Ratings

Instrument	Rating	Rating Agency	Comments
Fixed Deposit Programme	CARE AAA (FD)	CARE Ratings	Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry the lowest credit risk.
	IND Taaa	India Ratings	Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry the lowest credit risk.
Certificate of Deposits Programme	CARE A1+	CARE Ratings	Instruments with this rating are considered to have very strong degree of safety regarding timely servicing of financial obligations. Such instruments carry the lowest credit risk.
	IND A1+	India Ratings	Instruments with this rating are considered to have very strong degree of safety regarding timely servicing of financial obligations. Such instruments carry the lowest credit risk.
Long Term Unsecured, Subordinated (Lower Tier 2) Bonds	CARE AAA	CARE Ratings	Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry the lowest credit risk.
	IND AAA	India Ratings	Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry the lowest credit risk.
Upper Tier 2 Bonds	CARE AAA	CARE Ratings	Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry the lowest credit risk.
	CRISIL AAA	CRISIL	Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry the lowest credit risk.
Infrastructure Bonds	CARE AAA	CARE Ratings	Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry the lowest credit risk.
	CRISIL AAA	CRISIL	Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry the lowest credit risk.
Additional Tier I Bonds (Under Basel III)	CARE AA+	CARE Ratings	Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.
	CRISIL AA+	CRISIL	Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.
	IND AA+	India Ratings	Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.
Tier II Bonds (Under Basel III)	CARE AAA	CARE Ratings	Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry the lowest credit risk.
	CRISIL AAA	CRISIL	Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry the lowest credit risk.

Issuance of Equity Shares and Employee Stock Options (ESOP)

As on March 31, 2020, the issued, subscribed and paid up capital of your Bank stood at ₹ 5,483,286,460/- comprising of 5,483,286,460 equity shares of ₹ 1 each. This is subsequent to the sub-division of one equity share of your Bank having face value of ₹ 2/- into two equity shares of face value of ₹ 1/- each and consequent alteration in the Capital Clause of the Memorandum of Association of the Bank. Further, 36,673,240 equity shares of face value of ₹ 1/- each were issued by your Bank pursuant to the exercise of Employee Stock Options (ESOPs) (for information pertaining to ESOPs, please refer **Annexure 1** to the Directors' Report)

Capital Adequacy Ratio (CAR)

As on March 31, 2020, your Bank's total CAR, calculated as per Basel III capital regulations, stood at 18.5 per cent, well above the regulatory minimum requirement of 11.075 per cent including a Capital Conservation Buffer of 1.875 per cent and an additional requirement of 0.20 per cent on account of the Bank being identified as a Domestically Systemic Important Bank. Tier I Capital was at 17.2 per cent as of March 31, 2020.

Management Discussion And Analysis

Macroeconomic and Industry Developments

The Indian economy faced several domestic and external headwinds for most part of the year under review due to protectionist trade policies, geopolitical uncertainties and slowdown in major trading partners. Weakness in the auto sector, lingering issues in the NBFC sector, and a moderation in private sector investments contributed to the slowdown. Although growth moderated to 4.2 per cent in FY 2019-20 from 6.1 per cent in FY 2018-19, India became the fifth largest economy in the world, surpassing the UK and France.

India's external sector continued to gain stability as the current account deficit (balance of exports minus imports) declined to 0.2 per cent of GDP in the third quarter of FY 2019-20. This was driven by lower crude oil prices for most part of the year, reducing India's import bill (imports 80 per cent of total oil demand). Foreign direct investment (FDI) and portfolio flows remained strong, rising to over US$ 32 billion and US$ 15 billion in April-December 2019, respectively.

Domestic demand also began to show green shoots in the second half of the year, especially in the rural sector. Better food price realisations and government measures focusing on doubling farm income, such as increase in Minimum Support Prices (MSPs), supported rural demand. Government consumption expenditure remained the support lever in growth dynamics. As per the Central Statistical Organisation government consumption expenditure grew at 11.9 per cent in FY 2019-20 vis-à-vis 10.2 per cent in FY 2018-19.

However, the outbreak of the coronavirus pandemic has clouded the growth outlook. The nationwide lockdown is likely to hit consumption of non-essential items and weigh on activity in the services (particularly in tourism, aviation, and hospitality) as well as the manufacturing sector. Moreover, lower global growth is likely to have a bearing on export demand. The World Bank expects the overall global economy to contract by 5.2 percent due to the coronavirus impact, significantly affecting the US, Eurozone and UK economies.

In the financial sector, credit growth moderated to 6.8 per cent in May 2020 from 13.5 per cent a year ago. The weakness was recorded in agriculture and services while credit deployment to industrial sector improved at the margin. The NPA ratio improved from its peak of 11.2 per cent in the year ended March 31, 2018 to 9.3 per cent in the year ended March 31, 2019, though the pace of improvement has slowed down in recent quarters. As per the RBI's December 2019 Financial Stability Report, Gross Non-Performing Assets (GNPA) ratio of scheduled commercial banks remained unchanged at 9.3 per cent between March 2019 and September 2019. That said, the Central Bank estimates the ratio to deteriorate to 9.9 per cent by September 2020. The current COVID-19 related slowdown could add further stress in the system.

The Government and the RBI have announced a host of measures to cushion the direct impact of the lockdown on the economy. The stimulus package (₹ 20 Lakh crore) announced by the GOI in five tranches had a clear focus on the MSME sector, a key provider of employment in both the organized and unorganized segments and a critical component of the domestic industrial supply chain. The MSME sector that encompasses a wide range of industries had been under considerable stress for a prolonged period before the incidence of COVID. This made them particularly vulnerable to the lockdown and its aftermath. The NBFC sector, a major provider of funding to the MSMEs had also been going through a period of stress particularly in its access to finances both from banks and the market. Thus, the stimulus package focuses on the survival of both MSMEs and NBFCs through the COVID crisis and also their revival. The critical element of the stimulus is its attempt to facilitate the flow of credit to both MSMES directly and to NBFCS. The government aims to do this by reducing the risk taken by banks and other institutions in lending to them by providing explicit guarantees either on the entire loan or a fraction. The guarantees delivered are through Special Purpose Vehicles (SPVs) in which the government has initially taken an equity stake. Thus, for instance the targeted credit flow of ₹ 300 billion in the form of collateral free loans to the smaller MSMEs is backed by a 100 per cent GOI guarantee given through NCGTC. Other measures include creating a fund of funds for MSMEs, partial credit guarantee scheme for NBFCs/MFIs and providing subordinate debt for stressed MSMEs through a Credit Guarantee Fund Trust.

There are non-financial measures as well that aims to benefit MSMEs. The upward revision of turnover and investment limit (Micro: turnover increased to ₹ 5 crore, investment increased to ₹ 1 crore; Small: Turnover increased to ₹ 50 crore and investment increased to ₹ 10 crore; Medium: Turnover increased to ₹ 250 crore and investment increased to ₹ 50 crore) would help MSMEs expand operations considerably without fear of losing some of the fiscal and other benefits that the segment enjoys.

The direct fiscal spending component (on MNREGA, EPF support for business and workers, food grain supply for migrant workers and enhancing Micro food enterprises among other things) is relatively low and stands at ₹ 2 trillion or 1 per cent of GDP. Instead the broad strategy of the stimulus is to remove bottlenecks on the supply side for the smaller and labour intensive firms to set off a "virtuous cycle" of more viable operations, increased production and employment and higher incomes that would translate into enhanced demand.

On the monetary policy side, the RBI has taken a number of steps to provide liquidity and enhance credit flow in the system. The RBI recently delivered an off-cycle rate cut of 40 bps, taking the repo rate to 4.0 per cent and lowered the reverse repo rate by 40 bps to 3.35 per cent. The RBI has delivered a total rate cut (repo) of 115 bps since February 2020. The RBI has also taken a slew of measures to address liquidity constraints such as the announcement of the moratorium, liquidity infusion through TLTRO (Targeted Long Term Repo Operations) for NBFCs (₹ 50,000 crore), liquidity facility ₹ 50,000 crore for mutual funds and a cut in the CRR (Cash Reserve Ratio) by 100 bps to 3%. We expect the Central Bank to deliver further rate cuts and keep liquidity in surplus in the coming months, bringing down the cost of borrowing and pushing credit growth in the system.

CPI inflation remained in a comfortable zone in H1 FY 2019-20. However, inflation rose from October 2019 onwards, peaking in January 2020 (to 7.6 per cent) mainly due to rise in food prices on account of higher onion prices. In FY 2020-21, we (HDFC Bank) expect the headline inflation to ease gradually on lower food prices, drop in crude oil prices and dwindling demand conditions due to the lockdown. For the year ending March 31, 2021, we expect the headline inflation at 3.7 per cent, well within the RBI's target range of 4 +/-2 per cent. Thus, with inflation expected to be below the RBI's median target of 4 per cent, the Central Bank could deliver further rate cuts to support growth.

Overall, we expect the growth to remain subdued in the first half of FY 2020-21, with growth contracting in the first and second quarters and a gradual recovery in the second half supported by fiscal and monetary policy stimulus.

Financial Performance

The financial performance of your Bank during the year ended March 31, 2020, remained healthy with Total Net Revenue (Net Interest Income Plus Other Income) rising 20.6 per cent to ₹ 79,447.1 crore from ₹ 65,869.1 crore in the previous year. Revenue growth was driven by an increase in both Net Interest Income and Other Income. Net Interest Income grew by 16.5 per cent to ₹ 56,186.3 crore due to acceleration in loan growth coupled with a Net Interest Margin (NIM) of 4.3 percent.

