9 313.1 2006 4.08% 1.85% 31.2% 5.93% -46.3% -2.75% 3.18% -1.59% 48.4% -0.39%	34.93 7.00 20.0% 202.6 331.3 319.4 2007 4.20% 1.91% 31.3% 6.12% -49.0% -3.00% 3.12% -2.10% 49.7% -0.08%	26% 27% 19% 3%	45.50 8.94 19.7% 325.5 351.9 354.3 2008e 4.66% 2.12% 31.2% 6.78% -50.3% -3.41% 3.37% -2.20% 49.2% -0.24%	30% 28% 61% 6%	50.55 9.72 19.2% 393.4 428.1 471.9 2009e 4.76% 1.90% 28.6% 6.66% -54.0% -3.60% 3.07% -2.15% 49.1% -0.16%	11% 9% 21% 22%	60.72 11.86 19.5% 491.76 486.9 471.9 2010e 4.73% 1.84% 28.1% 6.57% -53.0% -3.48% 3.09% -2.15% 50.0% -0.16%	20% 22% 25% 14%
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EPS – diluted (INR) Dividend (INR) Payout ratio BVPS (INR) Average shares oustanding – diluted (mn) Year-end shares outstanding (mn) DuPont analysis NII/average assets Non-IR/average assets Non-IR/total revenue Total revenue/average assets Costs/income Costs/average assets Operating ROAA LLP/loans Loans/assets Other inc.:provs Pre-tax ROAA Tax Miniority & preferred dividends	27.62 5.50 19.9% 170.1 321.9 313.1 2006 4.08% 1.85% 31.2% 5.93% 46.3% -2.75% 3.18% -1.59% 48.4% -0.39% 2.02% -30.6% 0.01%	34.93 7.00 20.0% 202.6 331.3 319.4 2007 4.20% 1.91% 31.3% 6.12% 49.0% -3.00% 3.12% -2.10% 49.7% -0.08% 1.99% -30.5% 0.01%	26% 27% 19% 3%	45.50 8.94 19.7% 325.5 351.9 354.3 2008e 4.66% 2.12% 31.2% 6.78% -50.3% -3.41% 3.37% -2.20% 49.2% -0.24% 2.04% -30.6% 0.00%	30% 28% 61% 6%	50.55 9.72 19.2% 393.4 428.1 471.9 2009e 4.76% 1.90% 28.6% 6.66% -54.0% -3.60% 3.07% -2.15% 49.1% -0.16% 1.85% -31.5% 0.00%	11% 9% 21% 22%	60.72 11.86 19.5% 491.76 486.9 471.9 2010e 4.73% 1.84% 28.1% 6.57% -53.0% -3.48% 3.09% -2.15% 50.0% -0.16% 1.85% -31.5% 0.00%	20% 22% 25% 14%
EPS – diluted (INR) Dividend (INR) Payout ratio BVPS (INR) Average shares oustanding – diluted (mn) Year-end shares outstanding (mn) DuPont analysis NII/average assets Non-IR/average assets Non-IR/total revenue Total revenue/average assets Costs/income Costs/average assets Operating ROAA LLP/loans Loans/assets Other inc.:provs Pre-tax ROAA Tax Miniority & preferred dividends ROA	27.62 5.50 19.9% 170.1 321.9 313.1 2006 4.08% 1.85% 31.2% 5.93% -46.3% -2.75% 3.18% -1.59% 48.4% -0.39% 2.02% -0.01% 1.41%	34.93 7.00 20.0% 202.6 331.3 319.4 2007 4.20% 1.91% 31.3% 6.12% -49.0% -3.00% 3.12% -2.10% 49.7% -0.08% 1.99% -30.5% 0.01%	26% 27% 19% 3%	45.50 8.94 19.7% 325.5 351.9 354.3 2008e 4.66% 2.12% 31.2% 6.78% -50.3% -3.41% 3.37% -2.20% 49.2% -0.24% 2.04% -30.6% 0.00% 1.42%	30% 28% 61% 6%	50.55 9.72 19.2% 393.4 428.1 471.9 2009e 4.76% 1.90% 28.6% 6.66% -54.0% -3.60% 3.07% -2.15% 49.1% -0.16% 1.85% -1.85% -1.85%	11% 9% 21% 22%	60.72 11.86 19.5% 491.76 486.9 471.9 2010e 4.73% 1.84% 28.1% 6.57% -53.0% -3.48% 3.09% -2.15% 50.0% -0.16% 1.85% -31.5% 0.00% 1.27%	20% 22% 25% 14%
