

ANNUAL REPORT

2015-2016

Do more

With Digital Banking.

EMPOWERING BHARAT

E-learning centres
Instant loan & top-ups
Mobile Banking
without internet
Sustainable Livelihood
Initiative

GET INSTANT LOANS

Personal Loan
Car & Bike Loan
Loan against FD,
Securities &
Credit Card

SHOP ANYTIME, ANYWHERE WITH SMARTBUY

Flights
Hotels
Movies
Electronics

PAY IN 1 CLICK

Recharge
Pay bills
Send money
Shop

MAKE BUSINESS SMARTER

Collections
Payments
Trade Online

OPEN INSTANT ACCOUNTS

Savings
Salary
Current
Fixed Deposits

The People's Bank.

*bank aapki
mutthi mein*



We understand your world

ACCOLADES

Asiamoney - Cash Management Poll 2015

- Best Overall Cross-Border Cash Management Services in India

Atal Pension Yojana Phase 1

- Best Performing Bank - Private Sector

Atal Pension Yojana Phase 2

- Best Performing Bank - Private Sector
- Best Performing Bank - Maximum APY Subscribers
- Best Performing Bank - APY Carnivals

Barron's list of World's 30 Best CEOs

- Aditya Puri named in the list of World's 30 Best CEOs

Business Today Best Companies to Work for 2015

- Winner - BFSI sector

Business Today India's Best CEOs 2015

- Aditya Puri - Large companies

Business Today - KPMG India's Best Banks 2015

- Bank of the year
- Best Large Bank
- Best Digital Banking Initiative

Business World - PwC India's Best Banks 2015

- Fastest Growing Large Bank
- Best Large Bank

Business World India's Most Valuable CEOs 2015

- Aditya Puri - Heavyweight category

CII's Centre of Excellence for Sustainable Development (CESD)

- Sustainable Plus Gold for efforts in Environment Protection, Social and Governance

Dun & Bradstreet Corporate Awards 2015

- India's Top Bank

DSCI Excellence Awards, 2015

- DSCI Excellence Award for Raising Security Awareness

FinanceAsia poll -Asia's Best Companies 2016

- Best Managed Public Company - Rank 1
- Most committed to Corporate Governance - Rank 1

FinanceAsia Country Awards

- Best Asian Bank 2015
- Best Domestic Bank in India
- Best Equity Deal in Asia 2015

Forbes Asia

- Forbes' Feb 50 Companies List for 9th year

IBA Banking Technology Awards 2014-15

- Technology Bank of the year
- Best use of Digital and Channels Technology
- Best Payment Initiatives

IDC Insights Awards 2015

- Excellence in Customer Experience Award in the BFSI category

IDRBT Banking Technology Excellence Awards

- Best Bank Award for Cyber Security Risk Management among Large Banks

NABARD Status of Microfinance Report 2014-15

- HDFC Bank SLI Model to be emulated

NABARD

- Best Performing Branch in Microfinance - Navelim Branch, Goa
- Best Bank in JLG credit linkage - Assam, Rajasthan & Uttar Pradesh
- Best Bank in SHG Credit Linkage in Tamil Nadu

NPCI National Payments Excellence Awards 2015

- Best Bank in Cheque Truncation System
- Best Bank in National Financial Switch

Outlook Money Awards 2015

- Institutional Financial Distributor of the year

The Asset Triple A - Treasury, Trade and Risk Management Awards 2016

- Best in Treasury and Working Capital (SMEs) - India

The Financial Express - EY India's Best Banks 2015

- Strength & Soundness - Rank 1
- Efficiency - Rank 1
- Profitability - Rank 1

HIGHLIGHTS

- **Net Profit:**

₹ 12,296 crore. An increase of 20.4% compared to the previous year

- **Balance Sheet Size:**

₹ 708,846 crore. An increase of 20.0% compared to the previous year

- **Total Deposits:**

₹ 546,424 crore. An increase of 21.2% compared to the previous year

- **Total Advances:**

₹ 464,594 crore. An increase of 27.1% compared to the previous year

- **Capital Adequacy Ratio:**

15.5%

- **Tier I Capital Ratio:**

13.2%

- **Gross Non-Performing Assets:**

0.94% of Gross Advances

- **Network:**

- Branches: 4,520
- ATMs: 12,000
- Cities/Towns: 2,587



Do more, Live more!

