



## Investor Presentation

# Contents

Well positioned across India's GDP spectrum

Meeting Diverse Customers' Needs

Unique Franchise in the Indian Banking Sector

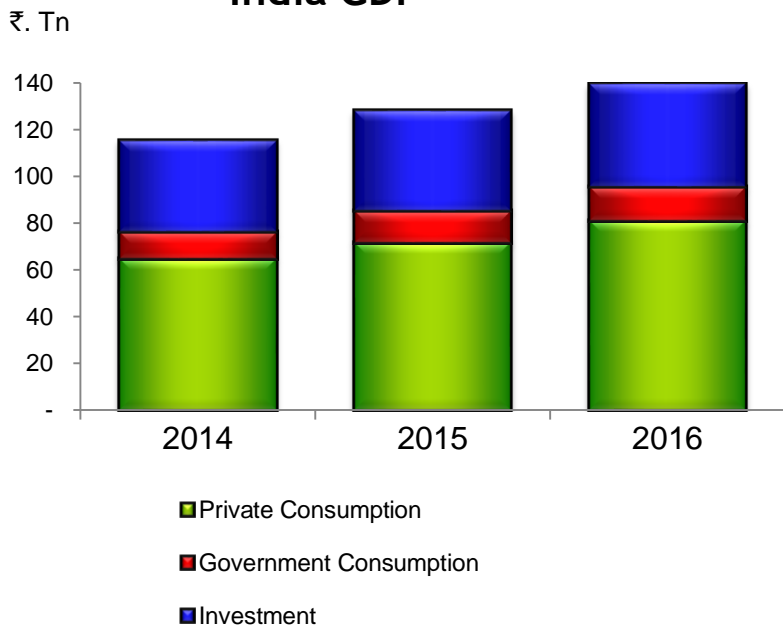
Key Business Initiatives

Financial Highlights

Value Proposition

# Well positioned across GDP spectrum

## India GDP\*



### Private Consumption

- Well positioned in urban and rural markets
- Leading player across retail loan categories
- Focus on working capital finance and trade services

### Government

- Large tax collector for the Government of India
- Significant provider of cash management services for public sector and semi government undertakings

### Investment

- Term Loans for brown field and green field capex
- Loan syndication, debt capital markets
- Project financing to strong and established players
- Leading working capital banker to capital goods manufacturers

\*Source CSO (GDP at Market Prices at current prices with new base year of 2011-12)

FY – Fiscal year ended March 31

₹ - Rupees

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# Wide Range of Products and Customer Segments

## Retail Banking

### Loan Products:

Auto Loans  
 Personal Loans  
 Home Loans / Mortgages  
 Commercial Vehicles Finance  
 Retail Business Banking  
 Credit Cards  
 Loans against Gold  
 2-Wheeler / Consumer Durable Loans  
 Construction Equipment Finance  
 Loans against Securities  
 Agri and Tractor loans  
 Education Loans

### Deposit Products:

Savings Accounts  
 Current Accounts  
 Fixed / Recurring Deposits  
 Corporate Salary Accounts

### Loan products contd...

Self Help Group Loans  
 Joint Liability Group Loans  
 Kisan Gold Card

### Other Products / Services:

Depository Accounts  
 Mutual Fund Sales  
 Private Banking  
 Insurance Sales (Life, General)  
 NRI Services  
 Bill Payment Services  
 POS Terminals  
 Debit Cards  
 Foreign Exchange Services  
 Broking (HDFC Securities Ltd)

## Wholesale Banking

### Commercial Banking:

Working Capital  
 Term Loans  
 Bill / Invoice discounting  
 Forex & Derivatives  
 Wholesale Deposits  
 Letters of Credit  
 Guarantees

### Transactional Banking:

Cash Management  
 Custodial Services  
 Clearing Bank Services  
 Correspondent Banking  
 Tax Collections  
 Banker to Public Issues

### Investment Banking:

Debt Capital Markets  
 Equity Capital Markets  
 Project Finance  
 M&A and Advisory

### Key Segments:

Large Corporate  
 Emerging Corporates  
 Financial Institutions  
 Government / PSUs  
 Business Banking / SME  
 Supply Chain (Suppliers and Dealers)  
 Agriculture  
 Commodities

## Treasury

### Products / Segments:

Foreign Exchange  
 Debt Securities  
 Derivatives  
 Equities

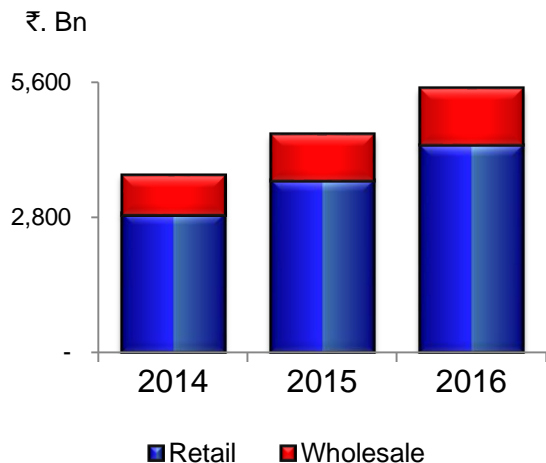
### Other Functions:

Asset Liability Management  
 Statutory Reserve Management

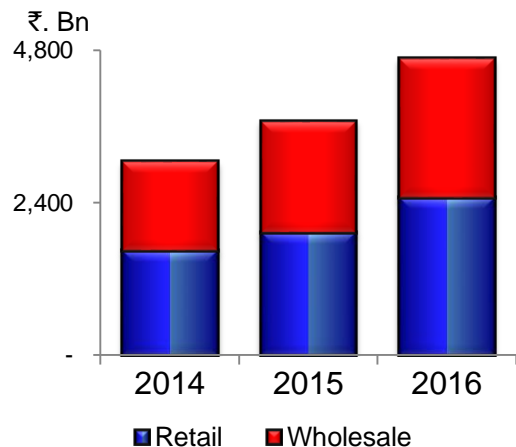
Complete Suite of Products to Meet Diverse Customers' Needs

# Business Mix

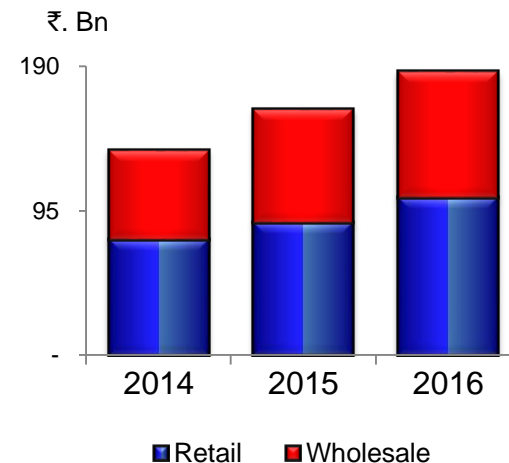
## Total Deposits



## Gross Advances



## Profit Before Tax



- Over 90% of net revenues from customer segments
- Large retail deposit franchise – a source of stable funding
- Well balanced loan mix between wholesale and retail segments
- Equally well positioned to grow both segments

Indian GAAP figures. Fiscal Year ended 31<sup>st</sup> March; ₹ - Rupees

Gross advances and Profit Before Taxes classified as per RBI guidelines for segmental reporting (Basel II).

“Other Banking Operations Segment” (which includes Credit Cards, Third Party Product sales etc.) has been added to the Retail Segment

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Meeting Diverse Customers' Needs

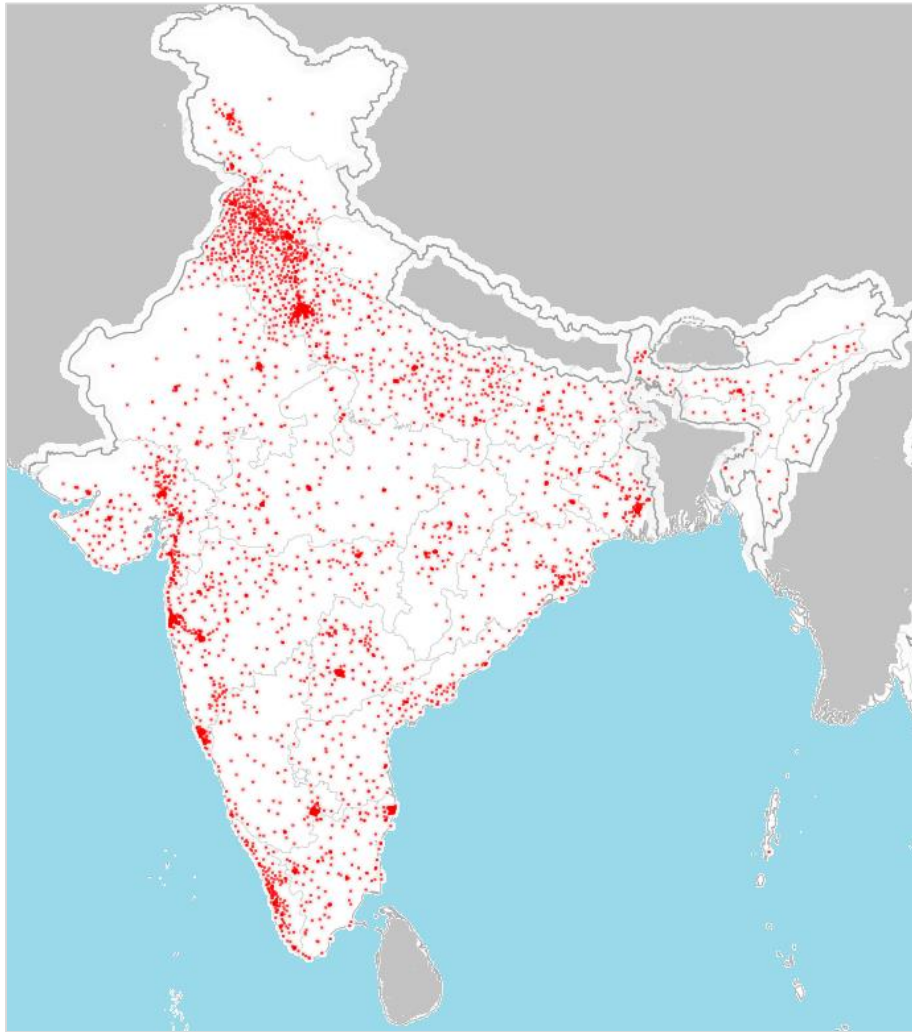
**Unique Franchise in the Indian Banking Sector**