Other Income grew by 32.0 per cent to ₹ 23,260.8 crore. The largest component was Fees and Commissions, which increased by 18.5 per cent to ₹ 16,333.7 crore. Foreign Exchange and Derivatives Revenue was ₹ 2,154.8 crore, gain on revaluation and sale of investments was ₹ 1,934.4 crore, and recoveries from written-off accounts were ₹ 2,253.5 crore. Following the outbreak of the coronavirus pandemic in March 2020, the central government imposed a nationwide lockdown from March 24 to break the chain of transmission. Economic activities slowed down considerably. As a result, your Bank witnessed an impact on business volumes in terms of loan originations, distribution of third party products, and payments product activities, as well as on collections. Due to these pressures, fees/other income was lower by ₹ 450 crore during the year.

Operating (Non-Interest) Expenses rose to ₹ 30,697.5 crore from ₹ 26,119.4 crore. During the year, your Bank set up 313 new Banking Outlets and 1,412 ATMs / Cash Deposit and Withdrawal Machines (CDMs). This, along with strong growth in retail asset and card products, resulted in higher infrastructure and staffing expenses. Staff expenses also went up due to employee additions and annual wage revisions. Despite higher infrastructure expenses, the Cost to Income Ratio improved to 38.6 per cent from 39.7 per cent.

Total Provisions and Contingencies were ₹ 12,142.4 crore as compared to ₹ 7,550.1 crore the preceding year. Your Bank's provisioning policies remain more stringent than regulatory requirements. Total provisions for the fourth quarter of the financial year included credit reserves relating to the coronavirus pandemic in the form of contingent provisions of approximately ₹ 1,550.0 crore.

The Coverage Ratio based on specific provisions alone excluding write-offs was 72 per cent; including General and Floating provisions, it was 118 per cent. Your Bank made General Provisions of ₹ 796.0 crore during the year. Gross Non-Performing Assets (GNPA) were at 1.26 per cent of Gross Advances, as against 1.36 per cent in the preceding year. Net NPA ratio stood at 0.36 per cent as against 0.39 per cent in the previous year.

In accordance with the RBI guidelines related to the COVID-19 Regulatory Package announced on March 27, 2020 and April 17, your Bank granted a moratorium of three months on the payment of all instalments and/or interest, as applicable, falling due between March 1, 2020 and May 31, 2020 to all eligible borrowers classified as Standard, even if overdue, as on February 29, 2020. For all such accounts where the moratorium is granted, the asset classification shall remain unchanged during the moratorium period. The Bank has made provisions above the RBI prescribed requirements against the potential impact of the coronavirus pandemic (based on the information available at this point in time).

Profit Before Tax grew by 13.7 per cent to ₹ 36,607.1 crore. After providing for Income Tax of ₹ 10,349.8 crore, Net Profit increased by 24.6 per cent to ₹ 26,257.3 crore from ₹ 21,078.1 crore. Return on Average Net Worth was 16.76 per cent while Basic Earnings Per Share was ₹ 48.01 up from ₹ 39.33.

As on March 31, 2020, your Bank's Total Balance Sheet stood at ₹ 1,530,511 crore, an increase of 23.0 per cent over ₹ 1,244,541 crore on March 31, 2019. Total Deposits rose by 24.3 per cent to ₹ 1,147,502 crore from ₹ 923,141 crore.

Savings Account Deposits grew by 24.8 per cent to ₹ 310,377 crore while Current Account Deposits rose by 22.3 per cent to ₹ 174,248 crore. Time Deposits stood at ₹ 662,877 crore, representing an increase of 24.6 per cent. CASA Deposits accounted for 42.2 per cent of Total Deposits. Advances stood at ₹ 993,703 crore, an increase of 21.3 per cent. Domestic loan portfolio of ₹ 974,161 crore grew by 21.4 per cent over March 31, 2019. Your Bank had a share of approximately 8.2 per cent in Total Domestic Deposits and 9.3 per cent in Total Domestic Advances.

BUSINESS REVIEW

Your Bank's operations are split into domestic and international.

Domestic Business

A) Retail Banking

Your Bank's Retail Banking Business registered robust growth in the year under review. Domestic Retail Deposits grew by 24.0 per cent to ₹ 879,145 crore from ₹ 709,085 crore in the preceding year while Retail Advances rose 14.6 per cent to ₹ 494,401 crore from ₹ 431,357 crore.

Retail deposits

₹ 879,145 crore

up 24.0 per cent*

Retail advances

₹ 494,401 crore

up 14.6 per cent*

*Over 2018-19

Your Bank continues to be a leader in the auto loans segment with strong presence in passenger, commercial vehicle and two-wheeler financing. The performance must be seen in the context of a market that has de-grown by about 15 per cent in the last two years across segments. Your Bank has countered this by tapping new customers in the interiors of the country, leveraging its tie-up with Common Service Centres and also selling loan products to Kisan Gold Card/Sustainable Livelihood Initiative (SLI) customers. There has also been a strong focus on internal bank customers.

The Personal Loan Business witnessed steady growth to cross the milestone of ₹ 100,000 crore and end the year at over ₹ 115,500 crore. About 80 per cent of the loans were to employees of top rated corporates with reasonably high disposable income.

Your Bank also continues to drive value through its digital platforms, increasing penetration in its internal customer base. Digitalisation also plays a key role for your Bank in pioneering various digital loans - 10 second Personal Loan, Digital Loan Against Shares and Loan Against Mutual Funds.

The Payments Business where your Bank has a dominant presence not only acts as a catalyst for cashless transactions but also spurs consumption. With 3.21 crore debit cards,1.45 crore credit cards and about 1.79 million acceptance points (across all form factors), it is among the largest facilitators of cashless payments in the country. Your Bank's payments business has launched digital offerings such as Bharat QR Code, UPI, and SMS pay solutions. It has also pioneered products such as the SmartHub app for small merchants and DigiPos, which enables traditional PoS machines to accept digital payments.

In the credit card business, your Bank continued to build on its strong base. After becoming the first bank in the country to issue one crore credit cards in FY 2017-18, it ended the year under review with 1.45 crore credit cards.

Credit cards constitute about 6 per cent of the overall Bank book.

In the year under review, your Bank deepened its credit card customer base by launching cards catering to millennials. It took the co-branded route to tap new markets or expand its presence in existing markets. The co-branded card with IOC helps expand its reach in the semi-urban and rural locations; that with Indigo catches the huge aviation market and the one with Walmart helps cater to the SME segment.

The Virtual Relationship Management (VRM) programme gained substantial traction during the year under review. Under VRM, Relationship Managers reach out to customers through remote and digital platforms, leading to deeper engagement in a cost-effective manner. These managers are a single point of contact for customers' banking and financial needs. This programme offers tailor-made solutions using carefully drawn customer level plans and has been well received since its launch.

Banking Outlets

5,416*

Opened 313 outlets#

ATMs/Cash Deposit and Withdrawal Machines

14,901

Opened 1,412 units#

#During 2019-20

*In addition we have 5,379 Banking Outlets managed by CSCs

Meanwhile, your Bank also added 313 Banking Outlets during the year, taking the total to 5,416 across 2,803 cities/towns. The share of semi-urban and rural outlets in the network is 52 per cent, reflecting our continued focus on penetrating further into these markets. In addition, your Bank has 5,379 banking outlets managed by the Common Service Centres. The number of ATMs / Cash Deposit & Withdrawal Machines also increased to 14,901 from 13,489. The total number of customers your Bank catered to as on March 31, 2020 was over 5.60 crore up from 4.90 crore in the previous year.

Customers

5.6 crore+

Addition of about 70 lakh customers#

#During 2019-20

As you are aware that your Bank operates in the Home Loan Business in conjunction with HDFC Limited. As per this arrangement, your Bank sells HDFC home loans while HDFC Limited approves and disburses them. Your Bank receives sourcing fee for these loans and, as per the arrangement, has the option to purchase up to 70 per cent of fully disbursed loans either through the issuance of mortgage-backed Pass Through Certificates (PTCs) or a direct assignment of loans. The balance is retained by HDFC Limited. Your Bank originated, on an average, ₹ 2,350 crore of home loans every month in the year under review and purchased ₹ 24,127 crore as direct assignment of loans.

Third Party Products

Your Bank distributes Life, General & Health Insurance, and Mutual Funds (Third-Party Products). Income from this business grew by 28% per cent to ₹ 2,817 crore from ₹ 2,200 crore and accounted for 17 per cent of Total Fee Income in the year ended March 31, 2020, compared with 16 per cent in the preceding year.

Insurance

The open architecture adopted by your Bank for insurance distribution with nine (9) insurers was made more robust by leveraging more branches and expanding the product bouquet. Continuing with the digital focus, straight through process from prospecting to proposal stage was introduced with real time integration across all insurers. All product offerings were made available on the Netbanking platform. Premium mobilisation in life Insurance for the year ended March 31, 2020 was ₹ 4,587 crore.

In the Non-Life insurance space, your Bank along with its six Non-Life insurance partners introduced new and innovative products and increased customer offerings. All the products offered are enabled through Netbanking and Telesales platforms. Employees across channels have been trained on the new products and processes. Manpower has been strengthened across non-life insurers to increase our business in the non-motor insurance space. Premium mobilisation in General and Health Insurance grew by 3.61 per cent over the year earlier to ₹ 2,356 crore.

