

HDFC Bank Limited **Integrated Report** 2018-19



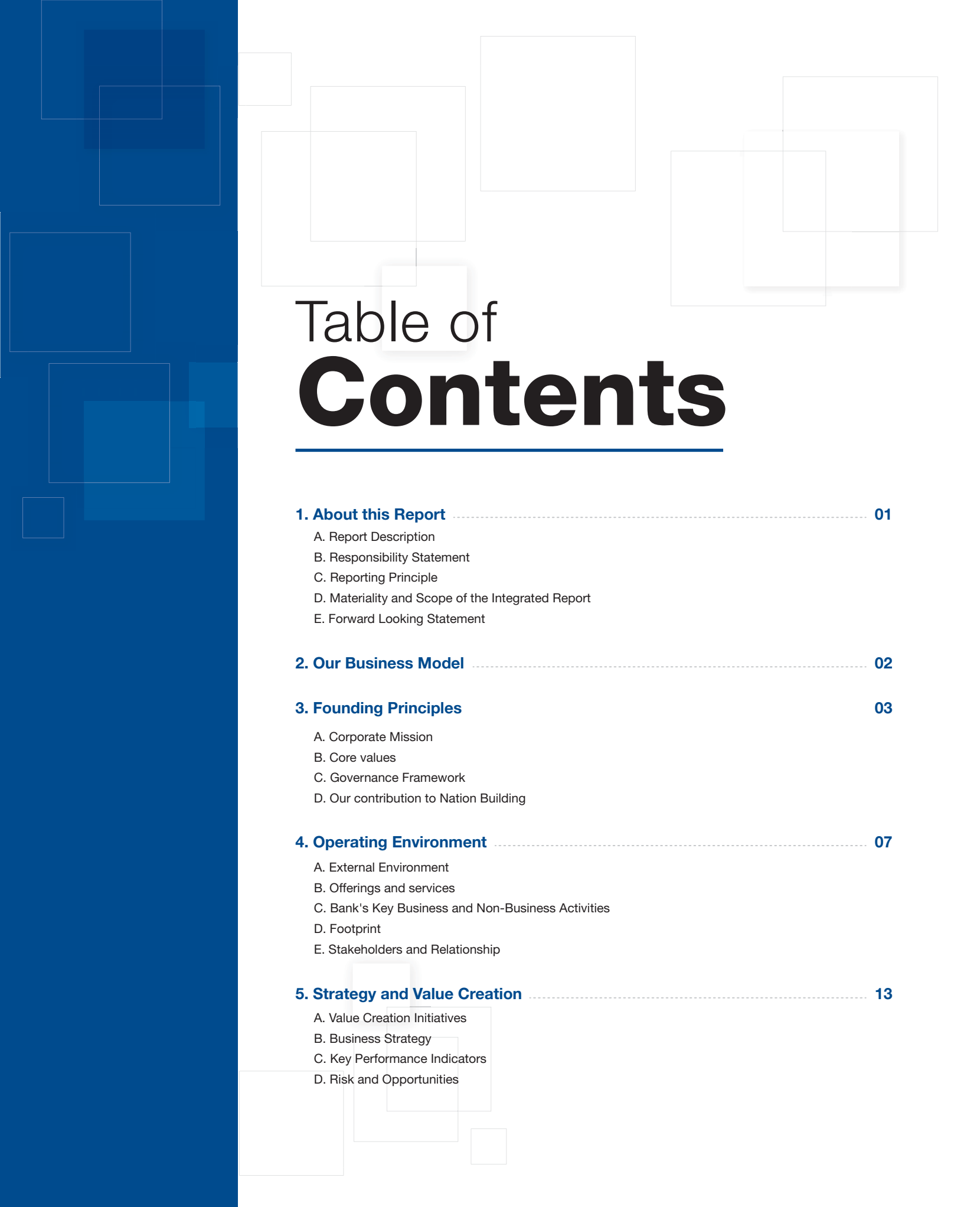


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INTEGRATED REPORT

1. About this Report

We are pleased to present our Integrated Report which gives a holistic assessment of the financial and non-financial performance of HDFC Bank as well as communicates our outlook for the foreseeable future. The report has been prepared keeping in mind the various stakeholders of the Bank, such that, through this report, they will be able to better appreciate our contribution to value creation.

A. Report description

We have adopted the Integrated Reporting Framework prescribed by the International Integrated Reporting Council (IIRC) in the preparation and presentation of the report content. Accordingly, the report presents the Bank's approach to value creation through the concept of capitals within the larger boundaries of the external environment. The threshold of materiality based on the understanding of key stakeholder concerns and expectations forms an outline of the report. The report also provides insights into our key strategies, risks, opportunities and how we prioritize and mitigate them. Data related to natural capital are representative figures and are currently being verified and reviewed by an external auditor. Details of these figures would be presented in our Sustainability Report for FY 2018-19.

B. Responsibility Statement

The contents of this Report have been prepared by the Management and were reviewed and approved by Those Charged With Governance (TCWG).

C. Reporting Principle

The financial information presented in this Report has been extracted from the financial statements prepared in accordance with the requirements of the Companies Act, 2013 (including the rules made thereunder). The non-financial information presented in the report is measured based on GRI G4 standards. In its Annual Report for FY 2017-18, the Bank had defined the capitals which it utilizes and contributes to as a part of running its business. In the Bank's Sustainability Report for FY 2017-18, it had used the Integrated Reporting principles prescribed by the IIRC and had touched upon certain key concepts of value creation. This year, we are moving ahead in our Integrated Reporting journey and presenting the Bank's first Integrated Report.

D. Materiality and Scope of the Integrated Report

This report includes information, which is material to all our stakeholders, and it presents an overview of our businesses and associated activities. The report discloses matters that substantially impact or affect the Bank's ability to create value. The materiality determination process carried out in the previous year can be referred to in our Sustainability Report for FY 2017-18. We have considered the same process and its outcomes for the purpose of this report.

E. Forward Looking Statements

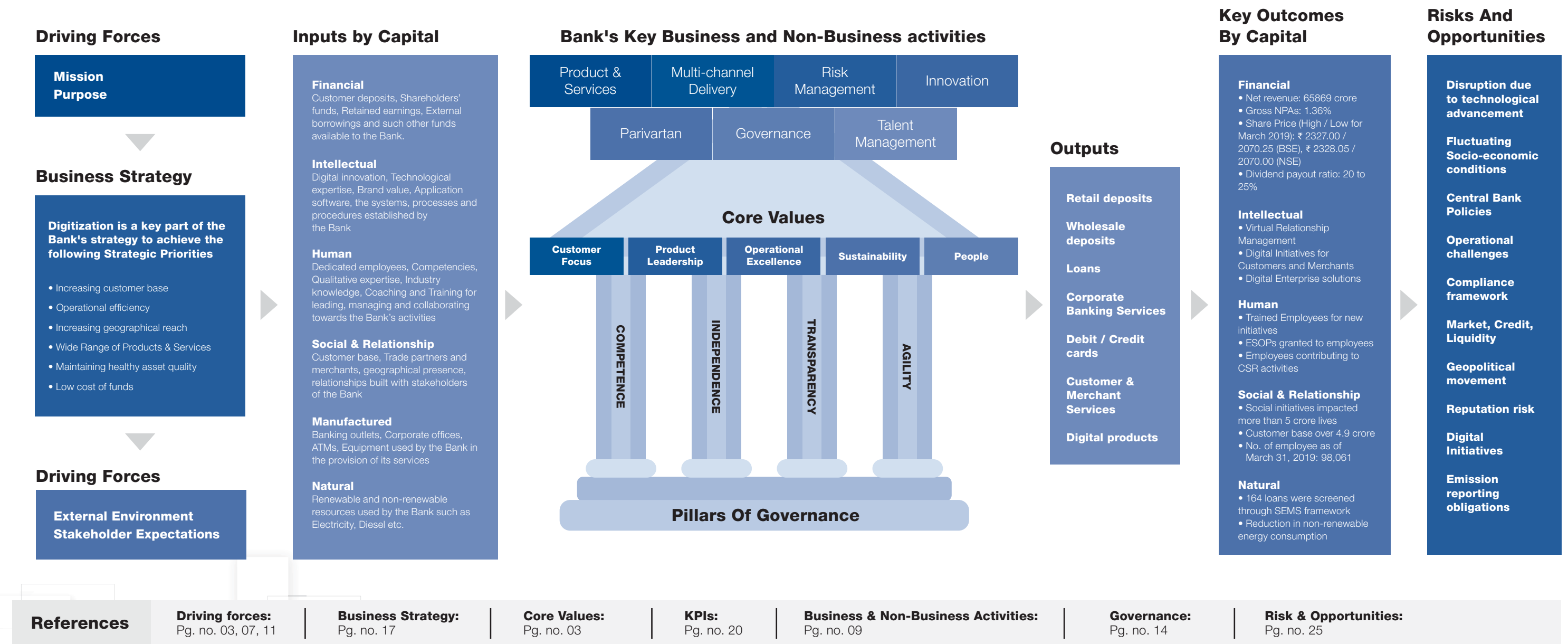
This report contains statements that relate to future operations and performance of the Bank. Actual results may differ materially from those suggested by such statements due to certain risks associated with our expectations with respect to, but not limited to, future circumstances such as technological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

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2. Our Business Model

Value Creation and Sustenance - a moving target in the continually evolving digital space and time

At HDFC Bank, our stakeholders are the focus of our value creation. As a result, the value we bring cannot be financial value alone. Our presentation of the Integrated Report in the 25th year of our existence, is a step towards providing a glimpse of our value creation story. Below is a depiction of our business model using the concept of capitals prescribed by the IIRC framework. Our business strategy is built to adapt to the internal and external forces that drive our business. Our business model represents how this strategy is executed by key business and non-business activities using capital inputs to deliver expected outputs, which further impacts capitals and addresses risks and opportunities.