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EPS – diluted (INR) Dividend (INR) Payout ratio BVPS (INR) Average shares oustanding – diluted (mn) Year-end shares outstanding (mn) DuPont analysis NII/average assets Non-IR/average assets Non-IR/average assets Costs/income Costs/average assets Costs/income Costs/average assets Operating ROAA LLP/loans Loans/assets Other inc.:provs Pre-tax ROAA Tax Miniority & preferred dividends ROA RORWA Equity/assets ROE Balance sheet gearing Loans/deposits Investment/assets Customer deposits/liabilities Long-term debt/liabilities Asset quality/capital Loan loss reserves/loans Non-performing loan ratio Coverage of NPLs	27.62 5.50 19.9% 170.1 321.9 313.1 2006 4.08% 1.85% 31.2% 5.93% 46.3% -2.75% 3.18% -1.59% 48.4% -0.39% 2.02% -30.6% 0.01% 1.41% 1.74% 7.9% 17.9% 2006 63.6% 38.6% 48.1% 81.6% 2.5% 2006 1.5% 1.3% 105.7%	34.93 7.00 20.0% 202.6 331.3 319.4 2007 4.20% 1.91% 31.3% 6.12% 49.0% -3.00% 3.12% -2.10% 49.7% -0.08% 1.99% -30.5% 0.01% 1.40% 1.71% 7.2% 19.5% 2007 69.9% 33.5% 52.3% 80.5% 3.9% 2007 1.7% 1.3% 121.4%	26% 27% 19% 3%	45.50 8.94 19.7% 325.5 351.9 354.3 2008e 4.66% 2.12% 31.2% 6.78% -50.3% -3.41% 3.37% -2.20% 49.2% -0.24% 2.04% -0.00% 1.42% 1.76% 8.0% 17.7% 2008e 64.4% 37.0% 48.6% 62.7% 2.7% 2008e 2.1% 2.2% 88.8%	30% 28% 61% 6%	50.55 9.72 19.2% 393.4 428.1 471.9 2009e 4.76% 1.90% 28.6% 6.66% -54.0% -3.07% -2.15% 49.1% -0.16% 1.85% -31.5% 0.00% 1.27% 1.44% 8.9% 14.3% 2009e 67.4% 40.0% 50.5% 82.4% 2.7% 2009e 2.1% 1.7%	11% 9% 21% 22%	60.72 11.86 19.5% 491.76 486.9 471.9 2010e 4.73% 1.84% 28.1% 6.57% -53.0% -3.48% 3.09% -2.15% 50.0% -0.16% 1.85% -31.5% 0.00% 1.27% 1.03% 9.0% 14.1% 2010e 70.7% 40.0% 53.0% 82.4% 2.7% 2010e 2.4% 1.8% 95.5%	20% 22% 25% 14%
EPS – diluted (INR) Dividend (INR) Payout ratio BVPS (INR) Average shares oustanding – diluted (mn) Year-end shares outstanding (mn) DuPont analysis NII/average assets Non-IR/average assets Non-IR/average assets Non-IR/total revenue Total revenue/average assets Costs/income Costs/income Costs/average assets Operating ROAA LLP/loans Loans/assets Other inc.:provs Pre-tax ROAA Tax Miniority & preferred dividends ROA RORWA Equity/assets ROE Balance sheet gearing Loans/assets Customer deposits/liabilities Long-term debt/liabilities Long-term debt/liabilities Asset quality/capital Loan loss reserves/loans Non-performing loan ratio Coverage of NPLs Growth in NPLs	27.62 5.50 19.9% 170.1 321.9 313.1 2006 4.08% 1.85% 31.2% 5.93% -46.3% -2.75% 3.18% -1.59% 48.4% -0.39% 2.02% -30.6% 0.01% 1.41% 1.74% 7.9% 17.9% 2006 63.6% 38.6% 48.1% 81.6% 2.5% 2006 1.5% 1.3% 105.7% 15.9%	34.93 7.00 20.0% 202.6 331.3 319.4 2007 4.20% 1.91% 31.3% 6.12% -49.0% -3.00% 3.12% -2.10% 49.7% -0.08% 1.99% -30.5% 0.01% 1.40% 1.71% 7.2% 19.5% 2007 69.9% 33.5% 52.3% 80.5% 3.9% 2007 1.7% 1.3% 21.1.4% 29.3%	26% 27% 19% 3%	45.50 8.94 19.7% 325.5 351.9 354.3 2008e 4.66% 2.12% 31.2% 6.78% -50.3% -3.41% 3.37% -2.20% 49.2% -0.24% 2.04% -0.00% 1.42% 1.76% 8.0% 17.7% 2008e 64.4% 37.0% 48.6% 82.7% 2.7% 2.1% 2.2% 88.8% 134.3%	30% 28% 61% 6%	50.55 9.72 19.2% 393.4 428.1 471.9 2009e 4.76% 1.90% 28.6% 6.66% -54.0% -3.60% 3.07% -2.15% 49.1% -0.16% 1.85% -31.5% 0.00% 1.27% 1.44% 8.9% 14.3% 2009e 67.4% 40.0% 50.5% 82.4% 2.7% 2009e 2.1% 1.7% 1.32% 27.8%	11% 9% 21% 22%	60.72 11.86 19.5% 491.76 486.9 471.9 2010e 4.73% 1.84% 28.1% 6.57% -53.0% -3.48% 3.09% -2.15% 50.0% -0.16% 1.85% -31.5% 0.00% 1.27% 1.03% 9.0% 4.1.1% 2010e 70.7% 40.0% 53.0% 62.4% 2.7% 2010e 2.4% 1.8% 95.5% 28.9%	20% 22% 25% 14%