B) Wholesale Banking

The Wholesale Banking business was a key growth engine for your Bank in the year under review. This business focuses on institutional customers such as the Government, Large and Emerging Corporates, and SMEs. Your Bank's strong offerings include Working Capital and Term Loans, Supply Change Financing, as well as Trade Credit, Cash Management, Supply Chain Financing, Foreign Exchange, and Investment Banking services.

The Wholesale Banking business recorded healthy growth, ending FY 2019-20 with a domestic loan book size of over ₹ 4.79 lakh crore recording a growth of 29.3 per cent over the year earlier. This constituted about 49 per cent of your Bank's domestic loans as per Basel II classification. Your Bank was able to expand its share of the customer wallet, primarily using sharper customisation, cross-selling and expanding into greater geographies

Corporate Banking, which focuses on large, well-rated companies, continued to be the biggest contributor to Wholesale Banking in terms of asset size. This business was able to capitalise on the trend of large companies preferring to deal with fewer banks. Your Bank deepened its existing relationships as well as gained market share by leveraging its wide product offering. This business ended FY 2019-20 with a domestic loan book size of ₹ 2.4 lakh crore, recording a rise of 57 per cent over the year earlier.

The Emerging Corporates Group, which focuses on the mid-market segment, too witnessed significant growth. Your Bank leveraged its vast geographical reach, technology backbone, automated processes, suite of financial products and quick turnaround times to offer a differentiated service, which has resulted in new customer acquisitions as well as a higher share of the wallet from existing customers. The business continues to have a diversified portfolio in terms of both industry and geography. In the last five years, this business has more than doubled its presence to over 50 cities in India.

The year under review witnessed increased formalisation of the Micro Small and Medium Enterprises (MSMEs) sector due to the adoption of the Goods and Service Tax. This has resulted in greater transparency on data regarding cash flows (for details on the business, please refer to the section on MSME on page 95).

The Investment Banking business cemented its prominent position in the Debt and Equity Capital Markets. Your Bank was ranked 3rd in the Bloomberg rankings of Rupee Bond Book Runners. Your Bank is actively assisting clients in equity fund raising and your Bank was ranked 7th in the PRIME Database League Tables for IPOs, Rights Issues and QIPs for FY 2019-20 for private sector issues.

In the Government business, your Bank sustained its focus on tax collections, collecting direct tax of over ₹ 3 lakh crore and indirect tax of approximately ₹ 3,925 crore during FY 2019-20. In addition, your Bank collected over ₹ 1.82 lakh crore in GST. It continues to enjoy a pre-eminent position among the country's major stock and commodity exchanges in both Cash Management Services and Cash Settlement Services.

Your Bank has led the way in providing Digital Banking Services to not only its retail customers but also to its wholesale banking customers. It was an early adopter of digital technology through the Corporate Net Banking Platform, ENet.

HDFC Bank offers the entire gamut of financial services, such as Payments, Collection, Tax Solutions, Government Business, Trade Finance Services, Cash Management Solutions and Corporate Cards through its flagship platform, besides seamlessly connecting its customers through API, S2S (Server to Server) and Host to Host services.

Your Bank's pre-eminent position in the Wholesale Banking business has secured recognition from Greenwich Associates, a leading provider of proprietary benchmarking data, analytics, and qualitative insights to financial services firms worldwide. It has ranked HDFC Bank:

- Joint No. 1 in Large Corporate Banking with 75 per cent share of market
- Leader in overall Quality of client relationship in Corporate Banking
- No. 1 in Middle-Market Banking with 60 per cent share of market
- Leader in overall Quality of client relationship in Middle-Market Banking

C) Treasury

The Treasury is the custodian of your Bank's cash/liquid assets and handles its investments in securities, foreign exchange and cash instruments. It manages the liquidity and interest rate risks on the balance sheet and is also responsible for meeting reserve requirements. The vertical also helps manage the treasury needs of customers and earns a substantial part of its revenues through fee income generated from transactions customers undertake with your Bank while managing their foreign exchange and interest rate risks.

Revenue accrues from spreads on customer transactions based on trade and remittance flows and demonstrated hedging needs. Your Bank recorded revenue of ₹ 2,154.8 crore from foreign exchange and derivative transactions in the year under review. While plain vanilla forex products were in demand across all customer segments, demand for derivatives products came mostly from large and emerging corporates.

As part of its prudent risk management, your Bank enters into foreign exchange and derivatives deals with counterparties after it has set up appropriate credit limits based on its evaluation of the ability of the counterparty to meet its obligations. Where your Bank enters into foreign currency derivatives contracts not involving the Indian Rupee with its customers, it typically lays them off in the inter-bank market on a matched basis. For such foreign currency derivatives, your Bank primarily carries the counterparty credit risk (where the customer has crystallised payables or mark-to-market losses) and may carry only residual market risk, if any. Your Bank also deals in derivatives on its own account, including for the purpose of its own balance sheet risk management.

Your Bank maintains a portfolio of Government Securities, in line with the regulatory norms governing the Statutory Liquidity Ratio (SLR). A significant portion of these SLR securities are 'Held-to-Maturity' (HTM) category, while some are 'Available for Sale' (AFS). Your Bank is also a primary dealer for government securities. As a part of this business, your Bank holds fixed income securities as 'Held for Trading' (HFT).

In the year under review, your Bank continued to be a significant participant in the domestic exchange and interest rate markets. It also capitalised on falling bond yields to book profits and is now looking at tapping opportunities arising out of the liberalisation in the foreign exchange and interest rate markets.

D) Partnering with the Government

1) CSC Partnership

Your Bank has been closely working with the Government both at the central and state levels. It has an equity investment of over 9 per cent in CSC e-Governance Services India Ltd. CSCs, operated by Village Level Entrepreneurs (VLEs), are the access points for the delivery of essential public utility services, social welfare schemes, healthcare, financial, education and agriculture services, apart from a host of B2C services to citizens in rural and remote areas of the country. It is a pan-India network facilitating the Government's mandate of a socially, financially and digitally inclusive society. The Government of India envisages at least one VLE per 2.54 gram panchayat. Your bank will use this network to offer retail products and banking services and further contribute to the Government's 'Digital India' initiative.

During the year under review, your Bank considerably strengthened its relationship with CSCs by empanelling over 5,300 Business Correspondents covering nearly 600 districts, over 1800 sub-districts and more than 4,500 revenue centres. Also, 55,000 VLEs are now business facilitators. This implies that the Bank is able to cover a much larger footprint at lower costs.

This initiative will not only enable Financial Inclusion, but will also help generate employment opportunities, particularly in rural India. Through CSCs, your Bank also supports women self-help groups by providing loans to improve their standard of living through income generating activities. During the period under review, more than 50,000 women received SHG/JLG loans through CSC VLEs.

Your Bank along with CSC e-Governance Services India Limited and the Confederation of All India Traders (CAIT) signed an MOU to offer its complete range of financial and banking services to CAIT members, even in remote villages.

Your Bank launched 'Small Business Money Back' card, co-branded with CSC e-Governance Services India Limited, for small merchants, traders, farmers and other business entities. They will be able to avail credit limit by simply uploading their one-year bank statement. The sourcing of this card is being done exclusively by CSC

VLEs and more than 19,000 small businesses benefitted through this programme during the year under review.

Under the Digital India initiative, your Bank converted 1,000 villages into 'DigiGaons' in Phase I. The CSC VLEs in these villages were supported with digital infrastructure to impart financial literacy, provide online education services, apart from interventions in sanitation and hygiene. In the second phase, an additional 1,500 DigiGaons were identified and adopted. An IIT-Delhi study found that this initiative contributed to the development of those villages.

2) Start-Up Fund and SmartUp Banking

Under its SmartUp Banking Programme for Start-ups, your Bank crossed the milestone of 10,000 such businesses. The Bank is working with various state governments and incubators/accelerators to promote entrepreneurship. MoUs have already been signed with four state governments and MEITY to enable execution of the varied aspects of their respective start-up policies. Your Bank also works with 15 incubators certified by the Department of Science and Technology, including various Indian Institutes of Technology and Indian Institutes of Management, to identify 60 social start-ups that require financial and advisory support.

E) Semi Urban and Rural

The Semi Urban and Rural markets have always been a focus of your Bank's strategy. In the last two years, the Bank has made a renewed push into the Semi-urban and rural markets as rising income levels and aspirations of rural customers are leading to demand for better quality financial products and services. The Rural groups in every department of your Bank work together to tap these opportunities.

Apart from meeting its statutory obligations under PSL, the Bank has been offering a wide range of products on the asset side like auto, two-wheeler, personal, gold, light commercial vehicle (LCV), small shopkeeper loans in these markets. Now, it plans to increase its coverage of villages and deepen relationships in existing ones. An important aspect of this village penetration strategy is an initiative which combines financial literacy with financial inclusion. Customers in each village would be educated about various products and services of HDFC Bank which can best meet their financial requirements.

The Semi Urban and Rural push has been backed by its digital strategy. A Toll free IVR service has been set up to help farmers. They just have to dial and share their pin code details. The nearest branch is automatically mapped to the farmer and a bank representative will reach out to address their needs.

