



Promotion of Education



Skill Development & Livelihood Enhancement



Rural Development



Financial Literacy & Inclusion

25TH ANNUAL REPORT

2018-19



Healthcare & Hygiene



Skill Development & Livelihood Enhancement

Impacting Lives. Empowering Communities.
A Story Of Sustainable Change.

KEY HIGHLIGHTS



₹ **21,078** crore

NET PROFIT

An increase of 20.5% compared to the previous year.

₹ **1,244,541** crore

BALANCE SHEET SIZE

An increase of 17.0% compared to the previous year.

₹ **923,141** crore

TOTAL DEPOSITS

An increase of 17.0% compared to the previous year.

₹ **819,401** crore

TOTAL ADVANCES

An increase of 24.5% compared to the previous year.



17.1%

CAPITAL ADEQUACY RATIO

15.8%

TIER I CAPITAL RATIO

1.36% of Gross Advances

GROSS NON-PERFORMING ASSETS

5,103
Banking Outlets

13,160
ATMs

2,748
Cities/Towns

NETWORK



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A RESPONSIBLE LEADER: ENVIRONMENTAL, SOCIAL & GOVERNANCE



Environmental, Social & Governance (ESG) Practices: Furthering Our Sustainability Pledge

As India's largest private sector bank, we at HDFC Bank have always stayed strong to our commitment to positively impact the environment, our customers, employees, and the community at large. Our core values have guided our ESG practices, which seek to drive growth and empower communities through our corporate decision-making processes.

In FY 2014-15, sustainability was officially included as our fifth value, alongside customer focus, operational excellence, product leadership, and people. This is testament to the fact that sustainability is now a part of our DNA. It is an area of heightened focus and investment for us, and has changed our outlook towards our business.

This approach is in perfect alignment with our strategic goals as an organisation and the experience we seek to offer our customers. For in the spirit of data-driven transparency, the present-day consumer not only expects, but is rightly entitled to information on corporate operations and processes. Customers are increasingly choosing private and public companies that maintain high levels of transparency and ethics in their business practices. And we believe that our ESG and Sustainability disclosures give them exactly that.

HDFC Bank's ESG Journey

When the concept of ESG emerged nearly thirty years ago, it was used as an investment term that defined the ethical and sustainability impact of a business. Today, ESG is a key pillar of our business strategy. As a result, we have the second-highest weightage (7.84%) in Nifty-100 ESG, an index of the NSE that assigns ESG scores to companies. Since FY 2013-14, we have published our annual ESG performance in our Sustainability Report, following the Global Reporting Initiative (GRI) standards.

Environmental

We look at natural capital and the communities we operate in, as integral elements of our business. That is why we work to strike a balance between the economic, social and environmental aspects of our decisions. For our environmental initiatives, we are keen to explore how our work can address various environmental challenges and incorporate technologies and processes that don't harm, but rather add value to the quality of the environment around us.

We measure and disclose our greenhouse gas (GHG) emissions with full transparency. We use solar energy and look to install energy efficient fixtures as much as possible in our premises. We do this with an intention to progressively reduce our carbon footprint. For example, our Pune, Bhubaneswar, and Noida offices rely on solar panels to supplement grid power.

We have also opted for automated server and desktop shutdown systems that reduce unnecessary energy consumption. And two of our largest office buildings, located in Mumbai and Bhubaneswar, have been LEED certified thanks to their energy efficient designs.

Moreover, our push to go digital across service and product lines, helps reduce paper consumption and enables our customers to access a multi-channel digital banking solution, without the hassle of travelling to a branch office. HDFC Bank disposed about 220 tonnes of e-waste in FY 18-19,

A RESPONSIBLE LEADER: ENVIRONMENTAL, SOCIAL & GOVERNANCE

through authorised recyclers. We are committed to Responsible Financing and, as a rule of thumb, do not fund projects that have an adverse impact on environment, health and safety (EHS) levels. All loans, exceeding ₹ 10 crore in value and spanning a period of more than five years, are screened through an SEMS (Social and Environmental Management System) framework and carefully scrutinised and validated for their environmental and social impact. Our board-governed environmental policy serves as a framework to understand and manage our environmental risks, impacts and opportunities. By implementing this policy and adopting global best environment practices, we hope to achieve a 10% reduction in our Scope 1 and 2 emissions intensity by FY 2021-22.

Social

We understand fully that our identity as a world class Indian bank is shaped by our stakeholders and customers. They are at the heart of everything we do. Which is why we leave no stone unturned in delivering value to our customers, to the community, or to our workforce. We ensure a fair recruitment process that helps us identify and hire people with the right values, who are then groomed, encouraged and retained through a combination of financial and non-financial incentives.