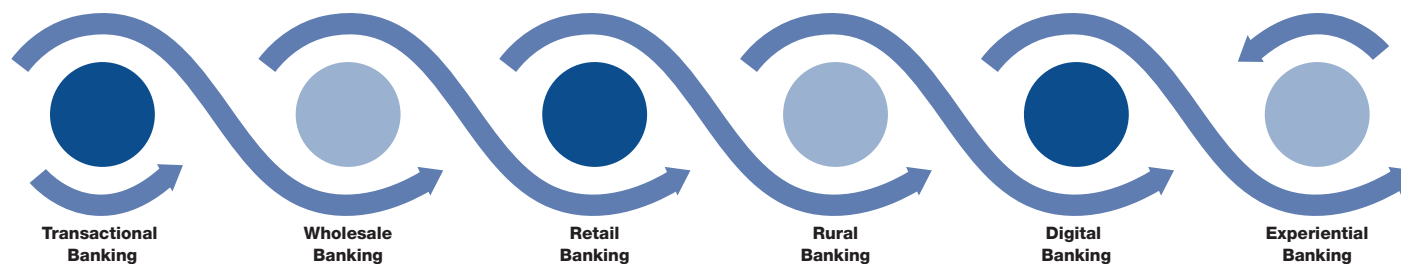


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3. Founding Principles

A. Corporate Mission

To be a World Class Indian Bank



Evolution over 25 years

B. Core Values

HDFC Bank's business philosophy is based on five core values: Customer Focus, Operational Excellence, Product Leadership, People and Sustainability. The Bank is committed to maintaining the highest level of ethical standards, professional integrity, corporate governance and regulatory compliance.

HDFC Bank acknowledges its responsibility to positively impact the environment, customers, employees, communities and our stakeholders. As a socially responsible corporate, we proactively empower and enable the growth and development of communities. This responsibility is executed under our brand called Parivartan.



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Customer Focus

The customer reposes tremendous trust in us, and we endeavour to be customer centric in our approach which means understanding customer needs and assisting the customers in choosing the products and services that best suit his / her requirements.

Product Leadership

HDFC Bank has consistently developed innovative products and services that benefit its customers. The Bank actively tracks the performance of various products and modifies product features depending on the feedback received, to better address customer needs.

Operational Excellence

Operational excellence is a key element of our culture which constantly reminds us to strive for the highest standards of quality. Consistent focus on improvements, seamless execution and seeing something through to the last mile are basic principles of our service delivery.

Sustainability

We recognize Social and Environmental aspects as essential elements of a Sustainable business philosophy and are committed to enhance our performance on these fronts. We endeavor to drive ESG (Environmental, Social and Governance) parameters from risks to opportunities and to incorporate social and environmental aspects into our business. We have embedded sustainability in our approach towards our Stakeholders, Products and Services.

People

Our people are our greatest strength. We believe that the ultimate identity and success of our Bank depends upon the exceptional quality of our people and their extraordinary efforts. For this reason, the Bank is committed to hiring, developing, motivating and retaining the best people in the industry.

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C. Governance Framework

HDFC Bank's Board of Directors is central to its governance framework. The Board has a combination of individuals from diverse professional backgrounds and varied fields of expertise. This enables the Board to discharge its fiduciary responsibilities as well as bring in an external view to corporate strategy. The Board monitors compliance, internal control, risk management policies and systems for alignment with the Bank's strategy and risk appetite. The governance framework and its components are detailed out in Corporate Governance Section of the Annual Report for FY 2018-19.

D. Our contribution to nation building

HDFC Bank came into existence when Housing Development Finance Corporation Limited (HDFC Limited) received an 'in principle' approval (among the first) from the Reserve Bank of India (RBI) to set up a bank in the private sector, as part of RBI's liberalization of the Indian banking industry in 1994. The Bank was incorporated in August 1994 in the name of 'HDFC Bank Limited', with its registered office in Mumbai, India. HDFC Bank commenced operations as a Scheduled Commercial Bank in January 1995.

This year the Bank enters the 25th year of being your trust custodian.



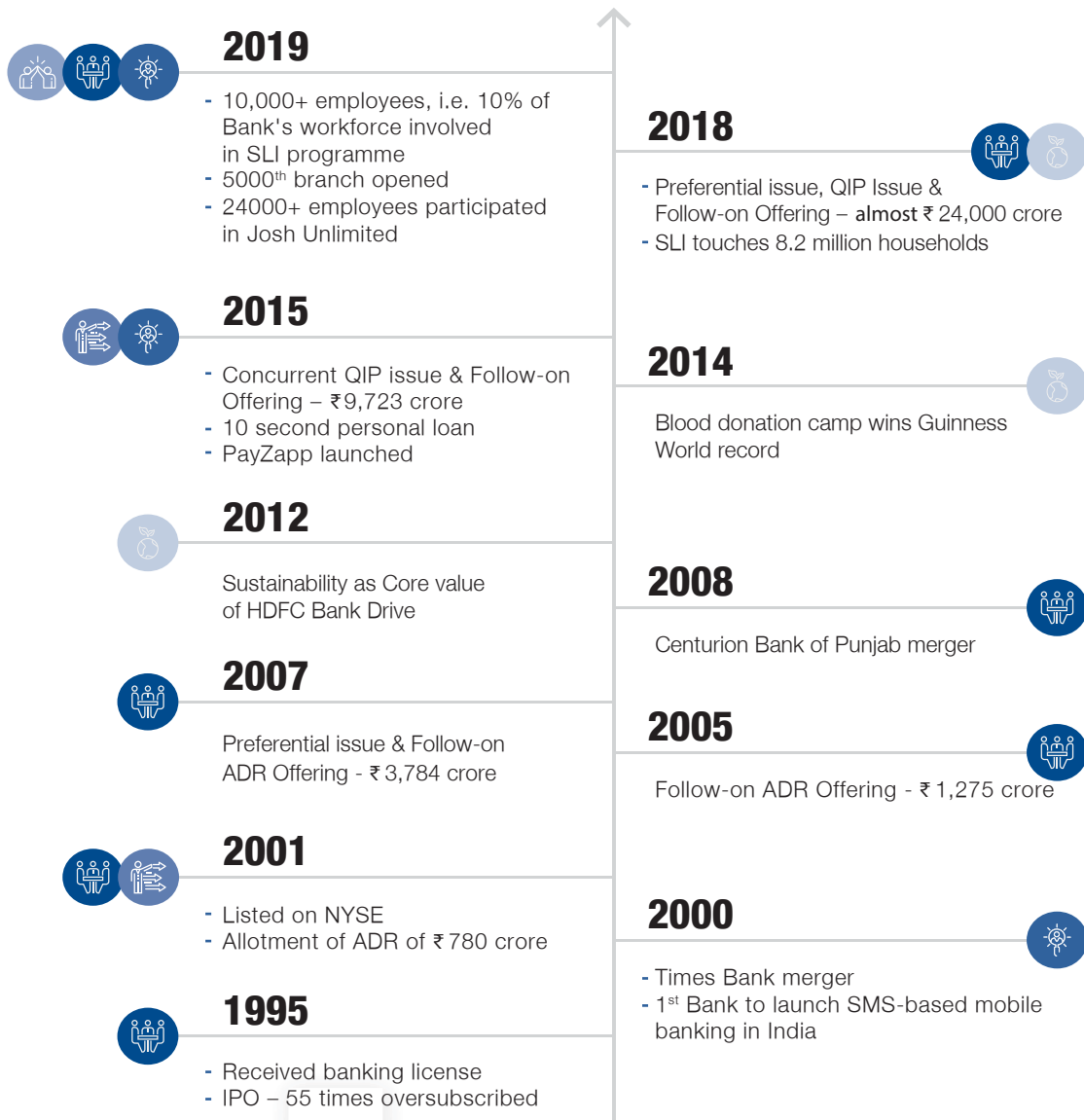
Above initiatives are discussed in various sections of this Report and the Annual Report for FY 2018-19

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Business Milestones driven by Core Values

Our journey of over two decades is dotted with significant milestones that were achieved as a part of our value creation process. When we look back at this journey, it shows how our core values have consistently been the substratum of our strategy and action. Below is a depiction of some such milestones mapped to our core values as we grew as an organization.