The Bank's operations in Semi Urban and Rural locations are explained below:

1) Agriculture and Allied Activities

Your Bank's credit to Agriculture & Allied activities stood at ₹ 146,516.75 crore on March 31, 2020, recording nearly 14 per cent increase over ₹ 128,809.32 crore in the year earlier. The importance of this segment can be understood from the fact that over 60 per cent of the population is dependent on agriculture for livelihood. The key to your Bank's success in this market has been its ability to tap the opportunities through:

- Wide product range
- Faster turnaround time
- Digital solutions

The Bank's product range includes pre-and post-harvest crop loans, two-wheeler loans, auto loans, loan against gold, among others. This has helped the Bank establish a strong footprint in the rural hinterland with its asset products. Apart from advising farmers on their financial needs, your Bank is increasingly focusing on facilitating various government/regulatory schemes such as crop insurance and interest subvention.

The Bank has designed a range of crop and geography-specific products in line with the harvest cycles and the local needs of farmers across diverse agro-climatic zones.

Products such as post-harvest cash credit and warehouse receipt financing enable faster cash flows to farmers. Credit is also offered for allied agricultural activities such as dairy, pisciculture, and sericulture.

Your Bank's focus in the rural markets has not just been on increasing credit offtake, but also on cementing relationships with customers by empowering them. As part of these efforts, farmer centres or Kisan Dhan Vikas Kendras have been rolled out in Punjab, Maharashtra, Uttar Pradesh and Madhya Pradesh. At these centres, farmers access information on soil health, mandi prices, and various government initiatives and also receive expert advice. These services are also available on the Bank's website in vernacular languages. Your Bank also provides advisory on weather, cropping and harvesting through SMS.

Digitising Milk Procurement: This initiative brings transparency in the milk procurement and payment process, which benefits both farmers and dairy societies. Multi-function Terminals (MFTs), popularly known as Milk-to-Money ATMs, are deployed in dairy societies. The MFTs link the milk procurement system of the dairy society to the farmer's account to enable faster payments. MFTs have cash dispensers that function as standard ATMs. Payments are credited without the hassles of cash distribution. Further, this process creates a credit history which can then be used for accessing bank credit. Apart from dairy and cattle loans, customers gain access to all the Bank's products including digital offerings such as 10 Second Personal Loans, Kisan Credit Card, Bill Pay, and Missed Call Mobile Recharge. So far, your Bank has digitised payments at over 1,200 milk co-operatives across 21 states, benefiting more than 4.5 lakh dairy farmers.

Substituting Moneylenders: Your Bank is slowly making inroads into a market traditionally dominated by the unorganised sector, moneylenders and pawn brokers. Loans against gold jewellery grew to over ₹ 6,200 crore in FY 2019-20 from over ₹ 5,900 crore in FY 2018-19. The entry of organised players has increased awareness and transparency. The availability of the asset and the ease of securing a loan have made this a convenient and viable credit option.

In FY 2019-20, your Bank added 150 more branches, taking the total number to 800 through which gold loans are distributed. In FY 2020-21, it plans to make gold loans available in even more branches in the rural areas.

Social Initiatives in Farm Sector: Farm yield and income are subject to the vagaries of the weather. In addition, factors like soil health, input quality (seeds and fertilizers), water availability, and government policy have significant impact, along with price realisations and storage facilities. Your Bank has launched a variety of initiatives to ease the stress on farm income and rural households.

Over the last few years, several parts of the country have been severely impacted by natural calamities such as drought, unseasonal rains, hailstorms, and floods. Within regulatory guidelines, your Bank has been providing relief to the impacted farmers. It also has put in place systems designed to enable direct benefit transfers in a time-bound manner.

Lending to the agriculture sector, including to small and marginal farmers, is a regulatory mandate as part of priority sector lending requirements. This segment has inherent credit risks. Your bank has taken various initiatives to navigate the changing agri-lending trend. It has also taken steps pertaining to delinquency management like root-cause analysis of critical locations, close monitoring of delinquency, prioritisation-based recovery strategy, system automations. The Bank has leveraged its extensive knowledge of rural customers to create as well as deliver products and services at affordable price points and with quick turnaround time. This has enabled the Bank to establish a strong footprint in the rural geographies, which it has now leveraged to increase its penetration of liability products. Further, your Bank is building a segment-specific approach like funding to horticulture clusters, supply chain finance, agribusiness, MSMEs and dairy farmers. It also continues to engage closely with farmers to mitigate risks and protect portfolio quality.

2) Semi Urban Micro, Small and Medium Enterprises (MSME)

The MSME sector serves as an important engine for economic growth and is one of the largest employers in the economy. Advances to the MSME segment as on March 31, 2020 stood at ₹ 159,107.93 crore as against ₹ 128,976.48 crore a year ago. Its advances to Micro Enterprises alone stood at ₹ 66,419.74 crore as on March 31, 2020.

The adoption of Goods and Service Tax by MSMEs has resulted in easy availability of data for banks regarding cash flows of these companies. Added to this has been the increasing push for digitalisation by the Government, and the emergence of tech savvy entrepreneurs. The challenges faced by businesses due to limited mobility as a result of COVID-19 is likely to further accelerate digitalisation.

Your Bank has leveraged this trend to create faster solutions. It has further increased the usage of analytics-based credit appraisal tool which was launched in FY 2018-19 for new customer acquisitions. This is facilitated by submission of digital bank statements and a combination of scores arrived by its analytics model. The digital appraisal process has emerged as a major engine of growth for this business as this helps customers to know whether their loans ranging between ₹ 11 lakh to ₹ 5 crore have been sanctioned or rejected within 3 hours.

For existing customers, the SME portal continues to offer ad hoc approvals, pre-approved TODs on an STP basis. Customers can request a top-up of loans and submit the required documents online. The SME Portal also helps customers access your Bank's services related to sanctioned credit facilities 24/7 from anywhere.

On the trade side, the Bank's focus has been on customer engagement for increasing the penetration of Trade on Net applications. This, as you are probably aware, is a complete enterprise trade solution for customers engaged in domestic as well as foreign trade, enabling them to initiate online requests and track them seamlessly resulting in reduced time and costs.

3) **Taking Banking to the Unbanked**

Your Bank is fully committed to taking banking to the remotest parts of the country through the combination of an **extensive physical network** and a robust digital suite of products and services. Today, over 52 per cent of the Bank's outlets are located in rural and semi-urban areas. The Bank also offers last mile access through mobile applications such as BHIM, UPI, USSD, Scan and Pay, and RuPay enabled Micro-ATMs.

To bring more under-banked sections of the population into formal financial channels, your Bank has opened over 24.9 lakh accounts under the Pradhan Mantri Jan Dhan Yojana (PMJDY) and enrolled 33.4 lakh customers in social security schemes since their inception. We now rank among the leading private sector banks in this regard. In the year under review, loans to the tune of ₹ 8,149.3 crore were extended under the **Pradhan Mantri Mudra Yojana (PMMY)** and nearly ₹ 503 crore under the 'Stand up India' scheme to Scheduled Caste, Scheduled Tribe and women borrowers.

4) **Sustainable Livelihood Initiative**

This is primarily a social initiative with elements of business. It entails skill training, livelihood financing, and creating market linkages.

International Business

To address the needs of NRI clients and Indian corporates, your Bank has opened branches and representative offices in Manama (Bahrain), Hong Kong, Dubai, DIFC, Abu Dhabi & Nairobi (Kenya). These offices increase awareness of your Bank's brand with existing and prospective clients. It also has a presence in International Financial Service Centre (IFSC) at GIFT City in Gandhinagar, Gujarat. This unit was opened three years ago. Your Bank offers products such as trade credits, foreign currency term loans including external commercial borrowings (ECB) and derivatives to hedge loans.

As on March 31, 2020, the Balance Sheet size of the international business was US 5.7 billion. Advances constituted 2.85 per cent of the Bank's Gross Advances. The Total Income of the overseas branches constituted 0.85 per cent of the Bank's Total Income for the year. The numbers may appear small, but what is significant here is your Bank's ability to cater to a large and growing Indian diaspora and maintain its leadership position among the peer group.

Non-Business Operations Social Commitment

To reiterate your Bank's social philosophy: businesses can only prosper if the communities in which they operate prosper as well. To add to this, the change must be holistic and sustainable. This has been the guiding spirit of your Bank's social initiatives since inception. (**For details refer page numbers 70-77.**)

(Please refer to **Annexure 2** of this report for disclosures pertaining to CSR as required under Rule 8 of the Companies (Accounts) Rules, 2014).

Environmental Sustainability

Banking by the very nature of its business is environment friendly. During the year under review, your Bank has gone a little further. It has now committed to reducing Scope I and Scope II emissions by 10 per cent over the next 2 to 3 years as a part of its commitment to climate change.

To encapsulate the Bank's philosophy, maintaining a balance between natural capital and communities is now integral to our functioning.

To this end, our ATMs have gone paperless, contributing to a reduction of the carbon footprint. Your Bank has given this effort a further fillip by ensuring multi-channel delivery through Net Banking, Phone Banking, and Mobile Banking. This results in lower carbon emission not just from operations, but also from reduced customer travel. Another source for reducing the environmental footprint is solar ATMs, which use rechargeable lithium ion batteries that reduce power consumption.

Business Enablers

1) People Transformation

People is one of the Core Values of your Bank and it firmly believes that Talent can be a source of competitive advantage in the marketplace.

