



Leading responsibly



Integrated Annual Report
2019-20

About this Report

This Annual Report (Integrated) for 2019-20 endeavours to provide a holistic assessment of the Bank’s financial and non-financial performance. It also outlines relevant information on the Bank’s strategy, governance, risks and prospects to offer better insights into its activities and progress.

Reporting principles and framework

The financial information presented in this report is in line with the requirements of

- The Companies Act, 2013 (including the rules made thereunder)
- The Indian Accounting Standards
- The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
- Banking Regulation Act, 1949 and other relevant RBI regulations

The report has been prepared in accordance with the framework prescribed by the International Integrated Reporting Council (IIRC) and also contains disclosures as per the Global Reporting Initiative (GRI) and United Nations Sustainable Development Goals (UN SDGs). Further, the report presents Environmental, Social and Governance (ESG) information in accordance with the ESG framework developed by the Bank’s CSR Committee and ESG Committee.

Materiality and scope

This report includes information which is material to all stakeholders of the Bank and provides an overview of its business and related activities. The report discloses matters

that substantially impact or affect the Bank’s ability to create value and could influence decisions of providers of financial capital. Materiality assessment was done by the Bank in 2018-19 through a stakeholder engagement exercise.

Forward looking statements

This report contains statements that relate to future operations and performance of the Bank. Actual results may differ materially from those suggested by such statements due to certain risks associated with our expectations with respect to, but not limited to, future circumstances such as technological changes, the impact of changes in banking regulations and other regulatory changes in India and other jurisdictions, natural calamities, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, among others.

Responsibility statement

The content of this report has been reviewed by the senior management of the Bank, and reviewed and approved by the Board of Directors to ensure accuracy, completeness and relevance of the information presented.

Reporting boundary

The non-financial information in this report covers the activities and progress of HDFC Bank Limited on a standalone basis.

Report navigation

We have used the icons below to aid navigation and cross-referencing through the report.



Financial capital



Intellectual capital



Manufactured capital



Human capital



Social and Relationship capital



Natural capital

To read more about a particular topic across the report, please look for this icon:



Get direct access to a wide range of company information on:

www.hdfcbank.com

What’s inside

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Robust and resilient

2019-20 was another year of consistent all-round performance, which is an outcome of our disciplined approach towards managing capital.

Page 22



Prudent utilisation of resources

In order to minimise our carbon footprint, we have adopted a goal-based approach to climate change related issues.

Page 66



Connecting closely with people and communities

Parivartan - our social initiatives brand has reached nearly 8 Crore people. Our employees have nominated us as one of the best places to work owing to our best-in-class people practices.

Page 70



Sound governance

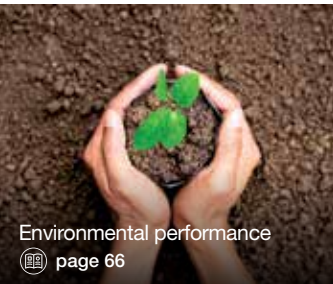
Our ethical and transparent manner of conducting business is an important enabler of our success and has made us one of the most trusted banks in India.

Page 78



Leading responsibly

Leadership is as much about responsibility as it is about scale and size. Over the past two-and-a-half decades, we have built a formidable banking franchise by identifying trends early, making the requisite investments, weaving in the learnings and then scaling up. We have built this on the strong foundation of our robust corporate governance practices and anchored by our core values.



Our approach of identifying promising business opportunities early, such as payments, and then growing them in relevant markets and channels has enabled us to deepen our customer engagement ([know more about our complete and convenient payment solutions on page 50](#)).


We have continued to expand our business by seizing opportunities in semi-urban and rural market and by embracing digital. ([read more on how we are reshaping digital banking on page 26](#)). We have consistently balanced growth and profitability by creating a robust balance sheet and maintaining the best-in-class asset quality. Our pan-India reach enables us ([take a glance at our nationwide network on page 16](#)) to deliver essential banking services to the remotest corners of the country.

We leverage the same network to drive social transformation and bring positive changes to the lives of millions of people, especially in rural India.

On one hand, we are focused on lending to businesses that lay emphasis on environmental, social and governance performance ([know more about our responsible lending practices on page 69](#)). On the other, we are reducing our environmental footprint by promoting digital banking platforms and optimising our energy consumption.