We strive towards the progress of society, through our Corporate Social Responsibility (CSR) policy. Our Umbrella of Social Initiatives 'Parivartan' has touched millions of lives and helped empower and strengthen entire communities. Activities under the Parivartan banner are spread across a diverse range of intervention areas and we have spent ₹ 443.8 crore on the development and empowerment of our communities, reaching out to more than 5.4 crore beneficiaries in the process.

The Sustainable Livelihood Initiative (SLI) has been a key driver in pushing for financial inclusion among families, especially women, in un-banked and under-banked areas. The initiative has had a major socio-economic impact by focusing on lending financial aid to Self Help Groups (SHG) for women. Besides providing credit, we also train people in occupational skills, financial literacy, credit counselling and market linkage.

We have been able to meet the critical needs of communities across the country by designing and deploying multi-faceted interventions through our Holistic Rural Development Programme (HRDP). As part of this program, we enable and empower communities with natural resource management, education, healthcare and sanitation, to skill training targeted at livelihood enhancement.

Corporate Governance

We are committed to maintaining the highest levels of ethical standards of integrity, corporate governance and regulatory compliance. These parameters form the bedrock of our corporate governance policy.

We have proactively upheld good governance practices and are constantly striving to enhance our standards. Our Board of Directors is responsible for setting the course for, and evaluating the bank's performance with regards to corporate governance. The parameters of evaluation include compliance, internal control, risk management, information and cybersecurity, customer service, social & environmental responsibility.

Code of Conduct: Transparency and Vigilance

HDFC Bank encourages an open, equitable and transparent system of functioning and interacting with all its internal and external stakeholders. We have adopted and implemented practices that imbibe this philosophy throughout the enterprise.

Our robust and well-defined Code of Conduct alongside our stringent, zero-tolerance policy against sexual harassment serve as strong regulatory guidelines and govern our day-to-day functioning.

Our "Whistle Blower Policy" encourages our employees and other stakeholders to bring to our attention any compromise or violation of HDFC Bank's code of conduct, or legal and regulatory norms. Our Chief of Internal Vigilance receives and addresses these concerns by initiating a thorough enquiry conducted by the appropriate authoritative body within the bank.

Our focus on ESG is helping us, as an organisation, understand and realise the positive impact of transparency, ethics and sustainability. We are confident in our belief that a sharp focus on ESG will maintain the trust and regard of our customers and determine our success and longevity, in a fiercely competitive market.

TAKING A STEP TOWARDS PROGRESS WITH HDFC BANK PARIVARTAN



At HDFC Bank, we firmly believe that for any business to prosper, it must consider the social, environmental and ethical impact of its decisions. Ever since our inception in 1995, we've been on a journey to not just take world-class banking across the country, but to make a positive difference to our planet. Because to us, progress isn't simply about moving with the times. It is about ushering in 'Parivartan' - a transformation that improves lives and empowers communities.

As one of India's largest corporations, we consider it both an honour and our responsibility to work towards the betterment of the country and its people. The philosophy of Parivartan informs how we go about achieving this. To bring about Parivartan, we first need to imagine a future we want – one that is fair, equal, happy and healthy. With that vision in mind, we deploy social development initiatives that take on myriad forms, guided by different strategies. But ultimately, the objective is to create Parivartan and become catalysts of positive transformation at the organisational level and in the communities wherein we operate.

We've been privileged to enjoy success over the last quarter of a century. But this success would be hollow if we didn't use our resources to give back to society. This is the founding principle of Parivartan and the cornerstone of our CSR efforts. Today, our commitments in the field have made us one of the largest spenders on CSR in the country. But this isn't a new development. Well before CSR contributions were made mandatory by the Companies Act of 2013, we were following board-approved targets and contributing to worthy causes, driven by our desire to create healthy, sustainable communities and an equal-opportunity world. Through our efforts, we have impacted 54 million lives so far.

The Five Pillars of Parivartan

We are committed to forging mutually-enriching partnerships for sustainable development. To achieve this, we work hand-in-hand with marginalised communities to try and understand their unique needs, and then formulate customised strategies to bring forth the Parivartan they need.