Your Bank has articulated its vision: *To be an Employer of Choice. Especially in the BFSI Sector.*

This can only happen if we have totally engaged colleagues who are willing to give their best on a day-to-day basis. With the objective of creating a great employee experience which will drive a highly engaged and future ready workforce, your Bank has rebooted its entire people strategy and created a three tiered structure.

The first tier is the Centres of Excellence. These drive best practices and thought leadership in the areas of Talent Management and Organisation Effectiveness, Technology and Analytics, Talent Acquisition, Learning and Development, and Compensation and Benefits.

The second and third tiers of the structure are a hub and spoke model for delivery.

The central Corporate Business Partnering ensures a centralised point of interface with Business Leaders, alignment of HR practices and customised solutions to meet business needs. A strong decentralised regional leadership team drives execution collaboratively across businesses. This truly captures the spirit of 'ONE BANK'. It acquires significance given the HDFC Bank's strong presence in semi-urban and rural locations and collaborative nature of work between different business units.

It is important that all employees are aligned with your Bank's vision and shared goals. The Bank is therefore focused on creating a common Culture Code based on the principles of 'Nurture', 'Care' and 'Collaborate' which will guide managerial and individual actions while in pursuit of our common goals. All people interventions are sought to be underpinned by a common defined set of Leadership Competencies which will further help us embody these principles through demonstrated leadership behaviours.

Your Bank is an equal opportunity employer and is striving to enhance diversity. Its inclusion agenda branded as 'Valuing Differences' is focused on creating an inclusive work environment where every individual is respected and differences are valued. The objective is to sensitise employees about 'Unconscious Biases', to introspect and work towards removing them. 'Shrishti' is your Bank's flagship programme on diversity. It targets providing a level-playing field to our women employees, to help them realise their potential, and help them develop and grow as professionals and leaders.

Wellness is Wealth. The flagship initiative 'HDFC Bank Cares' is designed to enable people to take ownership of their wellbeing and thus creating an emotionally committed workforce along the four dimensions of Physical, Mental and Emotional, Financial and Social Wellbeing. There are several initiatives under this umbrella focused on proactive and preventive healthcare like health checkups, nutrition counselling, employee assistance programme for employee counselling as well as reactive support in the form of medical second opinion, facility of medical top-up cover and welfare support.

Your Bank encourages open and transparent communication and dialogue among employees and the leadership team. Its philosophy is to build an emotional connect by creating a culture of openness and collaboration, where employees believe that senior leaders genuinely care for them, are empathetic towards their needs and not just hear but also listen to them. Employees have multiple platforms and opportunities ranging from one-on-one conversations with leaders as well as larger forums and townhalls to connect with senior leadership. In addition, 'Vibes' is a developmental tool which institutionalises a listening mechanism for all our managers to receive feedback from their respective teams. The feedback survey is designed around 3 critical tenets of leadership - Nurture, Care and Collaborate. Your Bank also launched 'Voice', an organisation-wide sentiment survey through an external partner which is our barometer of Engagement@Work.

The Bank has been spearheading digital transformation in the industry. To support this, it is imperative for your Bank to have ready availability of talent with not only functional expertise, but also the right digital skills. The Bank has initiated a collaborative journey with reputed educational institutions for 'preskilling' and creating a talent pool for the financial services sector who can take on existing and emerging roles.

The hub and spoke recruitment model, backed by centres of excellence and emerging technologies like artificial intelligence, has helped realise significant productivity gains while ensuring hiring of the right talent during the year under review.

There is an equally strong focus on deepening expertise and expanding the digital skills footprint of our existing workforce to make it future ready. The Learning and Development team of your Bank offers an extensive bouquet of programmes across a gamut of functional and behavioural themes. The programmes are made available primarily through digital platforms to ensure that these are accessible to employees in the remotest locations.

The Bank also aims to be a friend to the retiring employees. Specific learning programmes have been developed for them as well as their families. This is in line with its belief that to enable employees have a long and fulfilling career with your Bank, it is important to involve their family members in the co-creation of their development journey.

Your Bank's belief in a 'High Tech- High Touch' approach towards employee connect is also realised through its annual sports event 'Josh', the annual Talent Competition 'Hunar', which has also brought your Bank closer to employees' families. In FY 2019-20, more than 46,000 employees participated across ten different employee connect programmes which were as wide ranging as the cookery contest 'Zaika', painting competition for the children of employees 'Xpressions' and trekking event 'Wanderers'.

Your Bank has always believed in creating leaders from within. Our current leadership team stands testimony to this. An institutionalised approach based on the premise that 'all are talent' guides your Bank's talent management interventions.

Talent philosophy

- We believe that everybody has potential and can contribute more qualitatively
- People may have diverse talents and we offer opportunities for all to succeed and grow.
- We encourage difference in thought and ideas.
- We believe, together, we can achieve more
- We are driven by Merit
- We value Character

In a nutshell, your Bank's talent philosophy is to "identify, build and nurture leaders across the organisation to deliver superior business results and address individual career aspirations". To actualise the philosophy, the Bank has designed a comprehensive and holistic development framework which caters to all employees across levels and businesses. The principle is to have a structured process by which all employees have access to development opportunities that will prepare them for future roles.

An institutionalised talent review approach through formalised review panels to arrive at an organisational view of talent using multiple data-points helps identify hi-potential employees, possible successors to critical roles and development plans for individuals to prepare them for their desired future roles. Outcomes of Development Centre are one such critical input to the talent management process. Your Bank has introduced Virtual Development Centres to enable managers in remote locations to have the same footing in their development journeys as their counterparts in urban locations. Learning journeys based on individual development plans (IDPs) will help address development areas over a three-year horizon.

Sustained success of a large Bank cannot happen without the indefatigable contribution of its several 'solid citizens'. In recognition of this sentiment, your Bank extended the participation of this large segment of employees into its annual Bonus payouts in FY 2019-20. The promotion and increment cycles were also merged which brought considerable streamlining and robustness to the rewards cycle of the Bank. Besides the annual rewards cycle, several recognition programmes are run in a centralised as well as business specific manner to motivate employees to give their best.

Your Bank's continued recognition in the 25 Best Employers Survey by Business Today bears testimony to its focus on 'People'.

2) Information Technology

In the technology space, your Bank continues to maintain its leadership position. Over 95 per cent of its transactions are through digital channels. This has been achieved by creating the right technology solutions by marrying intuition and scalability.

Take the case of the new MobileBanking App launched in March 2019. It has intuitive features like Save, Pay and Invest. UPI is another case in point where your Bank has demonstrated its ability to process a large volume of business transactions on a single day.

HDFC Bank has taken the story further by implementing an open API platform. Application Programme Interface or API as it is popularly known is a software intermediary code which allows exchange of data between your Bank and its customers in a seamless and secure manner. The Bank has already tied up with over 100 such customers using API. These include e-commerce platforms, automotive companies, aggregators merchants, corporates, central and state government portals, housing societies, hospitals, mobile device manufacturers and retails, schools and colleges, fintech companies and start-ups. One of your Bank's key initiatives, its tie-up with CSC, has been enabled through API.

HDFC Bank's focus on offering assisted digital services through its relationship managers and field force through a Smart Account Opening Mobile App has been very popular.

Your Bank has also embraced cloud computing with the implementation of technology platforms such as Docker/Kubernetes for its core middleware. Being a cloud-based model, it generates substantial cost savings as it is pay per use and can be scaled up or down based on demand.

3) Cyber Security

A robust cyber, information security and risk management framework is a must for creating and growing digital autobahns. Your bank has implemented next generation firewalls, upgraded its security devices to support new ciphers and implemented the Network Admission control defence mechanism to prevent unauthorised devices from connecting to the Bank's network.

HDFC Bank has successfully participated in various cyber security drills conducted by IDRBT and DSCI. It has implemented a database activity monitoring solution to ensure secure management of customer data. Your Bank has also ensured that its systems have multiple layers of protection from security threats, especially those emanating from the 'dark web'.

4) Service Quality Initiatives and Grievance Redressal

Customer Focus is one of the five core values of your Bank. Your Bank has adopted a holistic approach for improving customer experience across multiple channels, especially since it has various lines of businesses. In a highly competitive environment, ensuring product quality and service delivery is vital for business growth. Your Bank seeks to achieve this by regularly reviewing service levels and capturing feedback from customers. Moreover, it has constituted three committees at different levels to monitor customer service - Branch Level Customer Service Committees (BLCSCs), Standing Committee on Customer Service (SCCS), and Customer Service Committee of the Board (CSCB).

While your Bank has various touch points for its customers such as branch, managed programme and phone banking, it has further enhanced customer experience through a Virtual Relationship Manager (VRM). All these touch points, along with state-of-the-art platforms like Netbanking and MobileBanking, ensure that customers have an omnichannel experience for any of their financial needs. Your Bank has put robust processes in place to regularly monitor and measure quality of service levels not only at various touch points but also at a product and process level by Quality Initiatives Group.

As part of its continuous efforts to enhance quality of service, regular reviews, including mystery shopping, are carried out for various products/channels by following a structured calendar. Such reviews cover key service parameters like adherence of stipulated TAT, complaints reduction and transactions monitoring to ensure meeting the committed service levels along with process enhancements. The effectiveness of quality of service is reviewed periodically at different levels including the Customer Service Committee of the Board.

Your Bank has provided multiple channels to its customers to share feedback on its services as well as register their grievances. It has a Grievance Redressal Policy, duly approved by its Board, available in the public domain for ready reference of the customers.