As we embark on the next leg of our growth journey, leveraging digitisation and renewing our push into semi-urban and rural markets, we commit ourselves to the same stringent standards of corporate governance that we have adhered to and the core values that we have lived by.

Key highlights



₹1,530,511 Cr

Balance sheet size**

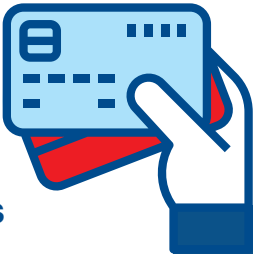
↑ 23.0%#

1.26%


Gross Non-Performing Assets (NPAs)**

v/s 1.36% in 2018-19

Largest private sector lender by assets**



Leading player in cards and payments business**



₹1,147,502 Cr

Total deposits**

↑ 24.3%#

5,416


Banking outlets^ (including four overseas)**

₹26,257.3 Cr

Net profit*

↑ 24.6%#

Second top constituent of the NIFTY enhanced ESG Index**




12%

Reduction in power consumption through Energy Management System (ENMS) adopted at 600 branches

₹535 Cr

CSR spends*

↑ 20.5%#



*During 2019-20
**As on March 31, 2020
#Y-O-Y
^In addition, we have 5,379 BCs managed by CSCs

The capitals that power our business



Financial capital

Our strong financial position, sustained growth and consistent shareholder returns are a result of our disciplined approach towards raising, lending and managing our financial capital. It includes customer deposits, shareholder equity, retained earnings and external borrowings among others.

₹79,447 Crore ↑ 20.6% Y-O-Y
Net revenues*

1.26% v/s 1.36%
in 2018-19
Gross NPAs**

2.01% v/s 1.90%
in 2018-19
Return on assets*

Page 22



Intellectual capital

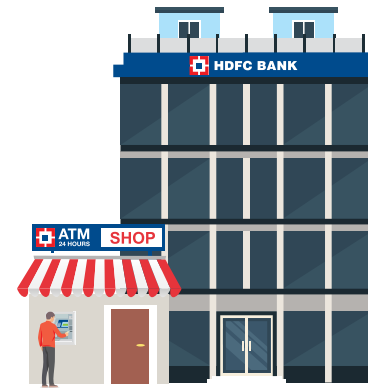
The adoption of data analytics and emergent technologies such as Artificial Intelligence and Machine Learning enables us to increase operational efficiencies. The knowledge and expertise incorporated within our systems, processes and procedures and the equity built in the HDFC Bank brand constitute our intellectual capital.

95.1%
Digital Transactions*^

\$22.7 Billion#
Brand value

178
APIs on Partner/Public
API Gateway**

Page 26



Manufactured capital

Manufactured capital facilitates our engagement with customers, people, the society and other stakeholders. Our pan-India distribution network comprising banking outlets, corporate offices, ATMs and other customer touch points constitute this capital. It also covers our IT infrastructure and security as well as infrastructure development through CSR projects.

5,416
Banking outlets**
(including four overseas)**

14,901
ATMs + Cash Deposit &
Withdrawal Machines**

2,803
Locations**

Pages 16 and 24



Human capital

Our people are at the heart of our success. Their diverse skill sets, expertise and industry knowledge constitute our human capital. We further enhance our human capital through continuous training and development programmes. Our focus on developing a skilled and motivated workforce enables us to acquire, serve and retain our customers.

1,16,971
Employees**

18.3%
Women employees**

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Social and Relationship capital

The way we manage our stakeholder expectations constitutes our social and relationship capital. Be it with our customers, trade partners and merchants or communities, we take a holistic approach to sustainable value creation by nurturing our long-standing relationships and building new ones. Further, through Parivartan, we work closely with various communities to improve their lives and livelihood opportunities.

7.8 Crore+
Beneficiaries
of Parivartan**

1.29 Crore
Participants in the Financial
Literacy Programme**

94,470+
Farmers trained through Holistic Rural
Development Programme (HRDP)**

Pages 32, 34 and 70



Natural capital

The natural resources we consume to conduct our business and seamlessly deliver our products and services constitute our natural capital. Our energy consumption, CO₂ emissions, paper consumption and waste management impact this capital. Further, we screen all our large loans to assess them for environmental and social risks. We are harnessing renewable energy at our offices and driving paperless transactions through deployment of digital tools and automation.