Our CSR programmes focus on five distinct areas of intervention:

- Rural Development
- Promotion of Education
- Skill Development and Livelihood Enhancement
- Healthcare and Hygiene
- Financial Literacy and Inclusion

TAKING A STEP TOWARDS PROGRESS WITH HDFC BANK PARIVARTAN



Rural Development

India is one of the fastest growing economies in the world. But despite that, over half of its 1.3 billion population lives in rural areas, and more alarmingly, nearly 73 million people continue to live in extreme poverty (Source: UN and Brookings, 2018). There are a multitude of complex socio-economic and environmental factors that are responsible for this. The Holistic Rural Development Programme (HRDP) is a flagship programme under this area of intervention that attempts to provide rural communities, with the tools and means to grow and prosper. This is done through a wide variety of training and institution building programmes, supported by relevant infrastructure.

The vast majority of rural communities depend heavily on rain-fed agriculture for their livelihoods. The availability of water and the quality of soil therefore dictate their economic health. But with the right resource management and agricultural techniques, along with skilling and training, vulnerable communities can be better placed to tackle the vagaries of nature. HRDP's

various initiatives in areas such as educational infrastructure, healthcare and natural resources management including micro-watershed management, irrigation, soil and water conservation, represent our attempts to usher in meaningful and impactful change where it matters the most. We believe that this is the surest way to strengthen the economic backbone of the country.

Today, HRDP spans across 17 states and has reached over 3.6 lakh households in more than 1,100 villages. We have set up over 1,200 schools, and facilitated better learning opportunities for over 1.45 lakh students. We have also trained over 72,500 farmers, distributed more than 10,800 biomass stoves and set up over 460 libraries.

Other programme highlights include:

- 21,270+ solar lights installed
- 26,000+ kitchen gardens promoted
- 5,800+ water conservation structures built

One of the many millions of lives impacted through this programme is that of Tukoji Rao Patil, a farmer from Jalgaon, Maharashtra. Tukoji Rao's village was stricken by an acute lack of rainfall and a subsequent water shortage. Under HRDP, HDFC Bank, in partnership with a local NGO (KVGPS), was able to install 31 groundwater recharge structures that helped tackle the drought.

HRDP has also helped create food security in 21 villages in Uttar Pradesh through grain banks. Take the story of Shaheedan. Even at the age of 53, she had to work as a manual labourer in order to feed her family. But work was not guaranteed and the pay was often inadequate. During difficult times she had to resort to borrowing grains from neighbours and money lenders, which often led to further exploitation.

The setting up of a grain bank in her village has helped Shaheedan make it through these times of extreme hardship. Grain banks protect the most disadvantaged farmer families, like hers, against starvation and exploitation.

"Thanks to the grain bank, we can borrow grains in times of need and return it during the harvesting season. This makes us feel like we are taking out grain from our own storage. It makes us feel secure." – Shaheedan

Empowering communities will always remain at the heart of Parivartan. In FY 2019 alone, we have covered over 251 additional villages under this programme. The momentum we have built up, is now in full force and has revealed a world of possibilities ahead.

TAKING A STEP TOWARDS PROGRESS WITH HDFC BANK PARIVARTAN

Promotion of Education

We strongly believe that a quality educational foundation is a gateway to better opportunities and success. This is why we strive to provide and promote a conducive and effective learning environment. The Zero Investment Innovations for Education Initiatives (ZII EI), is a large scale teacher outreach initiative started in 2015 by HDFC Bank in partnership with Sri Aurobindo Society. ZII EI believes that teachers are the pillars of this nation, and that their contribution, if recognized and supported, can bring about a significant improvement in the quality and reach of education. Therefore, ZII EI aims to find solutions created by teachers at the grassroots level and systematically scale them up to millions of students through the 'Navachar Pustika' or Book of Ideas, which is a compilation of the best ideas selected and recognized by a panel. Till date, Navachar Pustikas have been distributed across 18 states. Subsequently, close to 1.87+ lakh schools have implemented innovative ideas.



Along with this transformational journey, the concept of 'Innovative Pathshaala' was also introduced, where each chapter of the state curriculum was mapped to innovative ideas, that could be used to engage and teach students. While we have currently completed the program in UP and NCERT curriculum (primary education) the remaining states will be subsequently added. This curriculum is further being put on an online app which can be easily accessed by teachers. The ZII EI programme today has touched more than 15 lakh government teachers across 21 states and indirectly reaches out to more than 1.6 crore students to ensure quality education and bring innovation in the country's education system. ZII EI aims to create and strengthen a teacher-centred ecosystem for education sector stakeholders.

This unique initiative focuses on better utilisation of resources available in government schools i.e. the teachers, thus unleashing the immense potential of educators by instilling self-belief and making innovation a core value.

Project Disha is yet another initiative that has helped achieve higher levels in numeracy, reading and science in the more remote and rural areas of India. Initiated in 2016, Project Disha, in partnership with Magic Bus India Foundation, now spans across four states: Chhattisgarh, Maharashtra, Madhya Pradesh and Rajasthan.