The Bank is at the forefront of developing innovative financial solutions and digital platforms. This, coupled with concerted efforts at creating awareness among customers, has led to an increase in the use of its digital channels as well as customer loyalty. Keeping customer interest as the focus, your Bank has formulated a Board Approved Customer Protection Policy which limits the liability of customers in case of unauthorised electronic banking transactions.

The Bank has embarked on the journey to measure customer loyalty through a high velocity, closed loop customer feedback system. This customer experience transformation programme will help employees empathise better with customers and improve turnaround times. Branded as 'Infinite Smiles', the programme would help establish behaviours and practices that result in customer-centric actions through continuous improvement in product, services, process and policies.

Risk Architecture

I. Risk Management and Portfolio Quality

Traditionally, the key risks that your Bank is exposed to in the course of its business have been the Pillar 1 risks - credit risk, market risk and operational risk. Given the evolving banking landscape, liquidity risk and cyber security risk are also vital. These risks not only have a bearing on your Bank's financial strength and operations but also on its reputation. Keeping this in mind, the Bank has put in place Board-approved Risk Strategy and Policies whose implementation is supervised by the Risk Policy and Monitoring Committee (RPMC). The committee periodically reviews risk levels and direction, portfolio composition, status of impaired credits and limits for treasury operations. It guides the development of policies, procedures and systems for managing risks. It ensures that these are adequate and appropriate to changing business conditions, the structure and needs of your Bank and its risk appetite.

The hallmark of your Bank's risk management function is that it is independent of the business sourcing unit with the convergence only at the CEO level.

The gamut of key risks faced by the Bank which are dimensioned and managed include:

- Credit Risk including Residual Risk
- Credit Concentration Risk
- Counterparty Credit Risk
- Market Risk
- Operational Risk
- Liquidity Risk
- Interest Rate Risk in the Banking Book
- Intraday Risk
- Model Risk
- Technology Risk
- Outsourcing Risk
- Strategic Risk
- Business Risk
- Compliance Risk Reputation Risk

Credit Risk

Credit Risk is defined as the possibility of losses associated with diminution in the credit quality of borrowers or counterparties. Losses stem from outright default or reduction in portfolio value. Your Bank has a distinct credit risk architecture, policies, procedures and systems for managing credit risk in both its retail and wholesale businesses. Wholesale lending is managed on an individual as well as portfolio basis. By contrast, retail lending, given the granularity of individual exposures, is managed largely on a portfolio basis across various products and customer segments. For both categories, there are robust front-end and back-end systems in place to ensure credit quality and minimise loss from default. The factors considered while sanctioning retail loans include income, demographics, credit history, loan tenor and banking behaviour. In addition, there are multiple credit risk models developed and used to appraise and score different segments of customers on the basis of portfolio behaviour. In wholesale loans, credit risk is managed by capping exposures on the basis of borrower group, industry, credit rating grades and country, among others. This is backed by portfolio diversification, stringent credit approval processes and periodic post-disbursement monitoring and remedial measures. Your Bank has been able to ensure strong asset quality through volatile times in the lending environment by stringently adhering to prudent norms and institutionalised processes.

As on March 31, 2020, your Bank's ratio of Gross Non-Performing Assets (GNPAs) to Gross Advances was 1.26 per cent. Net Non-Performing Assets (Gross Non-Performing Assets Less Specific Loan Loss provisions) was 0.36 per cent of Net Advances.

Your Bank has a conservative and prudent policy for specific provisions on NPAs. Its provision for NPAs is higher than the minimum regulatory requirements and adheres to the regulatory norms for Standard Assets.

Digital Lending and Credit Risk

Driven by rapid advancements in technology, digitalisation is increasingly becoming a key differentiator for customer retention and service delivery in the banking sector. Digital lending enables customers to secure loans at the click of a button in a matter of minutes, if not seconds. However, there are also attendant risks associated with it and your Bank has put in place appropriate checks and balances to manage these risks. Such loans are sanctioned primarily to your Bank's existing customers. Often, they are customers across multiple products, thus enabling the Bank ready access to their credit history and risk profile. This facilitates evaluation on their loan eligibility. Besides, most of the credit checks and scores used by your Bank in process-based underwriting are replicated for digital loans. The Bank has an independent model validation unit that minutely assesses the models used to generate the credit scores for such loans. These models are monitored, reviewed periodically, back tested and corrective action is taken whenever needed.

Market Risk

Market Risk arises largely from your Bank's statutory reserve management and trading activity in interest rates, equity and currency market. These risks are managed through a well-defined Board approved Market Risk Policy, Investment Policy, Foreign Exchange Trading Policy and Derivatives Policy that caps risk in different trading desks or various securities through trading risk limits/triggers. The risk measures include position limits, gap limits, tenor restrictions, sensitivity limits, namely, PV01, Modified Duration of Hold to Maturity Portfolio and Option Greeks, Value-at-Risk (VaR) Limit, Stop Loss Trigger Level (SLTL), Potential Loss Trigger Level (PLTL), and are monitored on an end-of-day basis. In addition, forex open positions, currency option delta and interest rate sensitivity limits are computed and monitored on an intraday basis. This is supplemented by a Board-approved stress testing policy and framework that simulates various market risk scenarios to measure losses and initiate remedial measures. The market risk capital charge of your Bank is computed on a daily basis using the Standardised Measurement Method applying the regulatory factors.

Liquidity Risk

Liquidity Risk is the risk that a bank may not be able to meet its short term financial obligations due to an asset–liability mismatch or interest rate fluctuations.

Your Bank's framework for liquidity and interest rate risk management is spelt out in its Asset Liability Management Policy that is implemented, monitored and periodically reviewed by the Asset Liability Committee (ALCO). As part of this process, the Bank has established various Board-approved limits both for liquidity and interest rate risks. While the maturity gap and stock ratio limits help manage liquidity risk, net interest income and market value impacts help mitigate interest rate risk. This is reinforced by a comprehensive Board-approved stress testing programme covering both liquidity and interest rate risk. Your Bank conducts various studies to assess the behavioural pattern of non-contractual assets and liabilities and embedded options available to customers, which are used while managing maturity gaps. Further, your Bank also has the necessary framework in place to manage intraday liquidity risk.

The Liquidity Coverage Ratio (LCR), a global standard, is also used to measure your Bank's liquidity position. LCR seeks to ensure that the Bank has an adequate stock of unencumbered High-Quality Liquid Assets (HQLA) that can be converted into cash easily and immediately to meet its liquidity needs under a 30-day calendar liquidity stress scenario. Based on Basel III norms, the RBI has mandated a minimum LCR of 100 per cent from January 1, 2019 and your Bank's LCR stood at 132.43 per cent on a consolidated basis for FY 2019-20.

The RBI has also mandated a minimum Net Stable Funding Ratio (NSFR) of 100 per cent with effect from April 1, 2020. The NSFR seeks to ensure that the Bank maintains a stable funding profile in relation to the composition of its assets and off-balance sheet activities. As a prudent risk management practice, your Bank has been monitoring this ratio, and is thus adequately prepared to meet the RBI mandated requirements.

Operational Risk

This is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Given below is a detailed explanation under four different heads: Framework and Process, Internal Control, Information Technology and Security Practices and Fraud Monitoring and Control.

a. Framework and Process

To manage operational risks, your Bank has in place a comprehensive and operational risk management framework, whose implementation is supervised by the Operational Risk Management Committee (ORMC) and reviewed by the RPMC of the Board. An independent Operational Risk Management Department (ORMD) implements the framework. Under the framework, the Bank has three lines of defence. The first line of defence is the business line (including support and operations).

The first line is primarily responsible for managing operational risk on a daily basis, in addition to implementing internal control-related policies and procedures.

The second line of defence is the ORMD, which develops policies, procedures, tools and techniques to assess and monitor the adequacy and effectiveness of your Bank's internal controls. In order to achieve the aforesaid objective pertaining to operational risk management framework, the ORMC oversees the ORMD with special focus on:

1) Identification and Assessment of risks across the Bank through the Risk and Control Self-Assessment (RCSA) and Scenario analysis;

2) Measurement of operational risk based on the actual loss data;

3) Monitoring of risk through Key Risk Indicators (KRI) Management and reporting through KRI, RCSA and loss data of the Bank.

Internal Audit is the last line of defence. The team reviews the effectiveness of governance, risk management, and internal controls within your Bank.

b. Internal Control

Your Bank has implemented sound internal control practices across all processes, units and functions. Your Bank has well laid down policies and processes for management of its day-to-day activities. Your Bank follows established, well-designed controls, which include traditional four eye principles, effective segregation of business and support functions, segregation of duties, call back processes, reconciliation, exception reporting and periodic MIS. Specialised risk control units function in risk prone products / functions to minimise operational risk. Controls are tested as part of the SOX control testing framework.

c. Information Technology and Security Practices

Your Bank operates in a highly automated environment and makes use of the latest technologies to support various operations. This throws up operational risks such as business disruption, risks related to information assets, data security, integrity, reliability and availability, among others. Your Bank has put in place a governance framework, information security practices and business continuity plan to mitigate information technology-related risks. An independent assurance team within Internal Audit provides assurance on the management of information technology-related risks.