Organizational Growth



Operational Excellence



Customer Focus



Product Leadership



People



Sustainability

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4. Operating Environment

HDFC Bank's business operations are tailored to achieve the Bank's mission, meet its purpose and adhere to its core values. The Bank has completed 25 years as a full-service bank. It constantly strives to ensure that its operations and processes are flexible to withstand and respond to the shifts in the environment it operates in. The Bank's dynamic product and service portfolio take into account these changes, requirements of industry and expectations of customers. HDFC Bank has continued to contribute to various Government missions and initiatives; one of which is that of providing financial infrastructure to a large population across the length and breadth of our diverse country. Our stakeholders and their concerns have been key in determining our business philosophy. All these elements are vital components of our operating environment.

A. External Environment

The financial services sector in India, particularly the banking industry, has been facing some significant challenges in recent years. On one hand, number of government initiatives and reforms provide necessary impetus to the industry to innovate and upscale. On the other, disruption is now the order of the day with new and divergent technology companies fuelling competition, deeper regulatory oversight and global economic headwinds.

Disruptive Technology Advancement

Rise of 'fintech'

Competition from technology giants / platform players

Preference for enhanced user friendly systems

Consumption Driven Economic Growth

Fastest growing large economy

India – 5th in contributing to global GDP

Volatility in domestic consumption

Newer and a growing market

Increase in consumer spend

Increased Regulatory Oversight

Favour financial inclusion

Promote competition – payment banks and small finance bank

Proactive Regulators, monitor governance

Ensuring the prudence - Steps towards resilience and financial stability

Government Initiatives

Digital India

Financial Inclusion

Demonetization

NBFC sector

Inherent Digitization Risk

Safety of customer funds

Regulation on customer privacy

Cyber security

Investment in digital technology

Changing Customer Expectations

Customers embracing technological developments

Demand for reduction in time and increase in speed of working

Demand for advanced systems requiring less efforts

Geopolitical Changes

Brexit impact

Trade wars between countries

Government change resulting in change of focus areas

Central Bank Policy Changes

Changes in monetary policy

Impacts on elements of financial statements of banks, deposits and loans business

Climate Change Risk

Increase of NPAs due to impact of climate change

Decrease in rural and agri-business as impacted by natural calamities

For detailed insights, please refer Macroeconomic and Industry Developments section on page 26 of the Bank's Annual Report for FY 2018-19

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B. Offerings and Services

Meeting diverse customer needs and providing an enhanced customer experience has been a key priority for the Bank. The multiple products and services provided have been designed to cater to the varied and ever changing needs and expectations of our customers. Our offerings and services are in three major segments- Retail Banking, Wholesale Banking and Treasury.

Wholesale Banking

- The Bank is a market leader in providing cash management solutions
- Corporate Banking, which focuses on large, well-rated companies remained the biggest component of the Wholesale Banking book.

Retail Banking

- Offers products to customers so that they can safely deposit their money with the bank and earn interest
- Caters to normal financing needs for a short term, at the prevailing interest rates.
- Caters to specific needs to buy assets like home, car, two wheeler or personal loan for personal needs.

Treasury

- Caters to the treasury needs of customers and earns a substantial part of its revenues through fee income
- The Bank is a Primary Dealer for Government Securities

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C. Bank's Key Business and Non-Business Activities

Your Bank's business and non-business activities are driven by its strategic priorities. The Bank's strategic priorities are detailed out in the Strategic Priorities section of this Report. As seen in the Business Model, these activities convert inputs into desired outputs and outcomes by transforming the six capitals (as defined by the IIRC framework) viz.; financial capital, manufactured capital, intellectual capital, human capital, natural capital and social and relationship capital. Some impacts are easy to identify, measure and manage while some are complex and require deeper study.

Below are the key business activities of the Bank and their key sub-activities. The figure aims to show the linkage between capitals which are most impacted by these activities:

Business / Non-Business Activities and Capitals Impacted

Products & Services



- Retail
- Wholesale
- Treasury

Multi-Channel Delivery



- Plan for delivery channel upscaling
- Policies, procedures and terms of engagement with trade partners
- Assessment of Bank's geographical presence and reach, responding to opportunities

Governance



- Selection and performance evaluation of board
- Policy making
- Monitoring of operating activities and risks

Parivartan



- Continuity of the programmes executed
- Plan for new programmes based on the needs and scope
- Maintain quality through monitoring and evaluation

Risk Management



- Risk identification and assessment
- Development of mitigation plan
- Oversight of action plan

Talent Management



- Establishing an ethics and values driven culture
- Skill development and upgrade
- Managing and maintaining human resources

Innovation



- Identify scope of digitization for the year and future roadmap
- Implement projects
- Develop products for projects, such as for financial inclusion



Financial



Intellectual



Natural



Manufactured



Human



Social & Relationship

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D. Footprint

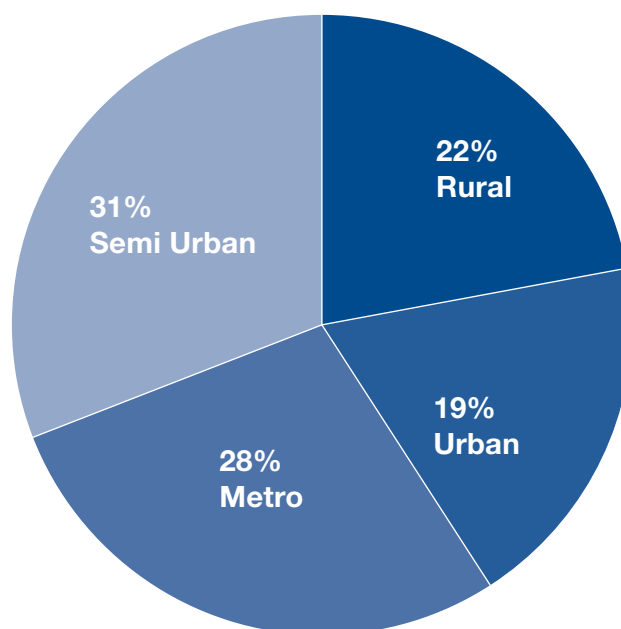
The Bank has its footprint in domestic as well as in international market. In domestic market, the Bank's presence through its banking outlets has increased by 94 % over the last four years. The geographical presence mix is well balanced as 53 % of total banking outlets are in semi urban and rural locations.

The Bank's overseas banking outlets are in Bahrain, Hong Kong and Dubai International Finance Centre with Representative Offices in Abu Dhabi, Dubai & Nairobi. Details are available in 'International Business' section on page 33 of the Bank's Annual Report for FY 2018-19.

Our customer base was over 4.90 crore customers in FY 2018-19 as against 4.36 crore in FY 2017-18.

	March 16	March 17	March 18	March 19
Banking Outlets	4520	4715	4787	5103
Cities	2587	2657	2691	2748

Banking Outlet Classification and focus



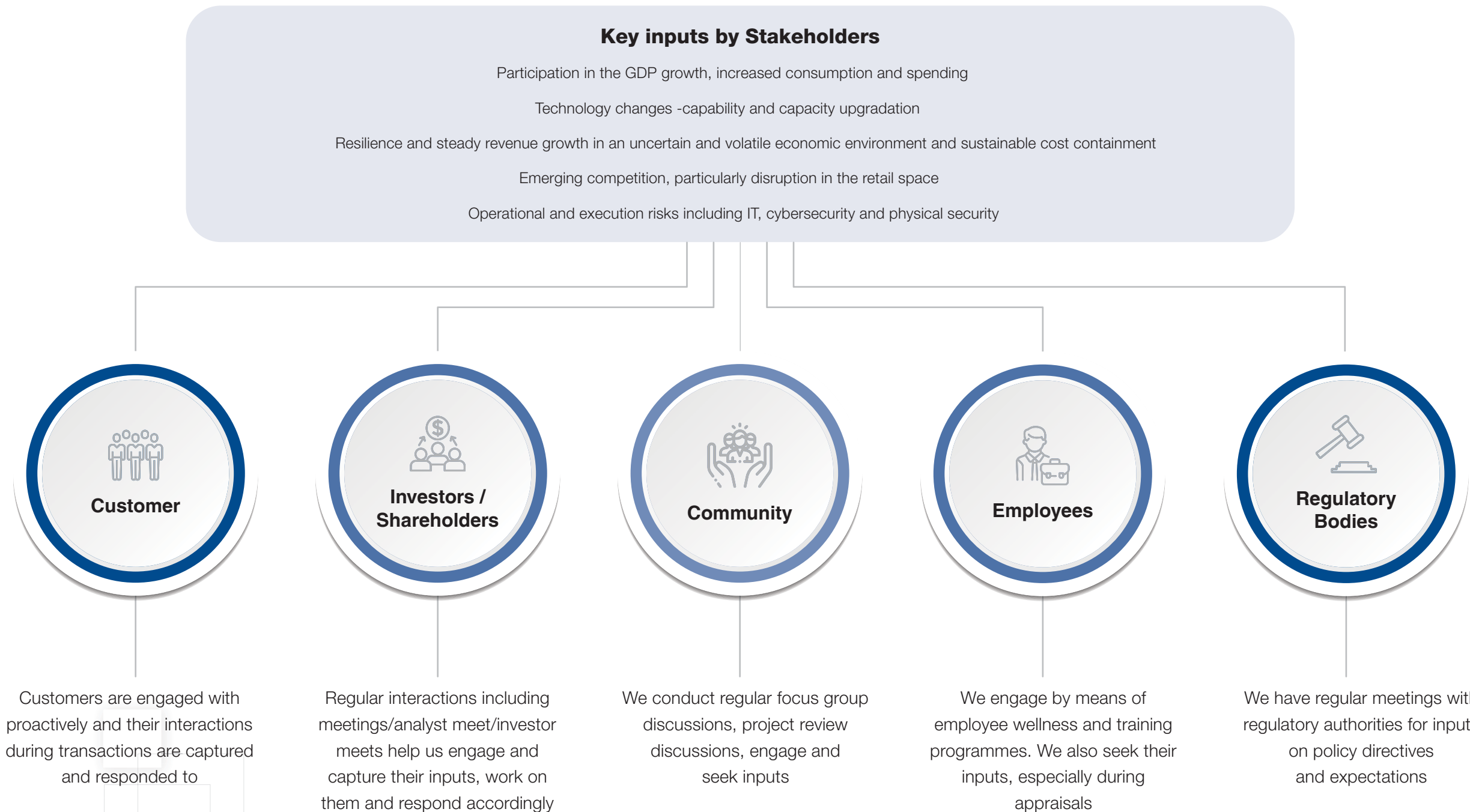
Our Outreach Through Parivartan and other social initiatives:

- Lives impacted: More than 5 Crore lives as of March 31, 2019, progressively higher from 3.5 Crore lives as of March 31, 2018
- Holistic Rural Development Program (HRDP) Outreach: 17 states and more than 1100 villages as of March 31, 2019, increased from 16 states and more than 870 villages in as of March 31, 2018
- Sustainable Livelihood Initiative (SLI) - Impact since Inception: Touched over 96 lac households in FY 2018-19 from 81.8 lac households in FY 2017-18

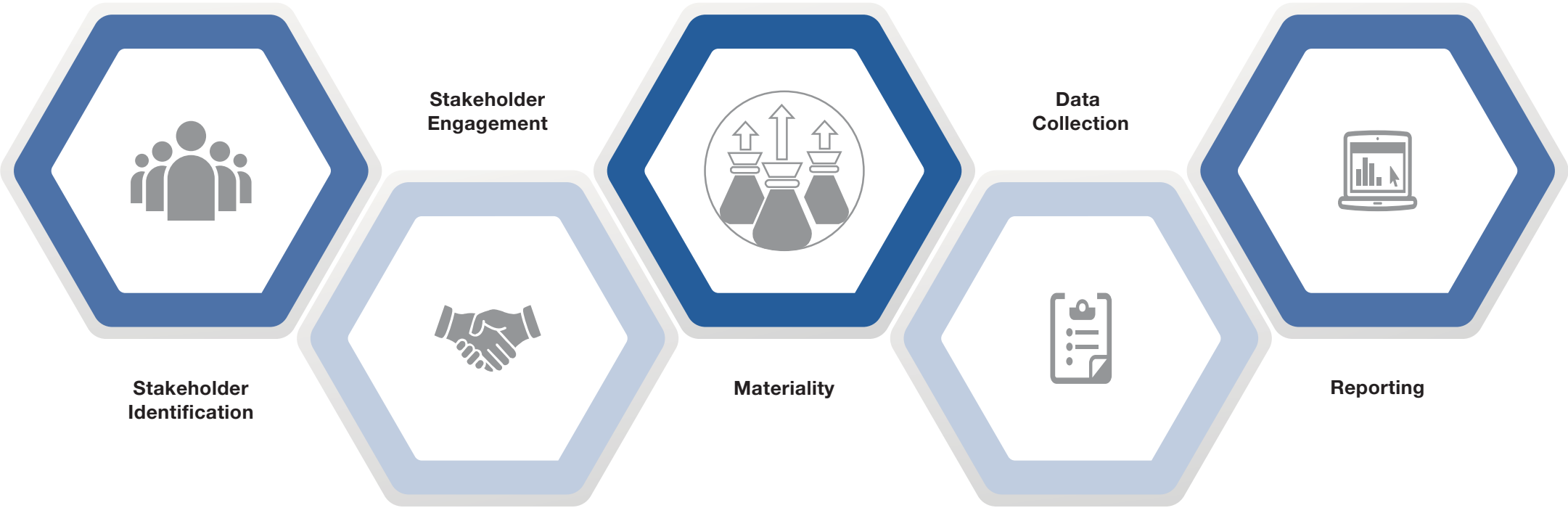
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E. Our Stakeholders and Relationship

We aim to create value over time for stakeholders. To continue delivering sustainable growth to all stakeholders, HDFC Bank strives to engage, develop and strengthen its relationship with stakeholders and takes inputs from them to enhance business strategy. The Bank has engaged with its key stakeholders' viz.; shareholders, employees, society, regulators, government through a process for stakeholder management. Its key highlights are as under:



Our Stakeholder Engagement Process



Our Stakeholders	Stakeholder interest / concerns	How we engage (method, frequency)	HDFC Bank's response to stakeholder expectations
Customers	1. Ease of Transacting Across Channels 2. Innovative Technology Applications 3. Data Security 4. Advanced Analytics	Online Communication, Customer Satisfaction Feedback	1. Enable new Products /Channels including Apps such as Chillr, Payzapp for one click payment 2. Making personalized recommendations with virtual RM 3. Awareness on data security and privacy
Shareholders	1. Compliance 2. Governance and Ethical Practices 3. Economic Performance	General meetings, Quarterly Reports, Investor Meets, Press Releases	1. Growth and Profitability 2. Policies for Ethical Conduct
Employees	1. Training and Career Progression 2. Wellness and Safety 3. Employee Benefits	Performance appraisals, Training, Programmes, Employee Wellness Programmes	1. Regular Behavioral and Technical Training 2. Employee Engagement and Wellness Programmes
Community	1. Training and Inclusive Growth 2. Financial Literacy	Regular meetings. Focus Group Discussions, Project Monitoring and Reviews	1. Holistic Rural Development Programme, Sustainable Livelihood Initiative 2. Financial Literacy Camps
Regulatory bodies	1. Aadhar Linkages 2. Social Security Schemes	Regular meetings. Policy Updates and Ministry Directives, Mandatory filings with regulators including RBI and SEBI	Awareness generation on Aadhar linkages and Pradhan Mantri Jan Dhan Yojana (PMJDY)

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Strategy and Value Creation

Dynamism is an essential trait of HDFC Bank's strategy process. The driving forces – internal and external – are major influencing factors on strategy and decision making. In this section, we set out our strategic priorities and actions towards achieving them. Achieving the Bank's strategic priorities invariably requires going beyond the call of routine business activities and processes. It necessitates focussing on actions and activities that differentiate the Bank and create distinctive value for its stakeholders.

A. Value Creation Initiative

To help you understand our value creation process better, we present here three main factors that we believe make the most impact in creating value from both – the stakeholders' perspective as well as the Bank's perspective.

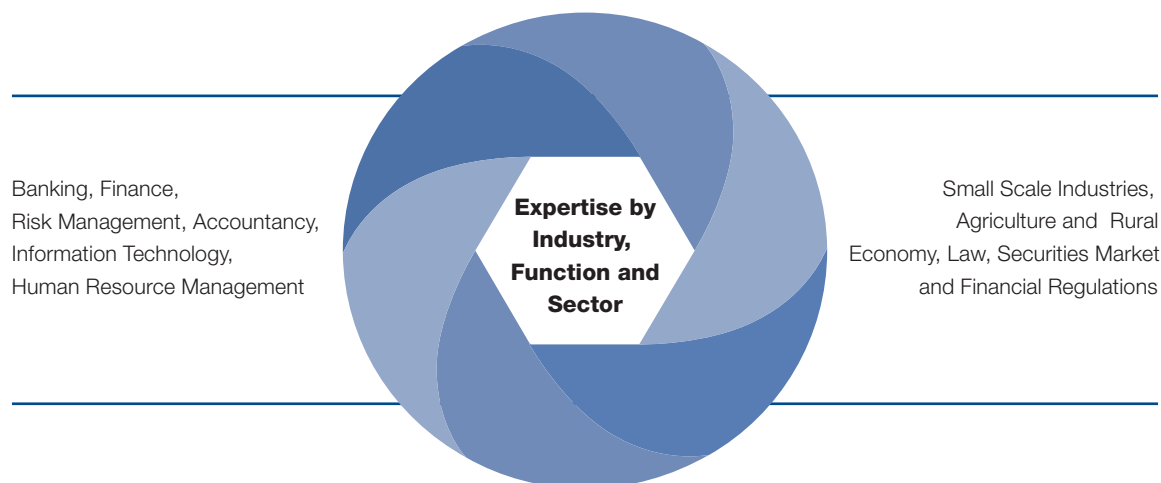


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Governance

Competence – A Professional and Expert Board

The importance of professional expertise and functional experience that our Board members bring to the table cannot be overstated. The members of the Board, whether executive or independent, take their fiduciary roles very seriously thus helping the Bank to maintain strong fundamentals and prudent operational direction.