Source: Company data, FPKe

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Disclosure information

Global rating system

Outperform (OP)	We expect the stock to outperform its sector over the next 12 months
In Line (IL)	We expect the stock to perform in line with its sector over the next 12 months
Underperform (UP)	We expect the stock to underperform its sector over the next 12 months

Global sector ranking

Overweight (OW)	We expect the sector to outperform the relevant market index over the next 12 months
Marketweight (MW)	We expect the sector to perform in line with the relevant market index over the next 12 months
Underweight (UW)	We expect the sector to underperform the relevant market index over the next 12 months

FPK disclosure information

HDFC Bank

Investment banking

- Neither FPK nor its affiliates intends to seek compensation for financial services from this
 company during the next three months.
- Neither FPK nor its affiliates own 1% or more of any class of common equity securities of the subject company as determined by the beneficial ownership rules of Section 13(d) of the Securities Exchange Act of 1934.
- Neither FPK nor its affiliates managed or co-managed a public offering of the securities of this company during the past 12 months.
- Neither FPK nor its affiliates received compensation for financial services from this company during the past 12 months.

Trading

FPK and its affiliates do not make a market in this security.

Analyst disclosure information

The compensation earned by the analysts on this company is based, in part, on the overall profitability of FPK, which includes investment banking revenues.

Distribution of ratings

	%	With which FPK has had corporate involvement in the last 12 months (%)
Outperform	36.8	2.2
In Line	49.5	2.6
Underperform	13.8	0.2

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Valuation methodology

Asia ex-Japan banks sector

Our core valuation methodology is derived from a discounted cash flow. We first take out any capital in excess of an 8% Tier 1 ratio and value this at 1x. We then calculate the value of operations, which we derive based on the relationship between ROE, cost of equity and long-term growth. The sum of the excess capital and the value of operations is our fair value estimate. We also look at earnings momentum indicators and historical trading multiples.

Other disclosures

- Neither FPK nor its affiliates is a party to any other agreement relating to the provision of
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 applicable confidentiality requirements and in relation to which payment or a promise to pay
 has been made in the last 12 months.
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- FPK has established arrangements for the prevention and avoidance of conflicts of interest.
 A description of these arrangements is available at www.fpk.com.
- Research ratings relating to issuers covered by this material will generally be updated quarterly or as required by changing circumstances.
- Previous rating change in the last 12 months: 22 January, 2008 In Line to Outperform; 25 February, 2008 Outperform to In Line.
- This material has not been disclosed to the issuer prior to dissemination.
- This report was prepared by analyst Rajagopal Ramanathan.