Your Bank has a robust Business Continuity and Disaster Recovery plan that is periodically tested to ensure that it can meet any operational contingencies. There is an independent Information Security Group that addresses information security related risks. A well-documented Board-approved information security policy and cyber security policy is in place. The Bank also has a well-documented crisis management plan in place to address the strategic issues of a crisis impacting the Bank and to direct and communicate the corporate response to the crisis including cyber crisis. In addition, employees mandatorily and periodically undergo information security training and sensitisation exercises.

d. Fraud Monitoring and Control

Your Bank has put in place a Whistle Blower & Vigilance policy. The central vigilance team, based on investigation, recommends implementation of fraud prevention measures. Frauds are investigated to identify the root cause and relevant corrective steps are taken to prevent recurrence.

Fraud prevention committees at the senior management and Board level also deliberate on material fraud events and advises preventive actions. Periodic reports are submitted to the Board and senior management committees.

Compliance Risk

Compliance Risk is defined as the risk of impairment of your Bank's integrity, leading to damage to its reputation, legal or regulatory sanctions, or financial loss, as a result of a failure (or perceived failure) to comply with applicable laws, regulations and standards. Your Bank has a Compliance Policy to ensure the highest standards of compliance. A dedicated team of subject matter experts in the Compliance Department works with business and operations teams to ensure active compliance risk management and monitoring. The team also provides advisory services on regulatory matters. The focus is on identifying and reducing risk by rigorously testing products and also putting in place robust internal policies. Products that adhere to regulatory norms are tested after rollout and shortcomings, if any, are fully addressed till the product stabilises on its own. Internal policies are reviewed and updated periodically as per agreed frequency or based on market actions or regulatory guidelines/actions. The compliance team also seeks regular feedback on regulatory compliance from product, business and operation teams through self-certifications and monitoring.

ICAAP

Your Bank has a structured management framework in the Internal Capital Adequacy Assessment Process (ICAAP) to identify, assess and manage all risks that may have a material adverse impact on its business/financial position/capital adequacy. The ICAAP framework is guided by Board-approved ICAAP Policy. Additionally, the Board approved Stress Testing Policy and Framework entails the use of various techniques to assess potential vulnerability to extreme but plausible stressed business conditions. Changes in the Bank's risk levels and in the on/off-balance sheet positions are assessed under such assumed scenarios using sensitivity factors that generally relate to their impact on profitability and capital adequacy.

Group Risk

Your Bank has two subsidiaries, HDB Financial Services Limited and HDFC Securities Limited. The Board of each subsidiary is responsible for managing their respective material risks (Credit Risk, Market Risk, Operational Risk, Liquidity Risk, Technology Risk, Reputation Risk, etc.). The Group Risk Management Committee (GRMC) was instituted in your Bank under the ICAAP framework, to establish a formal and dedicated structure to periodically assess the nature/quantum of material risks of the subsidiaries and adequacy of its risk management processes. Stress testing for the group as a whole is carried out by integrating the stress tests of the subsidiaries. Similarly, capital adequacy projections are formulated for the group after incorporating the business/capital plans of the subsidiaries.

Business Continuity Planning (BCP)

Your Bank has an ISO 22301 certified Business Continuity Plan (BCP) in place to minimise service disruptions and potential impact on its business, employees and customers during any unforeseen adverse event or circumstances. The central Business Continuity Office works towards strengthening the continuity preparedness. The Plan is designed in accordance with the regulatory guidelines, and is reviewed regularly. The implementation is overseen by the Information Security Group and the Business Continuity Steering Committee which is chaired by the Chief Risk Officer (CRO). The Business Continuity Policy and Procedure defines roles for Crisis Management, Business Recovery, Emergency Response and IT Disaster Recovery Planning teams.

(Please refer to page 62 for more details).

Ensuring Business Continuity during the Coronavirus Lockdown

Your Bank rose to the challenge of delivering banking services during the coronavirus outbreak and the subsequent nationwide lockdown. Although your Bank has braved many calamities in the past such as the Kerala floods and cyclone Fani in Odisha, the pandemic is comparable to none in terms of scale and impact. Your Bank's first priority was to ensure the safety of its people. They were advised to either work from their homes or a nearby location. The Crisis Management Plan was invoked. The Crisis Management Team along with other Group Heads/Senior Management swung into action. The team prioritised critical functions such as IT and Treasury to ensure minimal or no business disruptions. While this has been an unprecedented crisis, it has also been a period where your Bank's employees worked as one unit across functions and verticals.

(Please refer to page 63 for more details).

II. Implementation of Indian Accounting Standards (IND-AS)

The Ministry of Corporate Affairs, in its press release dated January 18, 2016, had issued a roadmap for implementation of Indian Accounting Standards (IND-AS) for scheduled commercial banks, insurers/insurance companies and non-banking financial companies. This roadmap required these institutions to prepare IND-AS based financial statements for the accounting periods beginning April 1, 2018 with comparatives for the periods beginning April 1, 2017. The Reserve Bank of India (RBI), through its circular dated February 11, 2016, required all scheduled commercial banks to comply with IND-AS for financial statements for the stated periods. The RBI did not permit banks to adopt IND-AS earlier than the stated timelines. The said guidelines also stated that the RBI shall issue necessary instructions/guidance/clarifications on the relevant aspects for implementation of IND-AS as and when required.

The implementation of IND-AS by banks requires certain legislative changes in the format of financial statements to comply with the disclosures required under IND-AS. The change in the format requires an amendment to the third schedule of the Banking Regulation Act, 1949 to make it compatible with the presentation of financial statements under IND-AS. Considering the amendments needed to the Banking Regulation Act, 1949, as well as the level of preparedness of several banks, the RBI through its Statement on Developmental and Regulatory Policies dated April 5, 2018 had deferred the implementation of IND-AS by a year by when the necessary legislative amendments were expected. The legislative amendments recommended by the RBI are under consideration by the Government of India. Accordingly, the RBI, through its circular dated March 22, 2019 deferred the implementation of IND-AS until further notice.

The implementation of IND-AS is expected to result in significant changes to the way your Bank prepares and presents its financial statements. The areas that are expected to have significant accounting impact on the application of IND-AS are summarised below:

1) Financial assets (which include advances and investments) shall be classified under amortised cost, fair value through other comprehensive income (a component of reserves and surplus) or fair value through profit/loss categories on the basis of the nature of the cash flows and the intention of holding the financial assets.

2) Interest will be recognised in the income statement using the effective interest method, where the coupon, fees net of transaction costs and all other premiums or discounts will be amortised over the life of the financial instrument.

3) Stock options will be required to be fair valued on the date of grant and be recognised as staff expenses in the income statement over the vesting period of the stock options.

4) The impairment requirements of IND-AS 109, Financial Instruments, are based on an expected credit loss (ECL) model that replaces the incurred loss model under the extant framework. Your Bank will be generally required to recognise either a 12-month or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. IND-AS 109 will change the Bank's current methodology for calculating the provision for standard assets and non-performing assets (NPAs). Your Bank will be required to apply a three-stage approach to measure ECL on financial instruments accounted for at amortised cost or fair value through other comprehensive income. Financial assets will migrate through the following three stages based on the changes in credit quality since initial recognition:

   Stage 1: 12-Month ECL

   For exposures which have not been assessed as credit-impaired or where there has not been a significant increase in credit risk since initial recognition, the portion of the ECL associated with the probability of default events occurring within the next twelve months will need to be recognised.

   Stage 2: Lifetime ECL - Not Credit Impaired

   For credit exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL will need to be recognised.

   Stage 3: Lifetime ECL - Credit Impaired

   Financial assets will be assessed as credit impaired when one or more events having a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL will need to be recognised.

   Interest revenue will be recognised at the original effective interest rate applied on the gross carrying amount for assets falling under stages 1 and 2 and on written down amount for the assets falling under stage 3.

5) Accounting impact on the application of IND-AS at the transition date shall be recognised in equity (reserves and surplus).

Your Bank, being an associate of Housing Development Finance Corporation Limited (the 'Corporation'), is required to submit its consolidated financial information ('fit-for-consolidation information'), prepared in accordance with the recognition and measurement principles of IND-AS as specified under Section 133 of the Companies Act, 2013, to the Corporation for the purposes of the consolidated financial statements/results of the Corporation. The results of the Bank upon its first time adoption of and transition to IND-AS, based on the updated regulations and accounting standards/guidance and business strategy at the date of actual transition, could differ from those reported in the fit-for-consolidation information.

III. Internal Controls, Audit and Compliance

Your Bank has put in place extensive internal controls and processes to mitigate operational risks, including centralised operations and 'segregation of duty' between the front office and back office. The front-office units usually act as customer touch-points and sales and service outlets while the back-office carries out the entire processing, accounting and settlement of transactions in the Bank's core banking system. The policy framework, definition and monitoring of limits is carried out by various mid-office and risk management functions. The credit sanctioning and debt management units are also segregated and do not have any sales and operations responsibilities.

Your Bank has set up various executive-level committees, with participation from various business and control functions, that are designed to review and oversee matters pertaining to capital, assets and liabilities, business practices and customer service, operational risk, information security, business continuity planning and internal risk-based supervision among others. The control functions set standards and lay down policies and procedures by which the business functions manage risks including compliance with applicable laws, compliance with regulatory guidelines, adherence to operational controls and relevant standards of conduct. At the ground level, your Bank has a mix of preventive and detective controls implemented through systems and processes ensuring a robust framework in your Bank to enable correct and complete accounting, identification of outliers (if any) by the Management on a timely basis for corrective action and mitigating operational risks.