261.92 Metric Tonnes
E-waste recycled*

145.5 kw ↑ 7% Y-O-Y
Solar power*

10 Lakh+
Trees planted**

Page 66

*As per WPP Plc.-Kantar Millward Brown BrandZ Report 2019

^Retail transactions

**In addition, we have 5,379 BCs managed by CSCs

*During 2019-20

**As on March 31, 2020

Message from the Managing Director

The best of our Bank is yet to come

Dear Stakeholders,

2020 marks the 26th year of our remarkable journey, during which we have won multiple accolades. This would not have been possible without you. So, let me start by thanking each one of you for the immense faith and dedication you have shown in co-creating this great institution.

During the course of a quarter of a century, India and the world have changed at a breath-taking pace. And so has our Bank. I'm extremely humbled to be part of this living legacy and take immense pride at being given the opportunity to partner with over 1 Lakh invaluable colleagues who made this possible.

Doing things right. always.

Nearly 30 years ago, India opened its markets to the world. In doing so, it created exciting opportunities for private sector banks like us. Backed by a strong parent, we took baby steps and, in 1995, we opened our first branch in Mumbai at Sandoz House, Worli. From day one, we were clear about our strategy to drive growth. **Integrity:** We would always do what is right. **Prudent:** We wouldn't take short cuts nor cut corners. **Strategic:** We wouldn't take undue risks or blindly follow trends. By adhering to these stringent standards, we became the torchbearers of what later came to be known as corporate governance. And this is the origin of our five core values: **Customer Focus, Operational Excellence, Product Leadership, People and Sustainability.**

This was also the time when corporate lending was the order of the day. Naturally, we started out as a wholesale bank. But then India changed with liberalisation creating a new class of people with disposable incomes. And we did too by shifting

We are pioneers in building a technology-led Bank and we are one of the first to offer NetBanking services, 10-sec Personal Loan, App Banking and now WhatsApp Banking.

our focus to retail banking and now we have an industry-leading position in almost every aspect of retail banking including private banking and wealth management. But being prudent we maintained a balance between both segments of our business. This strategy has stood us in good stead. Perhaps not more so than in 2019-20 when wholesale banking has helped counter the downturn in certain retail segments as a result of an overall slowdown in consumption. Backed by our policy of having our ears to the ground, understanding consumer sentiments and needs and responding with agility have helped us to continue to lead on the wholesale banking side.

Bringing about meaningful change

Our vision has always been to bring about meaningful change. We did this by adopting technology to power digital transformation in banking, focusing on semi-urban and rural areas to drive high growth, and creating sustainability in far-flung areas across India. We are pioneers in building a technology-led Bank and we are one of the first to offer NetBanking services, 10-sec Personal loan, App Banking and now WhatsApp Banking. To our corporate customers, we



Aditya Puri, Managing Director

We are well positioned with a strong balance sheet and healthy liquidity. Our robust liability franchise continues to be the bedrock on which we will build our future

continue to offer the entire gamut of financial services such as Payments, Tax Solutions, Government Business, Trade Finance Services, Cash Management Solutions and Corporate Cards through our flagship platforms, besides seamlessly connecting our customers through APIs and Host-to-Host services. We are also the first bank to have the digital ability to sanction a working capital loan to MSMEs across the table at the customers’ premises based on deep technology integration and AI-led credit risk modelling. We expanded our footprint to semi-urban and rural areas, where we have over 50% of our branches today. Our unswerving commitment to excellence, and common sense, made all these possible.

What makes us prouder is the transformation we have brought in the lives of people excluded from development. Through our social initiatives under ‘Parivartan’, over 10% of our workforce is dedicated to social causes, making a tangible impact in people’s lives. Our Sustainable Livelihood Initiative (SLI), for instance, entails skilling women at the bottom of the pyramid and providing livelihood finance to help them break the cycle of poverty. We firmly believe that empowering women will lead to empowering families. Through our Holistic Rural Development Programme (HRDP), we have touched more than 4 Lakh households across 1,282 villages in 17 states. We continue to stay focused on effecting impactful

change through various initiatives in irrigation, and soil and water conservation, helping build healthcare and hygiene infrastructure.