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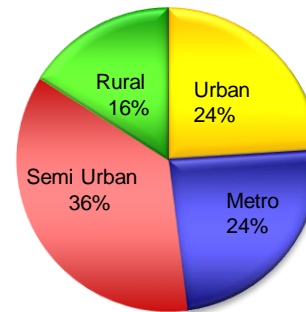
# Strong National Network



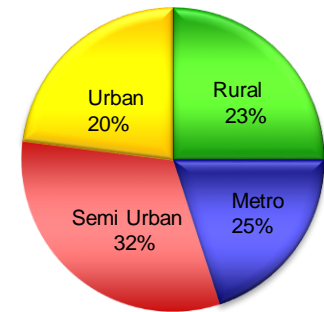
	Mar '13	Mar '14	Mar '15	Mar '16
Branches	3,062	3,403	4,014	4,520
ATMs	10,743	11,256	11,766	12,000
Cities / Towns	1,845	2,171	2,464	2,587

## Branch classification

Mar'13



Mar'16

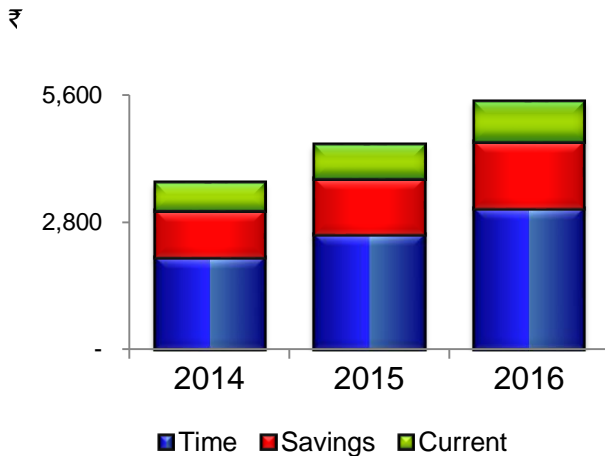


- All branches linked online, real time
- 55% of total branches in Semi-urban and Rural locations
- Customer base of over 37 million

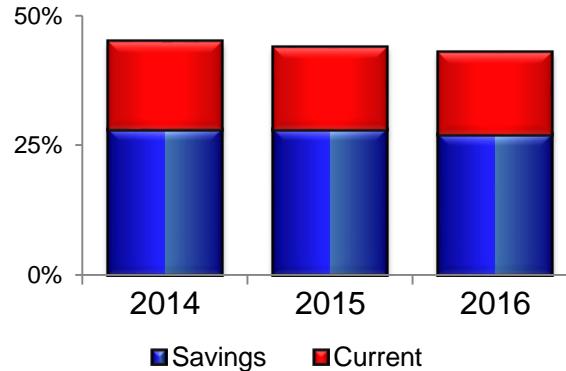


# High Quality Deposit Franchise

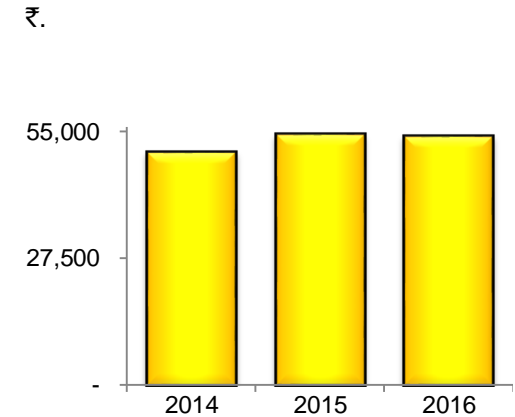
Total Deposits



CASA Ratio



Average Saving Balance per Account



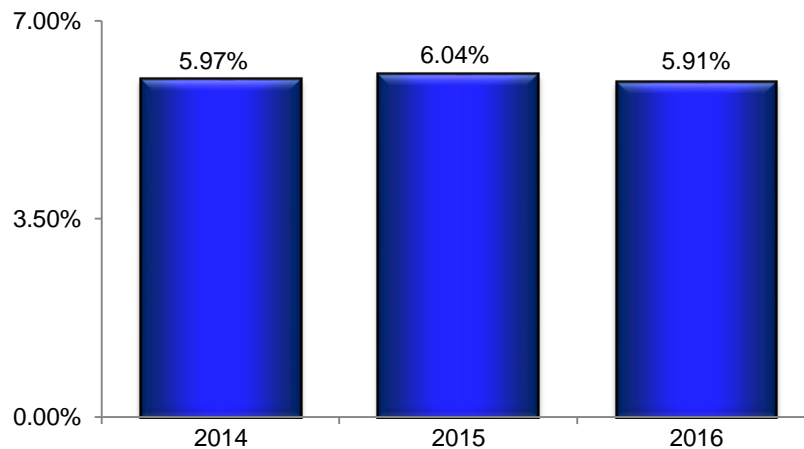
- Healthy proportion of CASA (current & savings) deposits
- Floats from multiple transactional banking franchises
- Provides customer base for ongoing cross-sell through branches
- Quality growth rather than mere numbers

Indian GAAP figures. Fiscal year ended 31st March;