Do more! These two simple, yet powerful words capture the promise of our digital services. Just as little bits of streaming data come together to deliver more, we have leveraged the power of digital, so that our customers can buy, sell, invest or make payments in an instant. Our focus is on making our customers' lives better, so that 'doing more' translates into getting more out of their money and life – 'living more by achieving more'.

Our customers are rapidly adopting technology in their daily lives, driven by growth in mobile penetration, availability of low-cost data plans and a shift from offline to online commerce. We have kept abreast of their evolving needs and behavior, and enabled access to a wide range of banking and payment services through our digital platforms. If last year was all about putting in place the foundations of our digital infrastructure, this year was devoted to using innovation in digital technologies across all channels to deliver the power of speed and convenience to all customer segments across urban and rural markets. We are now truly a Digital Bank to a Digital India. Indeed, going digital has placed the Bank in the palm of customers' hands, so that when they think money, they think HDFC Bank. Our foray into wearable technology with WatchBanking is another instance of giving more power and convenience to customers.

Our strength in providing backbone infrastructure to varied businesses, including e-tailers, offers us significant leverage with our online payment solutions. Our widely

accepted and comprehensive mobile payment solution – PayZapp – went live across mobile platforms, including iOS, and will be made available to customers of other banks as well.



PayZapp offers the unique combination of the convenience of 1-click payments and the stability as well as the security of a large, reputed bank like HDFC Bank. Our customers need only a single click to recharge their mobiles, pay utility bills, transfer money to a friend, avail online shopping offers, shop for groceries, buy movie tickets and compare prices to buy flight tickets while planning their travel without having to share their card details with anyone outside the bank. PayZapp for Business allows merchants to bill their customers and receive payments instantly over the mobile, thereby making it easier for them to collect payments remotely and expand their reach. Doing more has never been so easy.



Empowering customers to 'do more' means giving them greater convenience and access to solutions when they

need it. If urgent money is needed at midnight to pay for a medical emergency, eligible customers can walk into any nearby HDFC Bank ATM to have money credited into their account with an instant loan through the ATM. Our accounts take customers into a new world of multi-channel banking, where they can access services from home, at the office, or on-the-go through Mobile Banking, SMS Banking, PhoneBanking, ATMs and NetBanking.

The Bank also understands that time is of essence when it comes to doing more. Our branches offer instant activation of accounts and 'tatkal' delivery of cheque books and debit cards. NetBanking users can instantly access our offerings, such as a personal loan in 10 seconds or an instant credit card approval, that are of direct relevance or interest to them. Customers can conveniently update 'Know Your Customer' (KYC) details, or make nominations for accounts and deposits digitally. NRIs too can now receive online fixed deposit and savings interest certificates and update their KYC details via NetBanking. To avoid being taxed twice, they can now apply for a Double Taxation Avoidance Agreement (DTAA) through NetBanking. NetBanking now offers over 200 services and has witnessed 78 million financial cum non-financial transactions per month, with over 180% increase in users over the previous year.



Four wheelers and two wheelers have become an integral part of our lives, enhancing our productivity and giving us mobility. The Bank has brought all services related to buying a vehicle under one roof. Eligible customers can

obtain a car loan in less than three minutes from the convenience of their homes. All our ATMs and branches now offer instant loans to select customers. ZipRide and ZipDrive are two services that offer instant and pre-approved loans, while Autopedia is a user-friendly app for research, test drives and vehicle selection. A top-up car loan can be obtained via NetBanking or an ATM in just a few seconds.

Enabling customers to do more by providing convenience and speed across our products and touch points has been our mantra to deliver benefits to all segments and geographies.



Managing investments for Private Banking clients is simpler and faster. Clients can now easily access our research reports both online and on mobile via the AAG app, capitalize on investment opportunities quickly through NetBanking and MobileBanking, and track investments using our InvestTrack app. For high net worth individuals, we offer the services of a Virtual Relationship Manager, with whom they can interact face-to-face through the MobileBanking app and fulfill all their banking and investment requirements effortlessly on a 24x7 basis.