I’m also personally proud of our Blood Donation Drive, which entered the Guinness World Records, through which we have cumulatively collected over 1.4 Million units of blood helping save lives.

Riding the Storm

We are living in unprecedented times with COVID-19 claiming lakhs of lives globally including India, and destroying millions of livelihoods due to extended lockdowns. My heart goes out to the families of all those who have lost their lives. Let me also, on behalf of HDFC Bank, salute our healthcare workers on the frontline, who have risked and sometimes lost their lives in this battle against a raging pandemic. Let us, however, remember that the darkest hour is always just before the dawn, and that dawn is not far away. Be it in riding out the health crisis or recovering from the financial losses that many have suffered, faith and hope are our biggest allies. But let us also accept that life has perhaps changed forever. During this period, we invoked our Business Continuity Plan (BCP), which has helped us to continue functioning in the ‘new normal’. We learnt several new things along the way that will help us improve our stakeholders’ lives. This includes being efficient while working from home and equipping ourselves to prepare for the tomorrow through e-learning programmes and leveraging this opportunity to further the digital agenda of the Bank.

HDFC Bank has always been strong, growing consistently through multiple economic cycles. We have capitalised on opportunities without giving in to greed. We are well positioned with a strong balance sheet and healthy liquidity. Our robust liability franchise continues to be the bedrock on which we will build our future. In April 2020, global ratings agency S&P reaffirmed its international rating for HDFC Bank at

BBB-/A3 with a Stable outlook, giving credence to HDFC Bank’s stability even in these challenging times. And we feel happy to quote S&P, “Overall, we believe HDFC Bank’s individual creditworthiness is significantly stronger than the average of the Indian Banking Sector, reflected in its SACP of BBB+.”

So where does that leave us?

Our Best is Yet to Come

What about the future? Let me start by reiterating where we stand today. We as a bank have:

- One of the biggest and strongest balance sheets
- High capital adequacy levels
- Market leadership in most of the products that we deal in
- An excellent reputation for delivering value to all stakeholders, especially shareholders
- Technology that offers an omnichannel experience
- The finest people who have made us what we are
- A commitment to society that is second to none

All this means, we are very well placed to ride out the COVID-19 storm. We intend to continue to innovate, adapt, and disrupt to remain trailblazers. We will continue to collaborate to bring the power of One Bank to our customers. We will continue to invest ahead in technology, computing and artificial intelligence to provide hyper-personalised offerings/experiences to our customers to become a *Digital First* Bank where every customer interaction at any touchpoint is intuitive, seamless, contextual and predictive. All these collectively ensures that we reduce costs and increase our reach. It is also reflected in the six strategic priorities that we have focused on in the last three years and will continue to do so. These are:

- Reimagining the Branch Channel from a banking storefront to a financial services marketplace
- Leveraging Bharat’s growth potential based on our Semi-Urban and Rural footprint

We intend to continue to innovate, adapt, and disrupt to remain trailblazers. We will continue to collaborate to bring the power of One Bank to our customers.

- A Payments business with a differentiated business model that leverages the Bank’s offerings
- Digital 2.0 to transform customer journeys into omnichannel customer experiences
- Virtual Relationship Management where technology comes alive with a human touch
- Our subsidiaries that continue to focus on the segments they operate in

And backed by a key intangible asset that is not found in our balance sheet but helps build it: **Integrity!** Even after 25 years, we have not changed our fundamentals where Integrity remains our biggest asset.

And all of this would not have been possible without the trust our customers have in us, driving us to deliver what we have over the years. With that trust in place, I reiterate that the best of our Bank is yet to come!