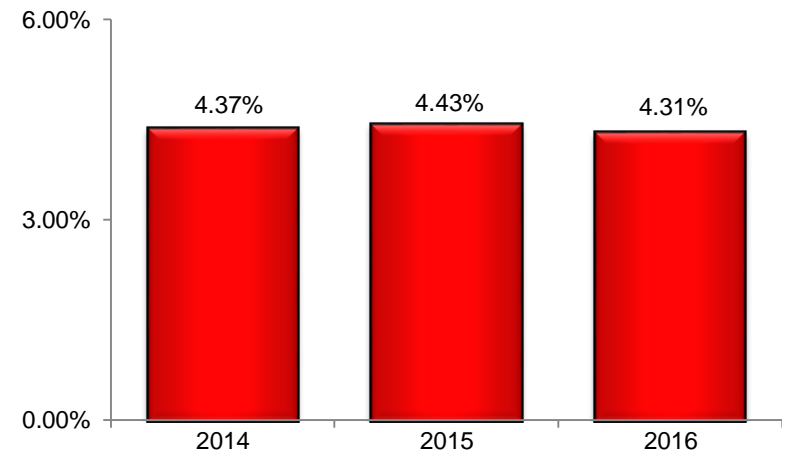
₹ - Rupees

# Low Funding Costs – Healthy Margins

Cost of Deposits



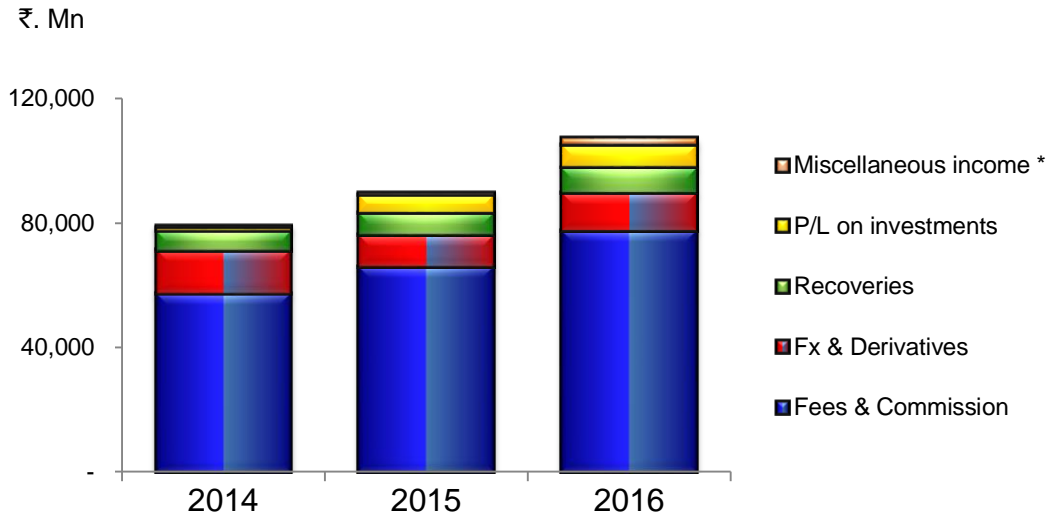
Net Interest Margin



- Amongst the lowest deposit costs in the industry
- Asset yields based on higher proportion & product mix of retail loans
- Healthy margins – relatively stable across interest rate and economic cycles

Indian GAAP figures. Fiscal year ended 31st March

# Strong Non-Funded Revenues



## Multiple sources of fees & commissions:

Banking charges (Retail & Wholesale)  
 Credit card fees  
 Retail asset fees  
 Third party product sales  
 Trade finance  
 Cash management  
 Depository charges  
 Custody

- Other Income (non-fund revenues) at 28% of Net Revenues in FY 2016
- Composition of Other Income in FY 2016:
  - Fees and commission 72%
  - FX and Derivatives Revenues 11%
  - Recoveries from written-off accounts and miscellaneous income 10%
  - Profit / Loss on sale of Investments 7%

Indian GAAP figures ; FY - Fiscal Year ended 31<sup>st</sup> March.

\* Miscellaneous income includes dividend from subsidiaries/associates.