Independence

The Board of Directors of the Bank adheres to a high level of governance standards, and members are expected to avoid conflicts of interest in all their transactions with the Bank. The Independent Directors are subject to rigorous disclosure requirements so as to ensure their independence from the management at all times. The Board members engage in free and frank discussions and are encouraged to voice dissent, if any. In their endeavour to act in the best interest of the Bank, the Board devotes a significant amount of time on key agendas like the current economic outlook and monetary policy implications, commentary on the current state of affairs of the Bank and outlook, macro-economic updates and monetary policies, especially those affecting the Bank, business plans and strategies, etc. Industry experts are also invited to provide their independent perspective to the Board members on relevant topics.

The Bank presently has a non-executive Chairperson who is an independent director and has served as the Deputy Governor of RBI for seven years. Independent Directors comprise of 60% of the total Board strength, which is more than the minimum regulatory requirement. Further, the Board has established various Committees, so as to better discharge specific functions. Committee specific presentations as per the terms of reference of the Committee are also routinely held- such as presentation on the cyber security landscape in the IT Strategy Meeting, cyber fraud trends in banking and mitigating controls in the meetings of Fraud Monitoring Committee of the Board, updates on CSR projects in the meetings of CSR Committee, etc.

Further, the Board-level Committees of the Bank such as Audit Committee, Nomination and Remuneration Committee, etc. are comprised entirely of Independent Directors, ensuring complete independence from executive management on key aspects such as financial controls & oversight, executive compensation, etc.

While forming these Board-level Committees, the Board does consider the specialized knowledge and expertise of directors which complements the functions of the Committee and thereby aids in its decision-making- for example, Mr. Srikanth Nadhamuni- the technology expert is a member of the IT Strategy Committee; Mr. Sanjiv Sachar- who has extensive experience in Human Resource Management chairs the Nomination and Remuneration Committee, Mr. M. D. Ranganath, who is a financial expert, chairs the Audit Committee; Mr. Umesh Chandra Sarangi- who has rich experience in agriculture and rural economy chairs the Corporate Social Responsibility Committee; and so on.

Further, the Bank is proactive in its endeavour to improve governance practices and routinely engages with various advisory firms / governance specialists in order to benchmark its practices and policies with the highest standards of governance expected of the Bank. Wherever feasible, the Bank voluntarily adopts good governance practices on recommendations of such advisory firms/ governance specialists.

For more details on governance framework refer 'Corporate Governance' section on page 244 of the Bank's Annual Report for FY 2018-19.

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Execution

One of the core values of the Bank is 'Operational Excellence' and its execution philosophy is tailored to make this value achievable. At the heart of the Bank's execution strategy are two important principles - stringent process discipline and independence of its business and risk functions. These principles along with its flexible business model and a robust top-down communication channel create an environment that facilitates execution excellence and differentiated service delivery.

Business Model

- Inbuilt flexibility
- Responsive to changes in external and internal drivers
- Focus on financial and non-financial sustainability and growth

Process Discipline

- Strict Adherence to policy
- Emphasis on improvement in delivery
- Regular and stringent reviews

Independence of Business and Risk

- Well-defined and separate powers and responsibilities
- Risk function – as the line of defense
- Integration of risk considerations in business

Effective Communication of Strategy

- Dissemination of strategy-level information to personnel executing it
- Service lines owning strategy as well as related risk

Our execution model takes in its stride, the opportunities and threats of financial inclusion, digital economy, government policy and increased regulation. These practices have facilitated our transformation journey from transaction banking to digitization 2.0 over the last two decades.

Proper segregation of duties is instituted in the delivery channel matrix, at transaction level, further addressing the risks in execution.

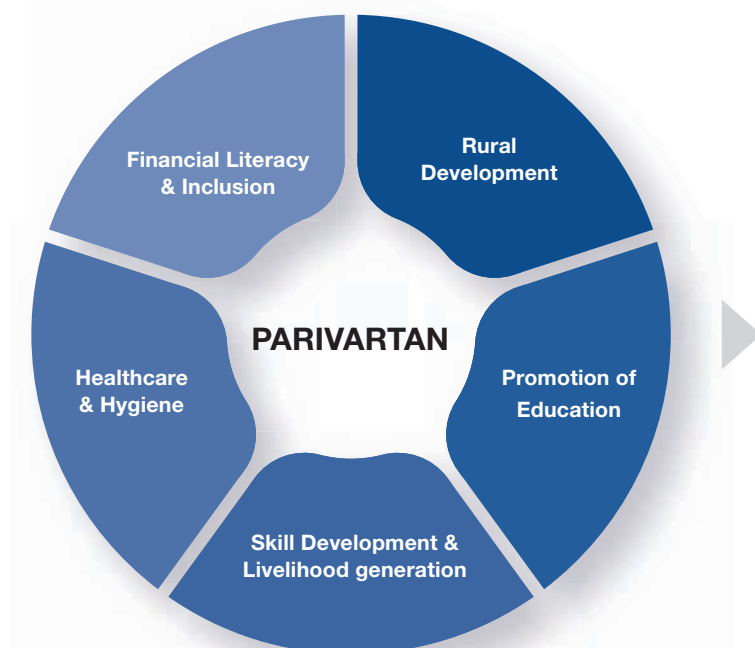
Segregation of Duties		
Front office	Mid Office & Risk Management Functions	Back office
Act as customer touch-points, sales and service outlets	Policy framework and monitoring of limits	Entire processing, accounting and settlement of transactions

The credit sanctioning and debt management units are separate and do not have any sales and operations responsibilities.

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Parivartan

HDFC Bank's social responsibility initiative, Parivartan was conceived out of the Bank's belief that national development is possible only through the empowerment of its communities. Under Parivartan, the Bank endeavours to break barriers and enable people to become self-sufficient. The Bank's Board maintains a strong watch on the activities in each of the core activity segments of Parivartan i.e. Rural development, Promotion of education, Skill development and livelihood enhancement, Healthcare and hygiene, Financial literacy and Inclusion. The Board's insights and direction are of immense importance. Especially since the Bank views its social initiatives as a value creator and spent nearly Rs. 443.8 crore on its CSR initiative in FY 2018-19.



Impact

- 1 Million+ units of Blood collected
- 6,900+ school sanitation units constructed/ refurbished
- 1,100+ villages across 17 states reached through HRDP
- 7.6+ Lac women in SHGs trained
- 21,000+ renewable energy units provided
- 72,000+ Farmers trained
- 9.6 Million Benefitted through the Sustainable Livelihood Initiative

As part of its CSR initiatives, HDFC Bank works with more than 80 partners across the country. We conduct community development initiatives with the same rigour as we do our business. We have well-structured governance, compliance and monitoring mechanisms that drive our social initiatives.



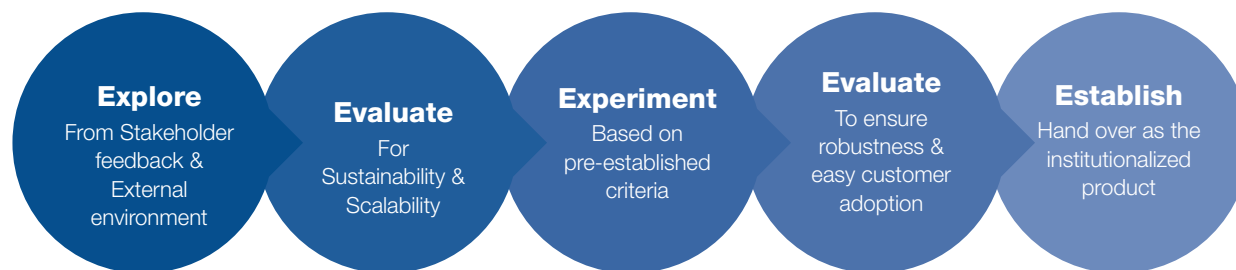
For more details on our social initiatives, please refer the Parivartan section on pages 4 and 34 of the Annual Report for FY 2018-19

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B. Business Strategy

HDFC Bank's mission is to become a World Class Indian Bank and its strategic priorities over the years have evolved to achieve that goal. The Bank's business strategy is to take digitization to the next level in order to achieve its strategic priorities.

Digitization 2.0 - Innovate and Excel through Digitization



The Bank is continuously working on exploring and experimenting with new ideas and concepts in digitization to come up with revolutionary products and services for our customers and trade partners.

Virtual Relationship Management - Digitization initiatives and their implementation

The Virtual Relationship Management (VRM) Channel was set up keeping in mind the changing demands of the customers and the need for enhancing the customer experience. This has brought about fundamental changes in the way we deal with customers, and the way customers access the Bank. The program has brought in the combined benefits of Remote Relationship banking, enhanced Customer Experience, and Cost efficiency.