Our Retail Agri Business offerings are faster, more convenient and suited to individual needs. Kisan Gold Card (KGC) Tez allows a farmer to get a loan within three days, while Kisan Turant can enhance an existing loan within three seconds through an ATM, over mobile or via a branch. KGC Mil-app allows tracking and monitoring of

agri loans in real time. The Kisan Gold Card is our flagship rural product, used by farmers from the orchards of Kashmir to the plantations of Kerala. The Kisan Dhan Vikas Kendra is powered through mobile apps and websites and provides information on mandi prices, government schemes and farm purchases.

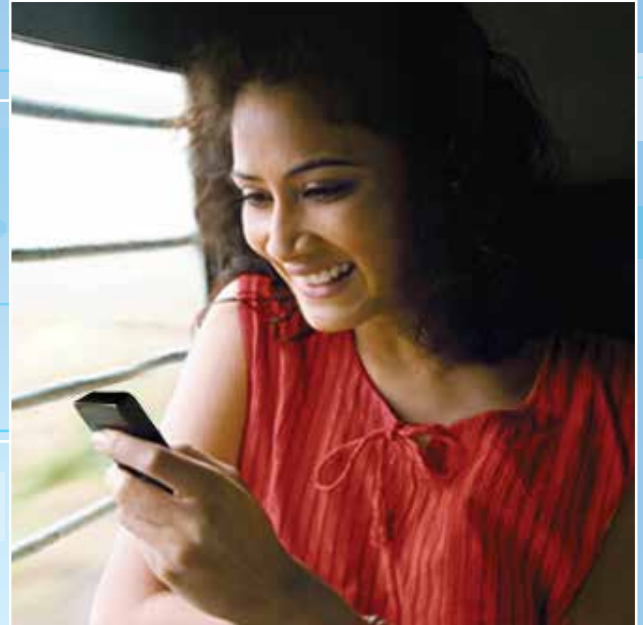
Our Wholesale Banking solutions empower the entire supply chain to 'do more' by enabling collections, payments and trade processes to be made digitally. E-collections and payments have done away with physical cheque clearing for faster cash flows. The trade lifecycle, from letters of credit and funding to bank guarantees, is now online for the complete supply chain network. For cash management, trade finance, treasury and supply chain services, dynamic digital platforms like Enet and Trade On Net offer value additions at every stage of the financial value chain.



With Trade Finance Mobile, the services are now accessible anytime, anywhere, allowing customers to authorize transactions on-the-go with OTP-based security.

Our digital drive is making lives easier in the rural hinterlands as well. Given poor or no connectivity, rural customers need innovative alternatives for availing banking and other services. Keeping this in mind, the Bank has launched its new MobileBanking Lite app which works even without an internet connection and is thus ideal for customers with no data plans or poor

connectivity for accessing basic banking services.



Recharging mobile phones is now just a missed call away with Missed Call Mobile Recharge, which lets our customers recharge their prepaid mobile plans by just giving a missed call.

Our focus on making customers accomplish more comes with the assurance that our services are secure and protected. The Bank has set up a Digital Security Assessment Desk, which works with other teams to monitor and set up new security enhancements. The Bank also uses real-time risk engines and transaction monitoring systems and collaborates with third party vendors to shut down phishing and Trojan infested sites. It's the Bank's philosophy to be the best-in-class in cyber security.

At HDFC Bank, we understand our customers' needs, priorities and ambitions and have enabled them to achieve more in all that they do. The digital transformation needed is part of our DNA and is embedded across all our products, channels and touch points, thereby making the future of banking a reality. For our customers, the empowerment to 'do more' has a new meaning, with the power of banking now in their hands...Bank aap ki mutthi mein... Bank at your fingertips.

BANKING ON BHARAT

Digital technology is opening new frontiers in banking services, and the geography that is the biggest beneficiary is rural India, aptly called Bharat. It comprises 68% of the country's households, and through mobility, digital access and government initiatives, Bharat has the potential to grow larger than urban India in the next five to ten years. HDFC Bank has been the first to understand this opportunity and enjoys the first mover advantage by expanding distribution of designing the right mix of products, technology and support.