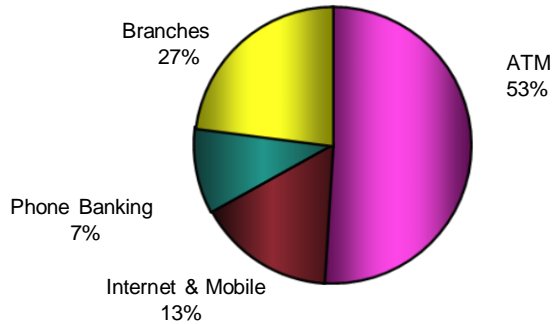
₹ - Rupees

# Leveraging Technology

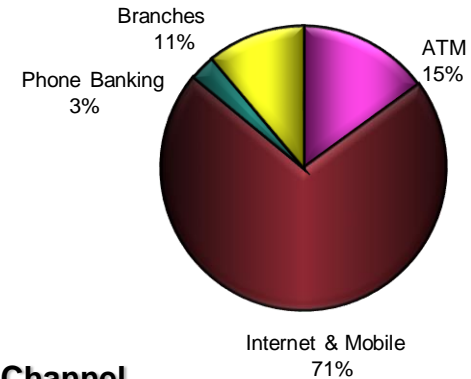
## Multiple Delivery Channels

## Greater Choice and Convenience for Our Retail Customers

**2006**



**2016**



**% Customer Initiated Transactions by Channel**

Central / Regional Processing Units

Economies of Scale; Branch focus: Sales & Service

Electronic Straight Through Processing

Lower Transaction Costs & Error Rates

Data Warehousing, CRM, Analytics

Higher Sales & Credit Efficiencies, Cross-sell

Innovative Technology Applications

Enable new Products / Channels including Apps

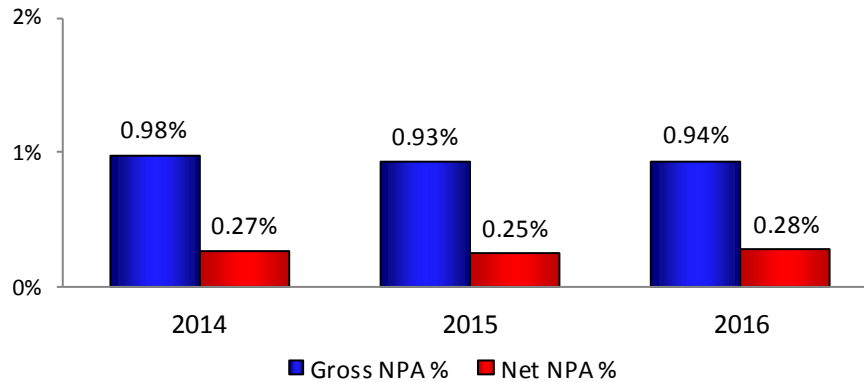
The charts above cover only transactions initiated by our own customers at our channels and which could have been transacted at the Bank's branches.

Transactions such as (a) SMS alerts sent to customers, (b) point of sale (POS) transactions, and (c) transactions by holders of other

banks' cardholders have therefore been excluded. Apps include Micro/Lite App, Smart Phone App and Tablet App

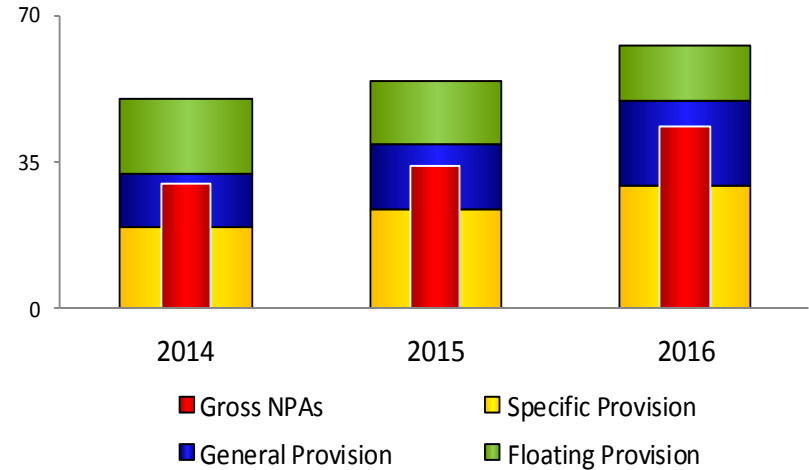
# Healthy Asset Quality

### NPA% to Advances



₹. Bn

### Loan Loss Provisions



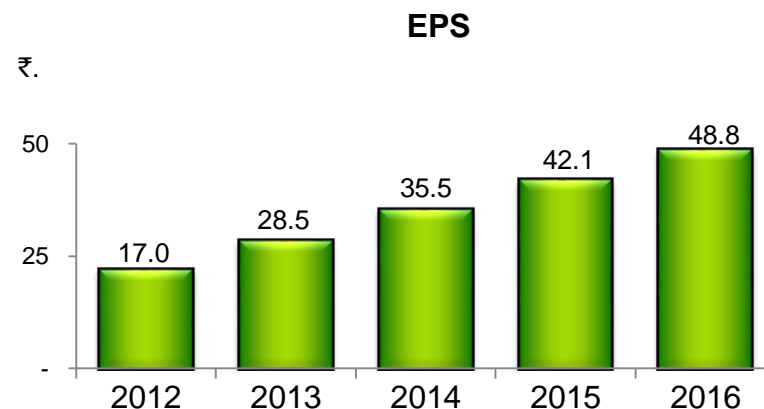
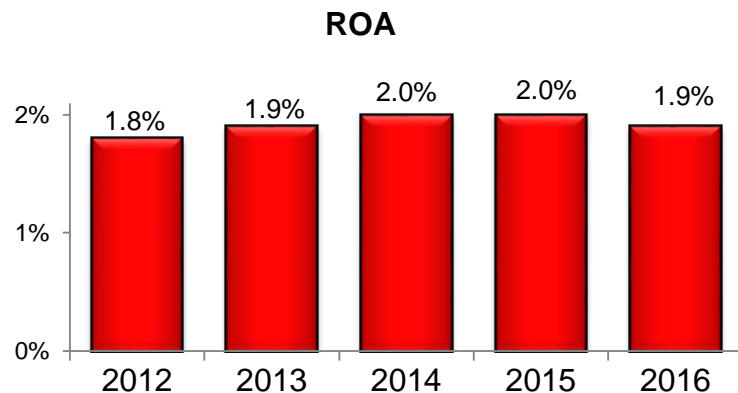
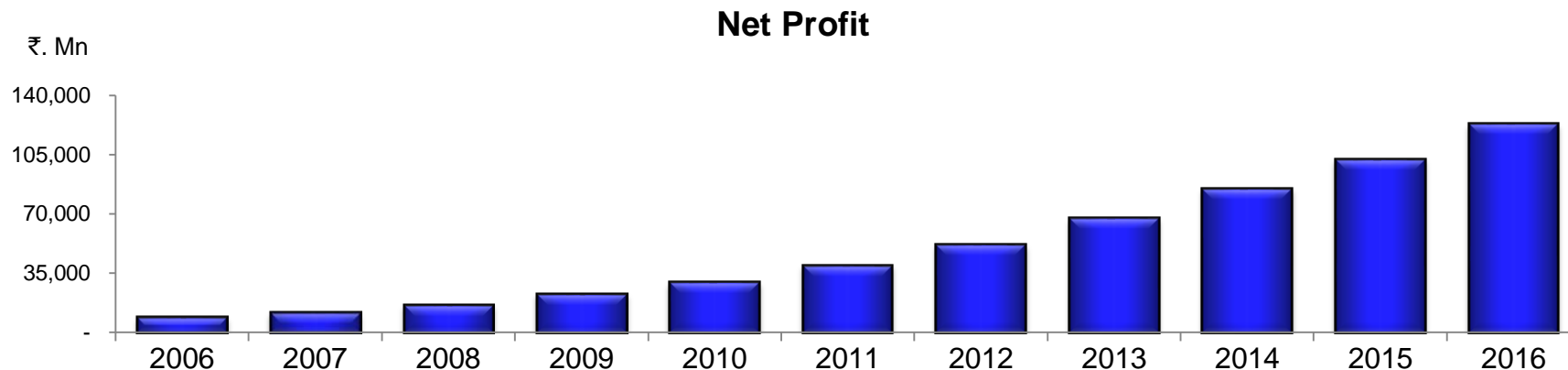
- Amongst the best portfolio quality (wholesale & retail) in the industry
- Strong credit culture, policies, processes
- Specific provision cover at 70% of NPAs, total coverage ratio over 140%
- Restructured loans at 0.1% of gross advances
- NPA ratio lower than 10 year average even in current challenging environment