Digital Initiatives for Customers

 Instalment Finance Banking	 Payzapp	 New age Credit Card Platforms	 Prepaid Cards
• Real-time data capture on loan requirements • Platforms for retail loans at merchant place • Debit Card / Credit Card EMI Loans and Consumer Loans • Consumer Loans – Retail on-the-Fly loans for New-to-Bank customers • CRM capability at banking outlets for contribution to merchant place business	• Comprehensive Mobile Payment Solution • Enables single-click transactions on HDFC Bank Debit/ Credit cards • In-app payment experience, customer can select PayZapp within the merchant application and pay through any linked card. • Complete payment solution and offers recharge, bill payments, airline, hotel booking, movies and groceries, person to person money transfer and a virtual prepaid card • QR based scan & pay transactions	• First-of-its-kind digital application platform for end-to-end digital sourcing and a frictionless / standardized user experience for credit card customers • Seamless authentication journey for CASA customers with pre-filled forms and no need for physical documentation • Insta Card platform an industry –first initiative, allows customers to get virtual credit cards delivered within 90 minutes of the application	• Launched 'Smart Card Solutions' platform offering a range of prepaid cards for every occasion or requirement • HDFC Bank Forex cards, available through Smart forex card Solutions platform has been integrated with online partners like Make My Trip.com and offline channel partners like VLS and BLS

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Digital Initiatives for Merchants

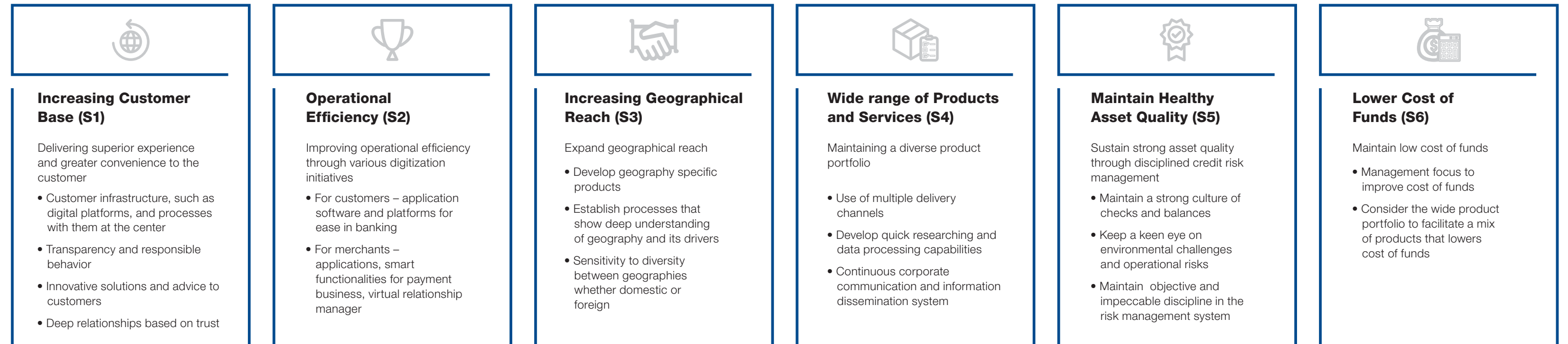
 Smart Hub Merchant App	 DigiPos	 Smart Hub Enterprise Solutions	 Fast Tag
• Payment acceptance via all new age digital products, viz. UPI, Bharat QR & Aadhar Pay • 2.52 lac Merchant Apps • Remote collections for home deliveries	• UPI, Bharat QR, SMS Pay, NFC & EMI functionalities incorporated • Our EDC terminals converted into DigiPos • 2.45 lac of our terminals are with DigiPos functionality	• Integrated Omni-channel Payment acceptance platform for online merchants • Single integration for payment acceptance via Cards, Net-banking of 40+ banks, Bharat QR, UPI, PayZapp, Standing Instructions, & Challan based payments • More than 26000 Institutions are presently using this platform.	• Fast Tags for convenience at National highway tolls for our Retail customers and Commercial vehicle customers. • 380443 tags have been deployed so far.

The VRM channel grew by 300 per cent in the first 18 months by focusing on enhancing service experience by providing STP (straight through processing) products, for which frictionless processes have been introduced for 'on call' closures.

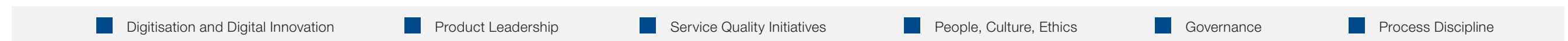
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Strategic Priorities :

The various digitization initiatives have contributed to a lower cost of acquisition while providing superior and personalized service experience. These initiatives are an integral part of our digitization strategy to meet our strategic priorities detailed out below:



Key Enablers to Strategy



Outcomes of Strategies:



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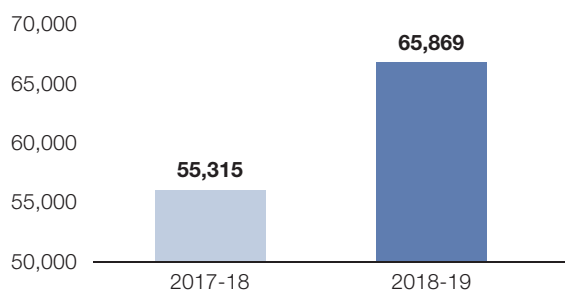
C. Key Performance Indicators

HDFC Bank carefully monitors and measures performance through various indicators. Below are key indicators which are the most effective outcome measures for evaluating performance for various capitals.

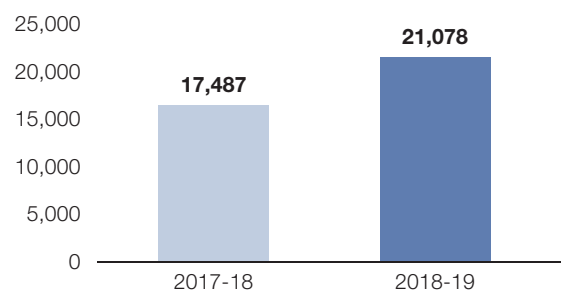


Financial Capital

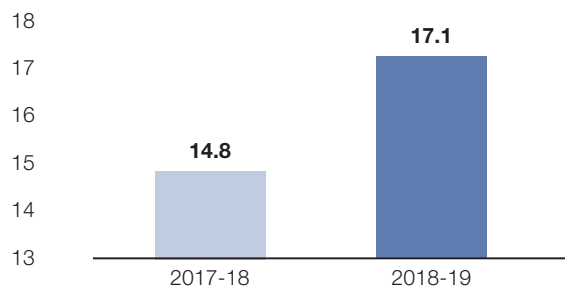
Net Revenue (₹ Crore)



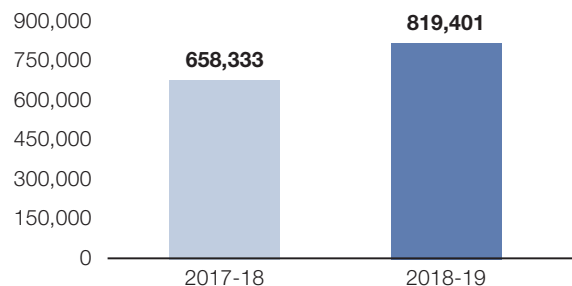
Net Profit (₹ Crore)



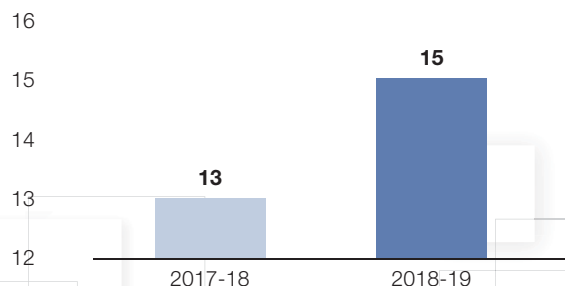
Capital Adequacy Ratio



Gross Advances (₹ Crore)



Dividend per Equity Share (%)

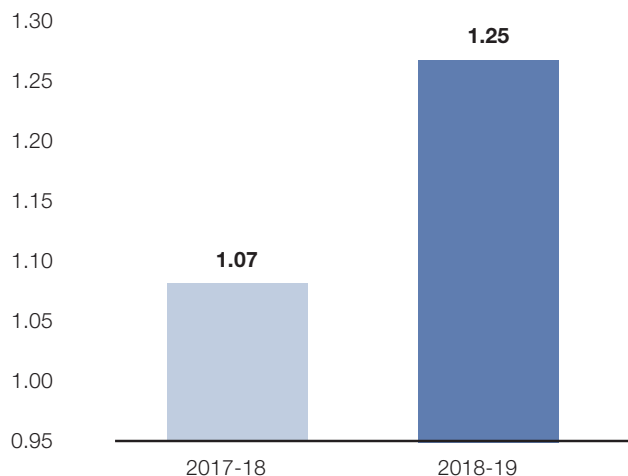


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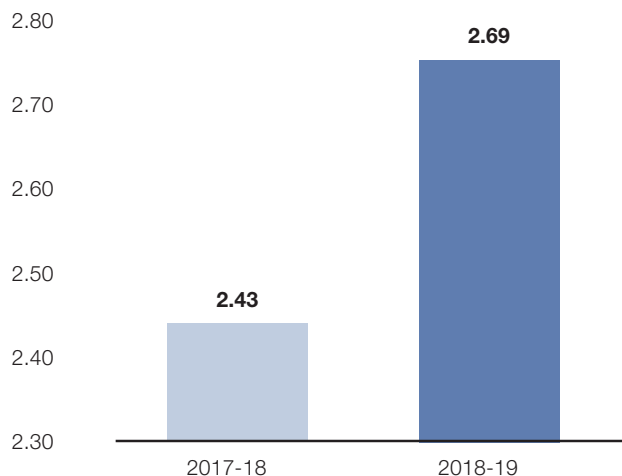