The scope that Bharat offers to banking is immense. Though the rural and semi-urban markets have a considerable penetration by FMCG and consumer goods, financial services are largely unorganized and dominated by non-institutional channels such as money lenders with usury practices. HDFC Bank has supplemented branches and ATMs with technology to connect with rural markets and fulfill their financial requirements. Today, 55% of its branches and 31% of its ATMs are located in villages and smaller towns.

The Bank's rural flagship product, Kisan Gold Card (KGC), a pre and post harvest working capital product offering, has been designed to help farmers across geographies and cropping segments by considering seasonality of the crop harvesting cycle. It has marked its footprints by recording the fastest village penetration of 10% across India. The scheme has been acknowledged and appreciated in various forums across states such as Punjab, Himachal Pradesh, Maharashtra, Haryana, Andhra Pradesh and Jammu and Kashmir.

The various offerings under KGC have been customized through continuous refinement of processes and digital innovation. 'KGC Tez' offers agricultural loans within 3-4 working days, and with 'KGC Turant', eligible farmers can avail an enhancement anytime and anywhere in just a few seconds by sending an SMS or a request through an ATM. Furthermore, to cater to complete financial requirements of the rural customers for their diverse needs, such as vehicle loans, personal loans and credit cards, an umbrella limit called the 'Kisan Dhan Shakti' Account is available with cash flow based and convenient repayment schedules.

Apart from extending rural credit facilities in deeper geographies, the Bank has also taken various steps to bring about a change in the overall economic conditions of farmers. With this objective, Kisan Dhan Vikas Kendras are being opened all across the country. The centres offer farmers easy access to services such as free soil health

cards, financial literacy, digital literacy, expert crop advice, 'mandi' prices, dairy health camps and information on government schemes. Additionally, 'Dhanchayat' and 'Dhanshala' are two programs that deliver financial literacy related information. Farmers can also access the services of Kisan Dhan Vikas Kendra digitally through an exclusive farmer webpage, Kisan Dhan Vikas e-Kendra, and a mobile application 'HDFC Bank Agri App'.

Farmers today face challenge of access to quality inputs and are prone to market exploitation. In a first of its kind digital initiative, the Bank has enabled online purchase of quality agri inputs such as seeds, pesticides and insecticides to the doorsteps of farmers. Farmers can also now buy quality agri inputs at special discounts, through the 'KGC Farmguru SmartBuy' segment, which is an aggregation of various merchant discount offerings under one umbrella.

Today a typical wheat farmer has to wait for 15-20 days to receive the final payment via a cheque or demand draft. This time has been drastically cut down to a mere 48 hours by using smart cards for procurement agents, installing EDMs at 'mandis'. For other activities such as dairy, fishery and fruits, Point of Sale (PoS) and micro-ATMs have been used to create an instant cycle of capturing produce data, creating account entries and crediting the farmers. HDFC Bank thus participates in every cycle of the supply chain and offers working capital loans to ensure a running cash flow. Digital technology has again played the winning role for HDFC Bank by simplifying data capture and access to its products. It has thus seen a five-fold increase in savings balances through its credit facilities for small and middle level businesses. The 'Milk to Money' and Pungrain schemes have given rural populations easy access to money.

However, rural banking is not just about providing customised innovations. There's a large market for an entire suite of products – car loans, two-wheeler loans, tractor loans, light commercial vehicle loans, small working capital loans to traders, personal loans, gold loans, commodity finance, along with the more conventional agricultural credit. There's also a strong demand for savings products, ranging from basic savings accounts to recurring deposits and life and general insurance products. Of course, ticket sizes are smaller, but break even thresholds for branches are similar to urban branches as costs are lower.

Just like urban areas, the rural population too is experiencing the digital revolution with the rise in use of mobile phones. As digital wallets and mobile payments become popular, this segment is poised to grow twice the rate of urban India. Through PayZapp and SmartBuy, HDFC Bank is building a bridge to bring these customers closer to the marketplace. Villages and small towns should soon blossom into a networked global village.