Aditya Puri
Managing Director
HDFC Bank Limited

#HumHaarNahiMaanenge

The COVID-19 outbreak has brought to the fore the undying spirit of humanity in fighting a global crisis that came with wide ramifications on life and livelihood. At HDFC Bank, we salute the healthcare workers and government agencies braving an unknown enemy on the front lines. No matter how great the challenge, we remain committed to overcoming it together. We teamed up with the Oscar and Grammy award winning composer - A.R. Rahman and noted lyricist Prasoon Joshi, among other artistes to create a song of hope #HumHaarNahiMaanenge (We will not give up). This song received over 18.6 Million views on YouTube. You can listen to it here [▶](#)



Contributed ₹70 Crore to PM CARES Fund



Helped hospitals source PPE kits, ventilators and more



Supplied dry ration to daily wage-earners and farmers



Provided financial support to health departments and municipal bodies



Provided critical medical equipment to state governments



Employees volunteered to provide cooked meals to daily wage-earners



Equipped police force with safety kits, infrared thermometers



Shared government advisories and protocols



Created awareness about PM CARES Fund through a branch-wide campaign



Shared information on vendors providing critical supplies



Used cycles and rickshaws to spread awareness in remote places



Launched mobile ATM vans across the country



Introduction to HDFC Bank

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HDFC Bank at a glance

Leading with trust

HDFC Bank has been playing a key role in reshaping the financial services landscape in the country for over 25 years. Our wide range of products is tailored to meet the diverse needs of our 5.6 Crore+ customers. We have established a wide network of banking outlets and ATMs including cash deposit and withdrawal machines.

These are supplemented by Common Service Centres (CSCs), and business correspondents through our tie-ups with the Government and other alliance partners.

Our best-in-class digital products and platforms deliver an omnichannel experience across all touchpoints. We also leverage our pan-India presence to work for the sustainable development of communities. Through Parivartan, the umbrella brand for our social initiatives, we create programmes to bring about a positive change in lives and livelihoods.