Manufactured Capital

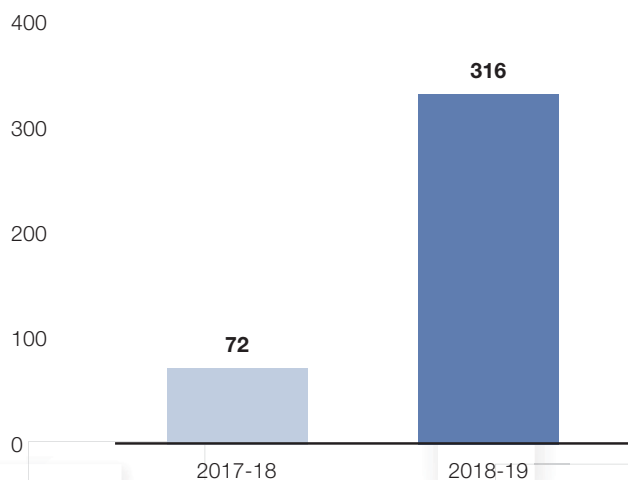
No. of Credit Cards (Cr.)



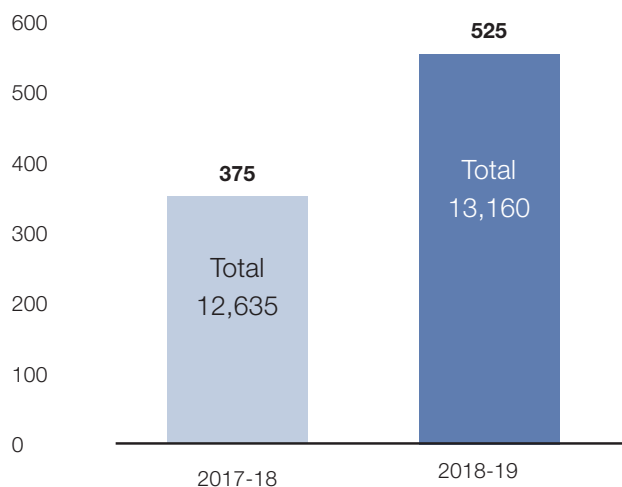
No. of Debit Cards (Cr.)



Increase in No. of Banking Outlets



Increase in No. of ATMs.

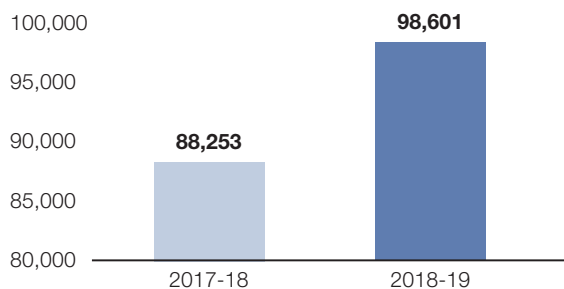


INTEGRATED REPORT

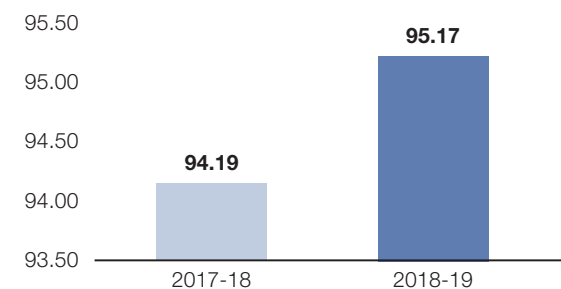


Human Capital

No. of Employees

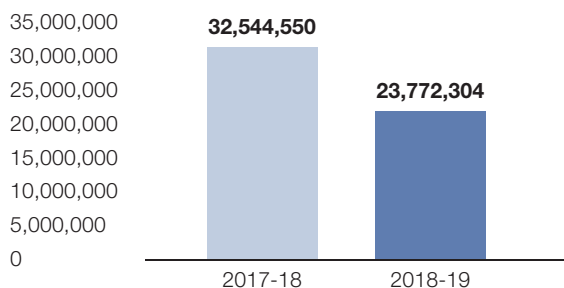


Percentage of Employees Trained* (%)

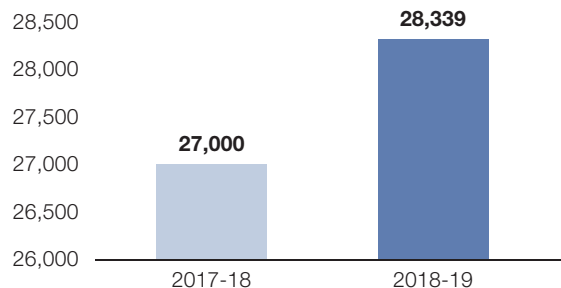


*Classroom training and e-Learning courses on varied topics

ESOPs exercised by employees

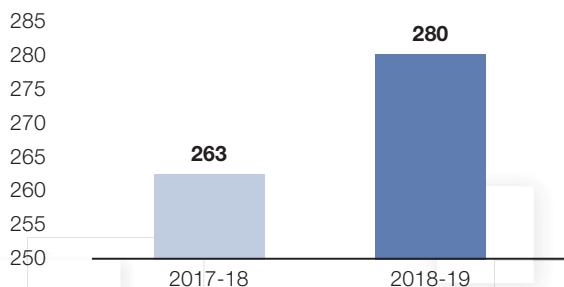


Participants in Employee Engagement initiatives

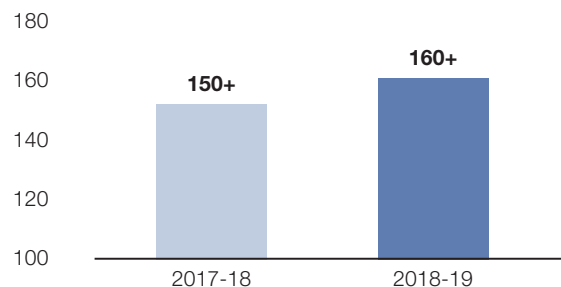


Intellectual Capital

No. of Registered Trademarks

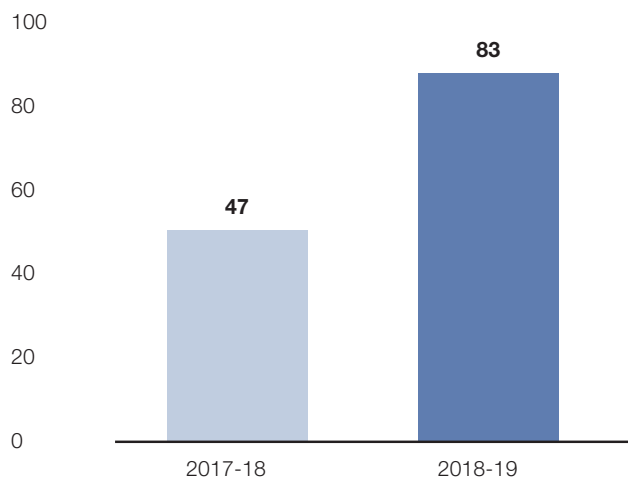


No. of Fintechs & Startups Evaluated for New Ideas

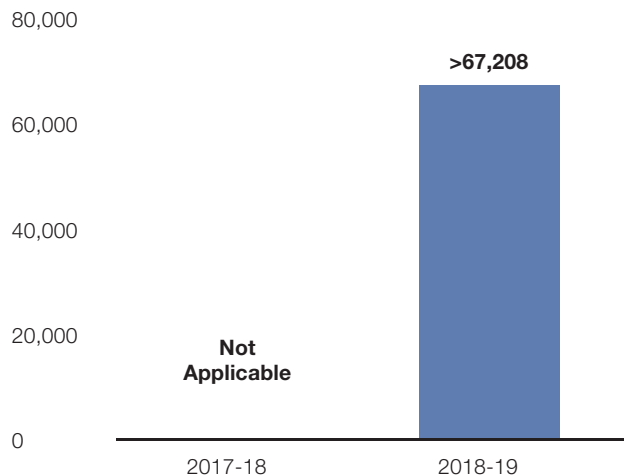


INTEGRATED REPORT

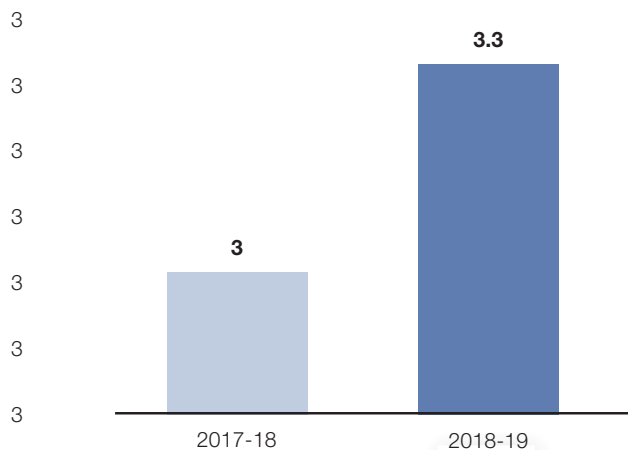
Digital Projects / Enhancement Gone Live