HDFC Bank has shown that catering to the rural population need not be seen as a social or economic obligation. By successfully executing the above strategies with the right mix of technology, business models and outreach, it is making Bharat catch up fast with urban India. In the near future, #BankingOnBharat may soon become a necessary tag for the banking and finance sector.

Sustainable Livelihood Initiative

Since 2010, the Sustainable Livelihood Initiative (SLI) of the Bank has been providing holistic banking, capacity building and livelihood programs in rural areas. This year it achieved a major feat by being recognized as a model to be emulated by other banks in the annual publication, Status of Microfinance in India 2014-15, brought out by NABARD. The publication serves as a reference document for policy makers, researchers and other officials involved with developmental finance. Despite being young, the program uses time tested, holistic models leveraged on technology platforms and has therefore found success with its target audience which is relatively less literate.

The recognition by the apex body is a clear message of its reach and success. SLI operates from branch units, where 8-10 outreach officers enable access to both financial and related services, including financial literacy, livelihood and capacity building programs. The services are offered to both individuals and families. With technology, the program avoids lengthy paperwork by using data captured once to process loans, recurring deposits, overdraft, insurance, etc., and also provides digital e-KYC and scan-based disbursements. As of March 31, 2016, SLI has covered approximately 5.7 million households from the bottom of the pyramid in many villages spread across 361 districts and over 25 states providing banking services on a sustainable basis. The Bank has a board approved program to financially include 10 million households at the bottom of the pyramid in the next few years.

The SLI program has also been recognized with several other accolades: 'Best Bank in Assam' (2014-15) for the highest JLG Bank Linkage Program by NABARD; First prize under New Private Sector Commercial Bank for excellence in performance under SHG Bank Linkage Program in Tamil Nadu (2014-15); 'Best Bank in Rajasthan (2014-15) for the highest JLG Bank Linkage Program by NABARD; 'Best Bank in JLG credit Linkage in the state of Uttar Pradesh' from NABARD (2014-15) and 'Best Performing Branch in JLG credit Linkage in Goa under Private Sector Bank' award from Govt of Goa (2014-15).

Sustaining rural entrepreneurship

A lack of credit often hinders growth of entrepreneurial spirit in rural areas. Ranjana Laxman Kate from Solapur, Maharashtra, runs a grocery (kirana) store, which also sells packaged milk. Lack of cold storage facility prevented her from buying more milk despite increasing local demand. With the Bank's credit support, this hurdle was removed. "I bought a refrigerator, and started stocking milk packets in larger quantities. Now I can earn an additional ₹ 200 a day," she says.



Geetha from Nanjangud, Karnataka, joined the program with no prior knowledge of its services. The first loan offer allowed her to start basket making and support her children's education. With the third loan, her business grew and she could employ four other women. "Now I am well positioned to handle both my family and business due to the credit support from the Bank," Geetha says.

SLI also provides support for small scale businesses exposed to uncertain returns. Pratima Sen, Madhyagram, West Bengal, did not have a savings account and thus lost out on interest. The Bank's recurring deposit allowed her to get additional returns. "I save ₹ 100 every month through a recurring deposit, which guarantees me additional returns," she says.



Kalpanaben from Rajpipla, Gujarat, who runs a grocery shop, saw the business slow down as she found it difficult to purchase stocks. "HDFC Bank staff came and told us about the credit support given by the Bank. We formed a group and took a loan from the Bank to expand business. Now, I have availed a second loan from the Bank and earn enough income along with saving the surplus for future business requirements."



Pradhan Mantri Jan Dhan Yojana



Ms. Snehlata Srivastava (Special Secy. DFS) presenting the award in the presence of Mr. Hemant Contractor (Chairman - PFRDA)

HDFC Bank is among the top industry leaders in moving towards total financial inclusion for every Indian household. As part of the Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme, it has continually extended basic banking services to the allocated rural and urban areas through branches and business correspondents.

The Bank's adoption of digital technology will most benefit the common man. Its financial inclusion initiatives are based on the unique philosophy of 'Jan Dhan - Aadhaar - Mobile' (J-A-M) which is well suited to align with the government's 'Digital India' initiative.