Indian GAAP figures. Fiscal year ended 31<sup>st</sup> March.

Net Non Performing Assets (NPA) = Gross NPA less specific loan loss provisions

₹ - Rupees

# Consistent Financial Performance



Indian GAAP figures. Fiscal year ended 31st March

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**Key Business Initiatives**

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Value Proposition

# Digital Banking

Changing customer experience

Increasing stickiness / cross sell

Enabling better risk profiling

Leading to higher STP volumes and lower turn around times (TATs)

Potential for improving Cost to Income ratio

## Advanced Analytics

- For risk management
- Making personalised recommendations

## Key areas of focus

## Investment Advisory

- Virtual RM
- Online investment products

## One Click Payment

- P2P Payments - Chillr
- P2M Payments / e-wallet - PayZapp
- Smart Buy



## Faster Loans

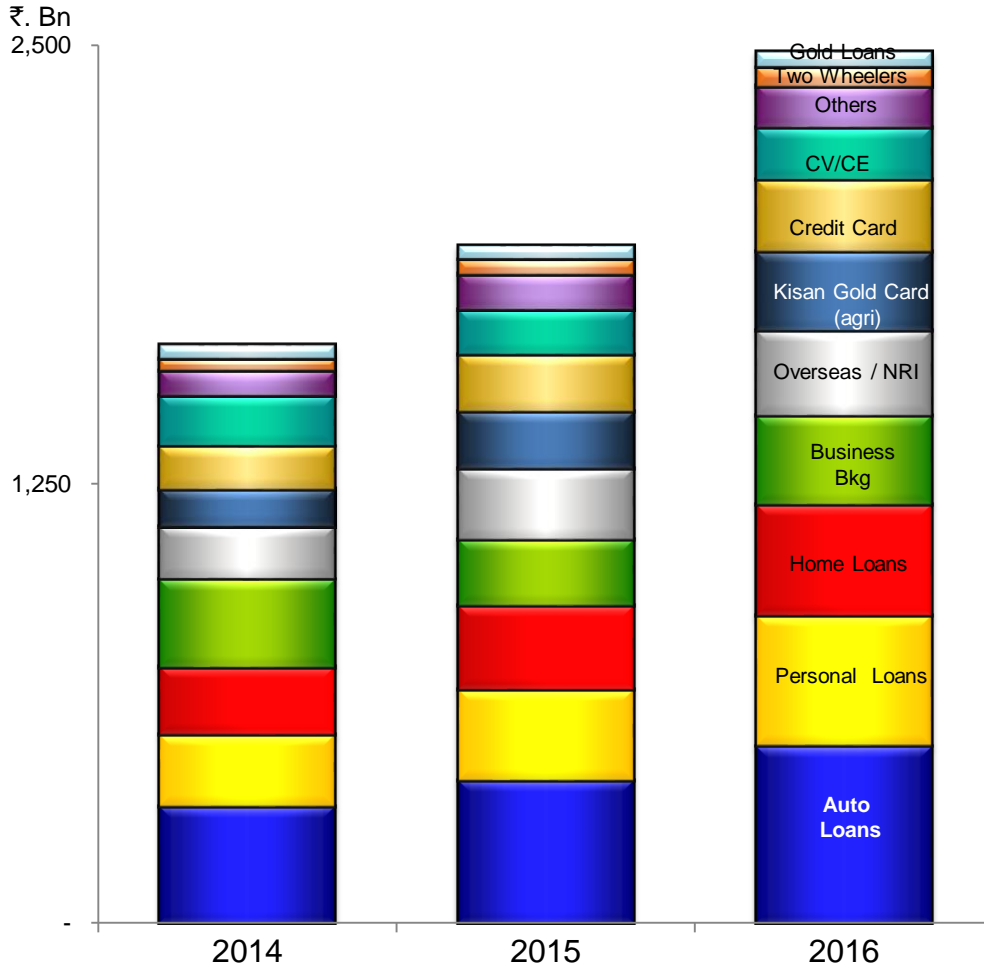
- Loans to existing customers
- Instant Loan disbursement on Net Banking and ATMs
- Digital sourcing across products
- 'Design your own LAS'