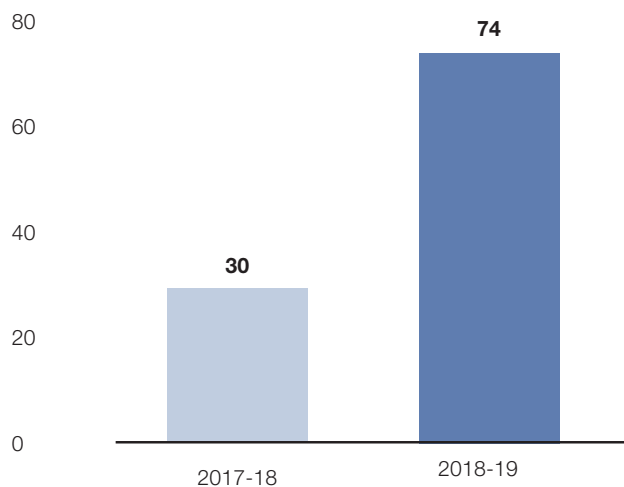
Use of POS Tool



No. of customers interacted through Facebook app (lac)



No. of Queries Handled by EVA (lac)

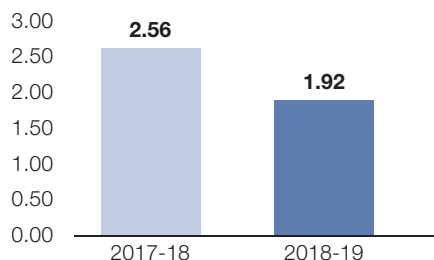


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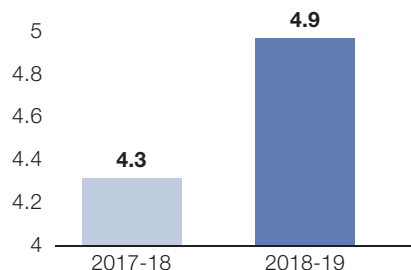


Social And Relationship Capital

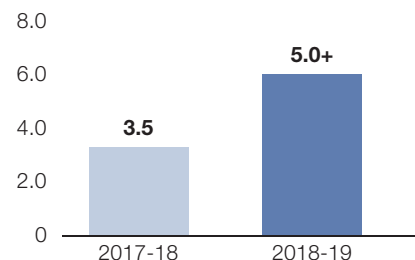
Customer Complaints Pending at year end (%)*



Customer Base (Cr.)



No. of Lives Impacted through Social initiatives (Cr.)

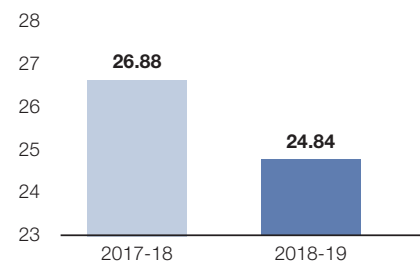


*No complaints pending beyond TAT

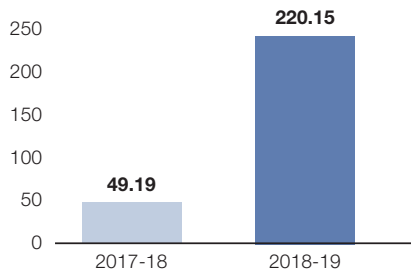


Natural Capital

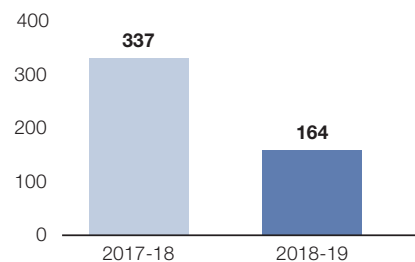
Energy Consumption per Employee (GJ)



E-waste Generated (Tonnes)



No. of Term Loans Approved And Disbursed After Screening through the SEMS* Framework



*SEMS: Social & Environmental Management System

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D. Risk and Opportunities

At HDFC Bank, risk management is one of our key activities. The internal and external environment gives us a view of our most significant risks and opportunities. Our governance processes together with routine operations work to mitigate the risks. Our business strategy is comprehensive and flexible especially with the intent of being risk-responsive and opportunity-aware. The following are our key risks, related mitigation and opportunity actions.

Key Risks	Mitigation and Opportunities	Risk Ranking	Strategy Impact (Refer Page 19 of this Report)
Compliance Risk: It is the risk to the 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	The Bank has a dedicated team in the Compliance department and a Compliance Policy to ensure highest standards	Significant	S5
Market Risk: Market risk arises largely from the Bank's statutory reserve management and trading activity	This is managed through a well-defined Board- approved Investment Policy and Market Risk Policy that caps risk in different trading desks or various securities through trading risk limits / triggers	Normal	S5, S6
Credit Risk: Credit Risk is defined as the possibility of losses associated with diminution in the credit quality of borrowers or counterparties.	HDFC Bank has distinct policies and processes for managing credit risk in both its retail and wholesale businesses Environmental and Social risk in lending to large projects is analysed and mitigated through the Bank's Social & Environmental Management System (SEMS) framework	Significant	S4, S5
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	HDFC Bank's Framework for liquidity and interest rate risk management is spelt out in its Asset Liquidity-Management policy that is implemented, monitored and periodically reviewed by the Asset Liability Committee (ALCO)	High	S5, S6
Operational Risk: This is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.	The Bank has detailed framework and processes, Internal Controls, Information Technology Security Practices and Fraud Monitoring mechanisms to manage this risk.	High	S2

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Key Risks	Mitigation and Opportunities	Risk Ranking	Strategy Impact
Reputation Risk: Given the wide range of stakeholders associated with the Bank, its responsibility towards addressing their concerns and expectations is very high and can lead to a reputational risk	The Bank takes steps to ensure that stakeholder expectations are addressed and has developed an appropriate stakeholder engagement mechanism to communicate effectively	High	S1
Fluctuating Socio-Economic Conditions: There are significant risks of lending to the agriculture and farming related sectors due to uncertainty in the business scenario	The Bank provides innovative financial solutions aimed at addressing the social and economic developments, which provide customers with flexible choices of products and services	Normal	S1, S3
Natural Calamities: Natural calamities such as flash floods and unforeseen events caused as a result of climate change may affect customers, which would be a risk to the Bank's credit exposure	The Bank assesses such risk and actions for mitigation are initiated	Normal	S2
Digital transaction Risk: Digital lending enables customers to deposit/secure loans at the click of a button in a matter of minutes	There are also attendant risks associated with it and HDFC Bank has put in place appropriate checks and balances to prevent and manage these risks	High	S1, S2
Central Policy Risk: Policy changes on rates will have consequent impact on benchmark rates. Deposit rates needs to be lowered first before benchmark rates. That is risky with depositors moving towards equity & mutual funds	Benchmark changes are done post multiple studies, trend observations and deliberations by the Bank's committees.	Normal	S1, S3
Cyber Risk: In the advent of cyber attack, the Bank could face some major disturbance in its functioning temporarily	Bank has invested in cyber resilience and it is governed by the Bank's policy which is preventive & corrective mitigation	High	S1, S2

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Key Risks	Mitigation and Opportunities	Risk Ranking	Strategy Impact
Geopolitical Risk: Trade wars between countries, Brexit and elections in India have their own risks and impacts directly/indirectly	The Bank monitors the situation and economic impacts closely and takes appropriate steps to mitigate them from time to time	Normal	S3, S6
ESG Reporting Obligations: With Annual Business Responsibility Report as a regulatory requirement and push from various stakeholders such as the investors, there could be increase in the requirement for reporting on ESG parameters which increase complexity of reporting and the cost of reporting can go up	The Bank has an environmental policy and measures its carbon footprint. Through Parivartan, the Bank reaches out to communities, empowering them	Normal	S1
Disruption due to technological advancement: Evolution of new technologies change business	The Bank proactively invests in technology and also collaborates with startups	High	S1, S3

For more information refer 'Risk Management and Portfolio Quality' section on page 39 of the Bank's Annual Report for FY 2018-19