J-A-M allows the Bank to aggressively pursue total financial inclusion by extending customer friendly technologies to the common man. The Bank's Aadhaar and Rupay enabled micro-ATMs are compliant with UIDAI set standards and located at its Bank Mitra locations. Aadhaar seeding ensures that government benefits easily reach the end consumer.

Till date, the Bank has created 15.79 lakh accounts under the PMJDY scheme, and ranks No. 1 in terms of account value among private sector banks. It also has the lowest percentage of zero balance accounts among leading private sector banks.

This year the government has launched various social

security schemes for the common man for risk cover at minimal costs. The Bank has actively participated in these schemes. It has emerged among the leading private sector banks in Pradhan Mantri Jeevan Jyoti Bima Yojana and Pradhan Mantri Suraksha Bima Yojana, and as the No. 1 private sector bank for enrollments under Atal Pension Yojana. Overall, it has enrolled 24.51 lakh customers in these schemes. It has received the "Best Performing Private Sector Bank" award from PFRDA for the Atal Pension Yojana in February 2016 (for period June'15 - January'16) and again has been adjudged the "Best Performing Bank - Maximum APY subscribers" and "Best Private Sector Bank" in April 2016 (for period February'16 - March'16).

The Bank has also led in advancing the Pradhan Mantri Mudra Yojana, launched by the honourable Prime Minister in April 2015. Mudra loans (for non-farm enterprises in manufacturing, trading and services for credit below ₹ 10 lakh) have been disbursed in all three categories: Shishu (loans up to ₹ 50,000), Kishore (₹ 50,000 to ₹ 5 lakh), and Tarun (₹ 5 lakh to ₹ 10 lakh). The total amount disbursed by the Bank stands at ₹ 5,357 crore, and includes meeting 212% of the annual target for the Shishu loan category.

Believing that Aadhaar identification is key to achieving a complete 'Digital India', the Bank relies on its digital power to offer access to various government and non-government subsidies, banking and financial services, mobile connections and so on. Aadhaar seeding is now simplified through branches and all digital channels, making it easy for millions of customers to avail transfer of subsidies in schemes such as DBT, DBT-LPG, etc. Customers can also avail Aadhaar based e-KYC services at all Bank Mitra locations and its branches. For financial inclusion too, the Bank's micro-ATMs allow customers to carry out banking transactions using the Aadhaar Enabled Payments System.

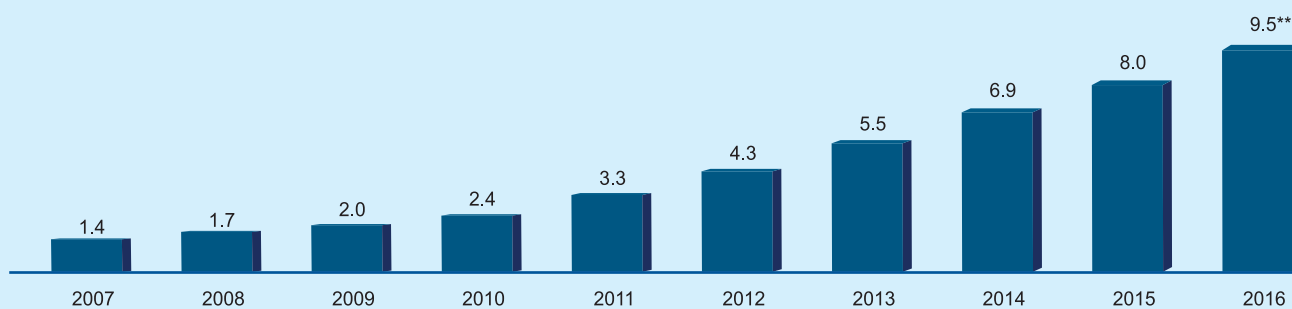


Award for the Best Performing Bank - Private Sector Bank

PROFIT AFTER TAX (₹ crore)



DIVIDEND PER SHARE* (₹)



EARNING PER SHARE* (₹)



* Previous year figures have been changed to reflect split of shares of FV ₹ 10 per share into FV of ₹ 2 per share

** Proposed Dividend