Your Bank has put in place various preventive controls:

(a) Limited and need-based access to systems by users
(b) Dual custody over cash and near-cash items
(c) Segregation of duty in processing of transactions vis-à-vis creation of user IDs
(d) Segregation of duty in processing of transactions vis-à-vis monitoring and review of transactions/reconciliation
(e) Four eye principle (maker-checker control) for processing of transactions
(f) Stringent password policy
(g) Booking of transactions in core banking system mandates the earmarking of line/limit (fund as well as non-fund based) assigned to the customer
(h) STP processes between core banking system and payment interface systems for transmission of messages
(i) Additional authorisation leg in payment interface systems in applicable cases
(j) Audit logs directly extracted from systems
(k) Empowerment grid

Your Bank also has detective controls in place:

(a) Periodic review of user IDs
(b) Post transaction monitoring at the back-end by way of call back process (through daily log reports) by an independent person, i.e., to ascertain that entries in the core banking system/messages in payment interface systems are based on valid/authorised transactions and customer requests
(c) Daily tally of cash and near-cash items at end of day
(d) Reconciliation of Nostro accounts (by an independent team) to ascertain and match-off the Nostro credits and debits (External or Internal) regularly to

avoid/identify any unreconciled/unmatched entries passing through the system

(e) Reconciliation of all Suspense Accounts and establishment of responsibility in case of outstanding

(f) Independent and surprise checks periodically by supervisors.

Your Bank has an Internal Audit Department which is responsible for independently evaluating the adequacy and effectiveness of all internal controls, risk management, governance systems and processes and is manned by appropriately qualified personnel.

This department adopts a risk-based audit approach and carries out audits across various businesses i.e. Retail, Wholesale and Treasury (for India and Overseas books), audit of Operations units, Management Audits, Information Security Audit, Revenue Audit and Concurrent Audit in order to independently evaluate the adequacy and effectiveness of internal controls on an ongoing basis and pro-actively recommending enhancements thereof. The Internal Audit Department during the course of audit also ascertains the extent of adherence to regulatory guidelines, legal requirements and operational processes and provides timely feedback to the Management for corrective actions. A strong oversight on the operations is also kept through off-site monitoring.

The Internal Audit Department also independently reviews your Bank's implementation of Internal Rating Based (IRB)-approach for calculation of capital charge for Credit Risk, the appropriateness of Bank's Internal Capital Adequacy Assessment Process (ICAAP), as well as evaluates the quality and comprehensiveness of the Bank's disaster recovery and business continuity plans and also carries out management self-assessment of adequacy of the Bank's internal financial controls and operating effectiveness of such controls in terms of Sarbanes Oxley (SOX) Act and Companies Act, 2013.

Any new product/process introduced in the Bank is reviewed by Compliance function in order to ensure adherence to regulatory guidelines and also by Internal Audit from the perspective of existence of internal controls. The Audit function also proactively recommends improvements in operational processes and service quality, wherever deemed fit.

To ensure independence, the Internal Audit Function has a reporting line to the Chairman of the Audit Committee of the Board and a dotted line reporting to the Managing Director.

The Compliance function independently tracks, reviews and ensures compliance with regulatory guidelines and promotes a compliance culture in the Bank.

Your Bank has a comprehensive Know Your Customer, Anti Money Laundering (AML) and Combating Financing of Terrorism (CFT) policy (based on the RBI guidelines/provisions of the Prevention of Money Laundering Act, 2002) incorporating the key elements of Customer Acceptance Policy, Customer Identification Procedures, Risk Management and Monitoring of Transactions. The policy is subjected to an annual review and is duly approved by the Board.

The Bank has taken significant measures in developing and enhancing an effective and sustainable KYC AML and CFT Compliance Programme. The adherence to the guidelines prescribed in the policy is monitored by your Bank at various stages of the customer lifecycle. Your Bank has robust controls in place to ensure adherence to the KYC guidelines at the time of account opening.

The Bank also has a continuous review process in the form of transaction monitoring including a dedicated AML CFT monitoring team, which carries out transaction reviews for identification of suspicious patterns/trends that helps your Bank to further carry out enhanced due diligence and appropriate actions thereafter. The status of adherence to the KYC, AML and CFT guidelines is also placed before the Audit Committee of the Board for their review at quarterly intervals.

The Audit team and the Compliance team undergo regular training both in-house and external to equip them with the necessary knowhow and expertise to carry out the function.

The Audit Committee of the Board reviews the effectiveness of controls, compliance with regulatory guidelines as also the performance of the Audit and Compliance functions in your Bank and provides direction, wherever deemed fit.

Your Bank has always adhered to the highest standards of compliance and has put in place appropriate controls and risk measurement and risk management tools to ensure a robust compliance and governance structure.

IV. Responsible Financing

Your Bank is committed to Responsible Financing and refrains from funding projects that have an adverse impact on Environment, Health and Safety (EHS). EHS is an integral part of the Bank's overall credit risk assessment and monitoring process. Every project funded has to pass the Bank's muster in terms of the EHS risk it entails, potential impact and mitigation measures in place or proposed.

The key aspects of the assessment process are:

For all loans exceeding ₹ 10 crore in amount and five years in tenure, borrowers have to submit a declaration of compliance with EHS norms.

In select large-ticket projects, your Bank appoints a Lender's Independent Engineer (LIE) who conducts due diligence across several parameters including EHS. The findings of the LIE's assessment report are then discussed with the client to ensure compliance.

The LIE regularly monitors such projects during the construction period through site visits and reports progress which includes status of approvals and relief and rehabilitation measures undertaken. Your Bank officials also conduct independent site inspections from time to time to ensure that the project is progressing to the Bank's satisfaction.

After the project becomes operational, the borrower has to submit an annual declaration of compliance with various national laws including those related to EHS. This is also followed up by onsite visits of bank executives.

Your Bank deals with the client primarily through its Relationship Manager (RM). The RM has to report compliance with EHS norms in the Credit Assessment Memorandum (CAM) both at the time of initial sanction and during the annual review process. Such certification is based on information/disclosures provided by the borrower at the time of initial appraisal and during periodic review of the facilities.

The RM records outstanding EHS issues if any and follows them up with the client for prompt resolution. The Bank levies default interest in case of deviations and, thus, ensures compliance with the agreed EHS norms. If there are significant deviations that could affect the viability of the project, your Bank reserves the right to either reduce its exposure or recall the loan.

Performance of Subsidiary Companies

Your Bank has two subsidiaries, HDB Financial Services Limited (HDBFSL) and HDFC Securities Limited (HSL). HDBFSL is a leading NBFC that caters primarily to segments not covered by the Bank while HSL is among India's largest retail broking firms. The financial results of the subsidiaries are prepared in accordance with notified Indian Accounting Standards ('Ind-AS') with effect from April 1, 2018 (April 1, 2017 being the transition date). Accordingly, the financial results for the comparative reporting period have also been prepared in accordance therewith.

The detailed financial performance of the companies is given below.

1) HDB Financial Services Limited

Incorporated in 2007, HDB Financial Services Limited ('HDB') is a subsidiary company of HDFC Bank. It has a network of 1,468 branches in 1,070 towns and cities.

HDB's net interest revenue grew 22.9% to ₹ 4,152 crore for the year ended March 31, 2020, from ₹ 3,378.80 crore in the previous year. This resulted in a net profit of ₹ 1,004.8 crore (₹ 1,153.2 crore in previous year). Its Assets Under Management for FY 2019-20 stood at ₹ 58,832.75 crore.

HDB is a leading NBFC that caters to the growing needs of an aspirational India, serving retail, small and medium commercial clients. HDB offer loans to first time buyers and other underserved-segments through its distribution network and digital channels.

HDB has a wide range of financial solutions that help customers meet their growing financial needs. These include Consumer Loans, Enterprise Loans and Asset Finance. With a seamless distribution channel and a committed workforce, HDB brings in convenience to customers.

Products

The current product portfolio consists of Loans, Fee based products and BPO services.

Loans

The Company offers a wide range of loan products (secured and unsecured) to various customer segments. These include Consumer Loans, Enterprise Loans and Asset Finance.

Consumer Loans

The Company provides loans for purchase of white goods (such as washing machines and refrigerators etc.), brown goods (such as televisions, audio equipment and similar household appliances etc.), digital products (such as mobile phones, computer/laptop etc.) and life style products.

The Company also provides loans to individuals for personal, family or household purposes to meet their short or medium term requirements.

Enterprise Loans

Small & Micro Enterprises need funding, whether it is for the working capital or for setting up new machinery for faster production. The Company offers secured and unsecured Loans to cater to the needs of these Enterprises.

Asset Finance

The Company offers loans for purchase of new & used vehicles and equipment's that generate income for the borrowers. It provides finance to a broad spectrum of customers including fleet owners, first time users, first time buyers and captive use buyers.

Fee based products/Insurance Services

The Company distributes third party products. The Company is a registered Corporate Insurance Agent having license from Insurance Regulatory & Development Authority of India (IRDAI). IRDAI has renewed Corporate Agency license of the Company for a period of 3 years from April 01, 2019 to March 31, 2022. The Company sells Life and General insurance products of HDFC Standard Life Insurance Company Limited and HDFC Ergo General Insurance Company Limited respectively.

BPO Services

HDB runs a collections BPO business offering end-to-end, specialised collection services with domain expertise in collections tele-calling, recovery management, collections analytics and cash reconciliation management. Its call