HDFC Bank quick facts

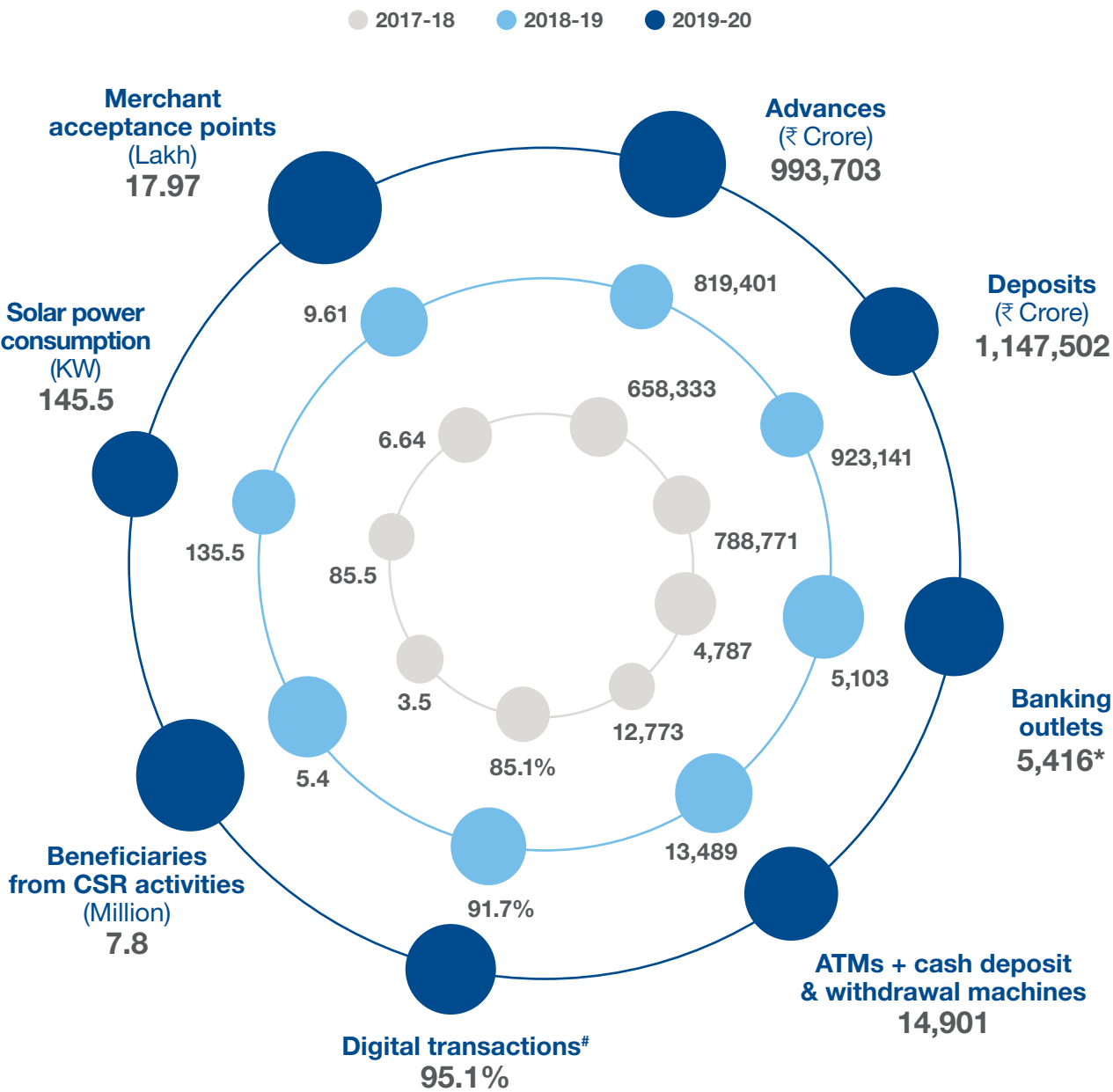
5.6 Crore+
Customers**

1.26%
Gross NPAs**
One of the lowest levels of Gross NPAs in the banking industry

116,971
Employees

India's most valuable brand
for the sixth consecutive year in 2019, as per WPP Plc-Kantar Millward Brown BrandZ Report.

The unfolding story in numbers



**As on March 31, 2020
#Retail transactions
*In addition, we have 5,379 BCs managed by CSCs

A complete suite for diverse customer needs

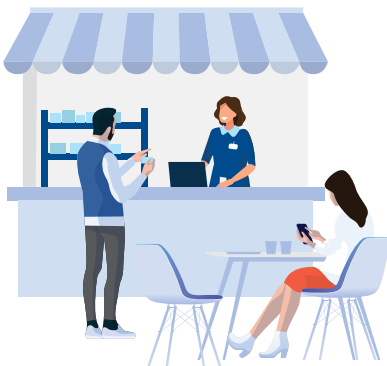


Business segment

Wholesale Banking

This business focuses on institutional customers such as

- ▶ Large corporates including MNCs
- ▶ Government bodies
- ▶ Emerging corporates
- ▶ Business banking/SMEs
- ▶ Infrastructure finance group



Retail Banking

This business caters to

- ▶ Individual borrowers
- ▶ Salaried & professional borrowers
- ▶ Micro & medium sized businesses
- ▶ Extremely small businesses like kirana stores
- ▶ Self-help groups (SHGs)
- ▶ Non-resident Indians (NRIs)



Treasury

The Treasury is the custodian of the Bank's cash/liquid assets and manages its investments in securities and other market instruments. It manages the liquidity and interest rate risks on the balance sheet and is also responsible for meeting statutory reserve requirements.

Products and services

- ▶ Working capital facilities
- ▶ Term lending
- ▶ Project finance
- ▶ Debt capital markets
- ▶ Mergers and acquisitions
- ▶ Trade credit
- ▶ Supply chain financing
- ▶ Forex and derivatives
- ▶ Cash management services
- ▶ Wholesale deposits
- ▶ Letters of credit and guarantees
- ▶ Custodial services
- ▶ Correspondent banking

Performance highlights*

₹479,762 Cr ↑ 29.3%#
Domestic wholesale advances

~49%
Of the Bank's total domestic advances
as per Basel 2 classification.

The HDFC Bank edge

- ▶ Full service 'One Stop Shop' for corporates with strong technology backbone
- ▶ Market leader in cash management services
- ▶ Prominent position in large corporate and emerging corporate space

- ▶ Auto loans
- ▶ Credit and debit cards
- ▶ Personal loans
- ▶ Home loans
- ▶ Gold loans
- ▶ Mortgages
- ▶ Commercial vehicles finance
- ▶ Retail business banking
- ▶ Savings account
- ▶ Current account
- ▶ Fixed and recurring deposits
- ▶ Corporate salary accounts
- ▶ Construction equipment finance
- ▶ Agri and tractor loans
- ▶ SHG loans
- ▶ Kisan Gold Card
- ▶ Distribution of mutual funds, life, general and health insurance
- ▶ Healthcare finance
- ▶ Offshore loans to NRIs
- ▶ NRI deposits
- ▶ Small-ticket working capital loans
- ▶ Business loans
- ▶ Two-wheeler loans
- ▶ Loans against securities

₹494,401 Cr ↑ 14.6%#
Domestic retail advances

~51%
Of the Bank's total domestic advances
as per Basel 2 classification.