STP – Straight through processing

LAS - Loans against Securities



# Retail Loans – Profitable Growth

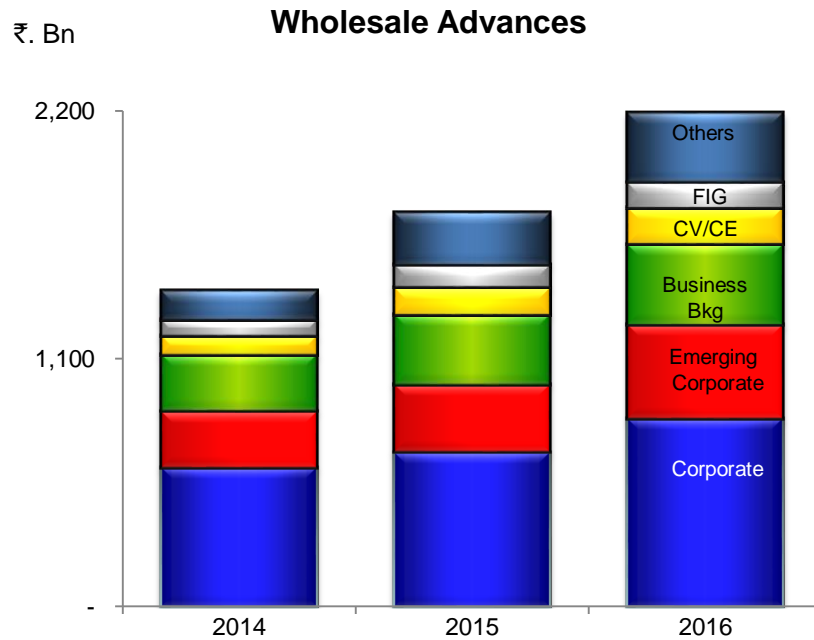


- Well diversified product mix
- Leading player - balancing volumes / market share with margins and risk
- Home Loans\* – FY 2016 origination ₹ 164 Bn and buyback ₹ 128 Bn
- Loan losses for most products stable and within product pricing parameters

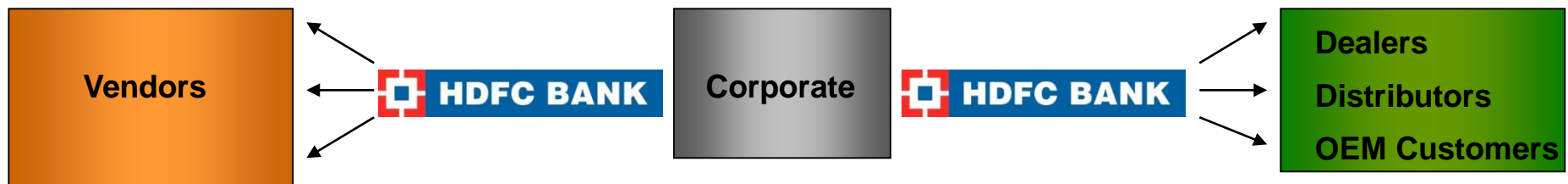
Indian GAAP figures. Fiscal year ended 31st March; Retail loans are classified as per RBI guidelines for segmental reporting (Basel II).

\* In arrangement with HDFC Ltd., CV/CE – small /medium ticket commercial vehicle and construction equipment loans, 'Others' include Tractor loans, Loan to SHGs / JLGs, Loans against Securities, etc. ₹ - Rupees

# Wholesale Banking - Accessing Multiple Segments



- Leveraging relationships with large / emerging corporates and SMEs for multiple products
- Balanced mix between working capital financing, term loans and trade
- Market leaders in cash management solutions
- Well diversified loan portfolio
- Investment banking capability across multiple industry segments and product verticals