Consider the story of a young scholar named Shamshad Qureshi. Shamshad exhibited a very low level of interest in academics and displayed frequent truancy at school. Soon his attendance began to plummet dangerously and his teachers feared he would drop out altogether. That was when Project Disha stepped in with a remedy. By helping teachers implement innovative teaching methods and activity-based teaching, Shamshad's interest in knowledge and learning was reignited. He was motivated to participate in school and his attendance improved dramatically.

The project has been able to provide quality education to approximately 18,000 children. It has also built 110 community libraries and set up 55 science laboratories. We have initiated multiple projects in the fields of education and livelihood training, with the objective of empowering the socially and economically underserved, with the skills they need to progress. The Educational Crisis Scholarship Support (ECSS) programme provides support to children undergoing personal and economic exigencies, those who are most at risk of dropping out of school due to poor financial conditions. The ECSS programme covers students in middle schools and high schools, as well as scholars pursuing undergraduate and postgraduate education. This assistance helps these students navigate difficult situations without gravely impacting their education.

TAKING A STEP TOWARDS PROGRESS WITH HDFC BANK PARIVARTAN

Skill Development & Livelihood Enhancement

We all dream of making a good living and supporting ourselves and our families. However, for many Indians, particularly in rural areas, there are multiple stumbling blocks and challenges that prevent them from achieving this dream. We at HDFC Bank, believe in every individual's ability to live an independent, healthy and dignified life. When this happens, they not only better their own situations but also contribute to the economy. To this end, we have made educational and skill development programmes and trainings, a priority. Under Parivartan we have provided both on-farm training to upskill farmers as well as placement linked training.

Our Training Center in Bhubaneswar provides training to youth and women in hospitality, tourism, telecom, retail and health care. Over 1,272 youth have been placed in 100+ companies and institutions in Odisha.

We have also provided training in fields such as communication skills, agriculture techniques, livestock management among others. We hope to expand and diversify this portfolio in the years to come and strengthen our focus on rural youth and women. As of today, we have served over 1.24 lakh individuals and empowered over 7.65 lakh women, helping them access entrepreneurship and employment opportunities.

Sustainable Livelihood Initiative: Empowering Women Through Financial Inclusion

Located 40 kilometres west of Guwahati, Bihdia Chaygaon is a small village of 600 people. The community here earns its livelihood via a largely unorganised cottage industry. For the women, weaving and agriculture are the primary sources of income. We recognised the potential for the empowerment of women through financial inclusion and entrepreneurial upskilling. Today, Gitanjali Hira, Nilima Kalita, Mira Nath and thousands of others like them across the country have become self-reliant with a little help from HDFC Bank's Sustainable Livelihood Initiative (SLI).

Through this initiative we have reached out to over 96 lakh households across 27 states through credit facilities, financial literacy and capacity building programmes. The primary objective of Sustainable Livelihood Initiative is to bring about Parivartan by creating sustainable communities. This is done by helping women in rural areas break away from the vicious cycle of financial dependence to one of growth and opportunities. Run by over 10,000 dedicated bank employees, it provides women with a range of financial and non-financial services.



TAKING A STEP TOWARDS PROGRESS WITH HDFC BANK PARIVARTAN

Healthcare & Hygiene

Sanitation and hygiene standards have a huge impact on the health, fitness and social development of individuals and communities. This is even more crucial for marginalised rural populations that may not be aware of its importance. Since the values of cleanliness and hygiene are best inculcated in childhood, a key priority for us, is healthcare and hygiene practices in schools.

Raswanti Bai was used to defecating in the open. After all, it was an age-old habit that she had been practicing all her life. Unfortunately, open defecation put Raswanti and others like her, at a high risk of contracting various infectious diseases. To bring about much needed Parivartan in this area, we initiated the construction of individual household toilets under the Swachh Bharat Mission (SBM).



With these household toilets, Raswanti Bai and her daughters were spared the inconvenience and danger of defecating in the open. She was delighted with this assistance and has pledged to use the toilet.

Under our interventions in healthcare and hygiene we have conducted over 1,500 sanitation drives and have helped build over 22,490 sanitation units of which 6,954 units have been built in schools and 15,537 in individual households. Through our various other initiatives within the programme, such as the 'Swachhata and You' campaign, we have dedicated ourselves to community-led sanitation and health campaigns. These campaigns help raise awareness about nutrition, healthcare and hygiene in rural areas, and contribute towards a cleaner, healthier nation. Our health camps have reached out to 86,000 people so far.