₹879,145 Cr ↑ 24.0%#
Domestic retail deposits

- ▶ Leading presence in the payments business, with 1.45 Crore credit cards
- ▶ Unique product proposition for NRIs through branches in India and overseas.
- ▶ Market leader in almost every asset category with best-in-class portfolio quality.
- ▶ Pioneer and dominant player in the digital loan marketplace.

- ▶ Foreign exchange & derivatives
- ▶ Solutions on hedging strategies
- ▶ Trade solutions - domestic and cross border
- ▶ Bullion
- ▶ Debt capital markets
- ▶ Equities
- ▶ Research - Reports & commentary on markets and currencies
- ▶ Asset liability management
- ▶ Statutory reserve

₹2,154.8 Cr ↑ 25.2%#
Revenue from forex and derivative transactions

- ▶ Solutions for non-residents, hedging needs in Indian markets
- ▶ Integrated trade and treasury solution for customers
- ▶ Primary Dealer for Government securities

*During 2019-20
#Y-O-Y

Unparalleled reach

We have the widest reach among private sector banks in India. Our large network enables us to serve our customers better and participate actively in the development of the communities around us.



Staying close to our customers

Our network comprises banking outlets, ATMs including cash deposit and withdrawal machines (CDMs), Common Service Centres (CSCs) which include Village Level Entrepreneurs (VLEs) & Business Correspondents (BCs) and merchants. The banking outlets are linked online to provide the ease of real-time banking and payment services. We plan to strategically expand our footprint to further deepen our presence and enter new geographies.

5,416
Banking outlets
(including four overseas)**

14,901
ATMs + cash deposit and withdrawal machines**

5.6 Crore+
Customers**

2,803
Locations**

5,379
CSC Business Correspondents (BCs)**

17.97 Lakh
Merchant acceptance points**

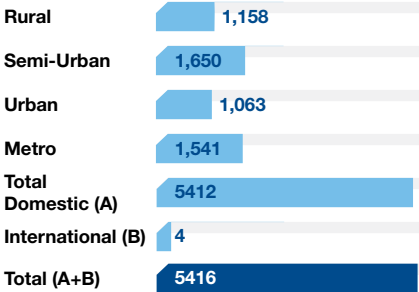


One of the largest banking networks in semi-urban and rural India

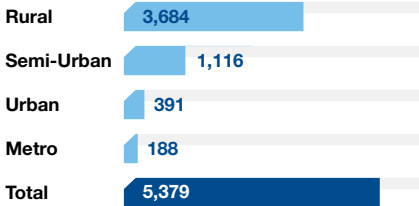
We were among the earliest private sector banks to reach out to the hinterlands of India. Over the past decade, we have built a scalable and profitable business model in the semi-urban and rural markets. Today, these areas together account for over half of our total banking outlets. In these areas, we are also among the few financial services providers to offer a complete suite of products.

Wide reach across markets

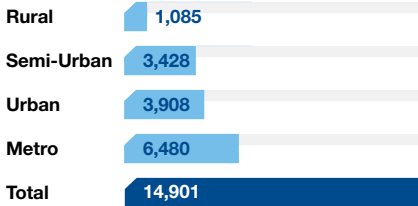
Banking outlets



CSC BCs



ATMs + cash deposit & withdrawal machines



Leveraging our reach to empower communities

HDFC Bank's Parivartan has a strong footprint across India. Over 7.8 Crore people have benefited from our various initiatives so far. Our Sustainable Livelihood Initiative (SLI) has reached over 1 Crore households.

Parivartan: Empowering communities

19.6 Lakh
Teachers trained**

7.8 Crore
people impacted**

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*During 2019-20
**As of March 31, 2020