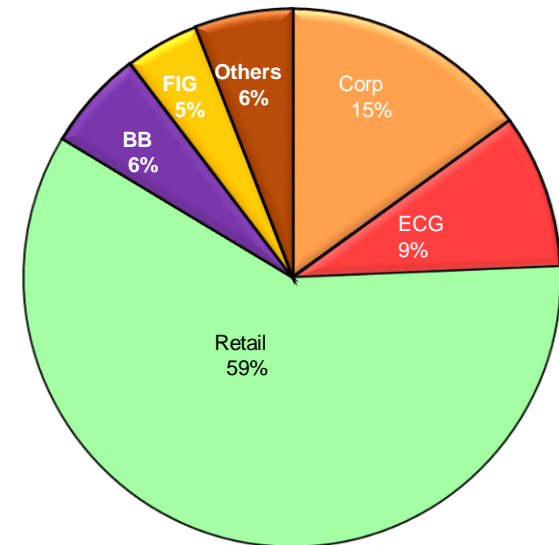
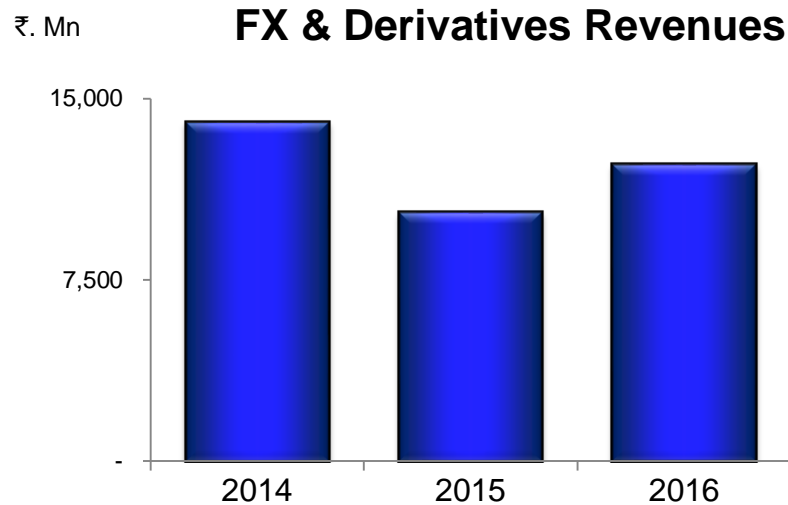
- Leading provider of electronic banking services for supply chain management (SCM)

Indian GAAP figures. Fiscal year ended 31st March; Total wholesale advances are as per the RBI guidelines for segmental reporting (Basel II).

'Others' includes Capital markets, commodity finance and other consumer loans over ₹50 million.

FIG – Financial Institutions and Government group, CV/CE – Large ticket commercial vehicle and construction equipment loans ₹ - Rupees

# Customer Focused Treasury Products



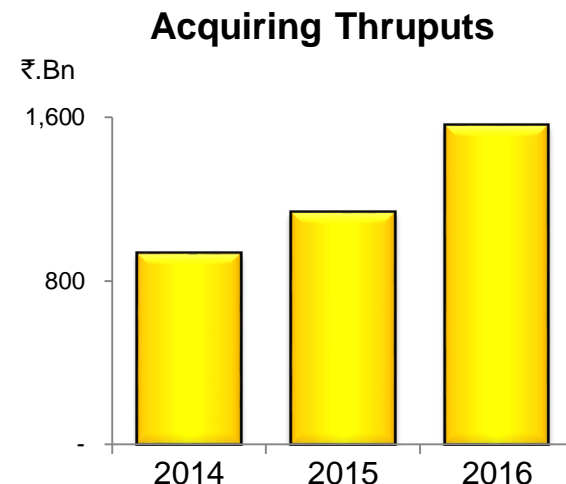
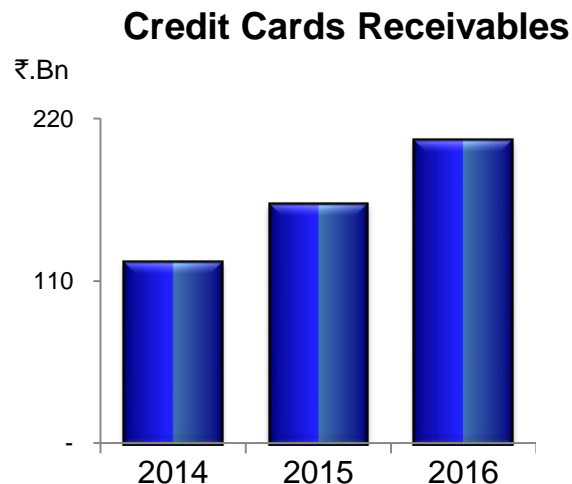
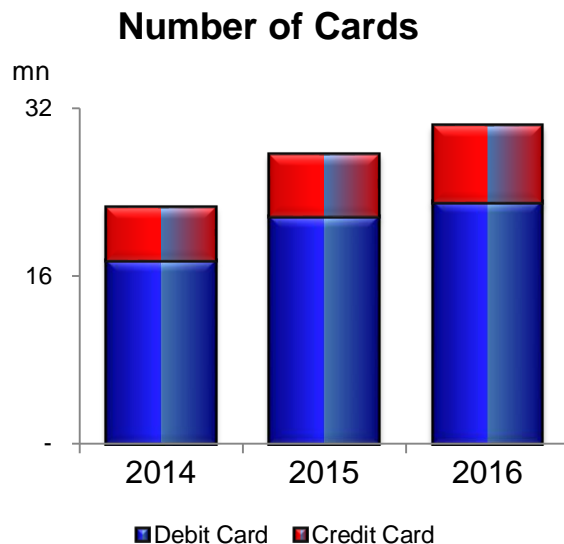
- Revenues – Largely customer driven, low reliance on trading revenue
- Treasury advisory services
- Plain vanilla FX offerings to retail and business banking segments
- FX and derivatives product sales to corporate and institutional customers

Indian GAAP figures. Fiscal year ended 31st March; ₹ - Rupees

Corp – Corporate banking, ECG – Emerging Corporate Group, BB – Business Banking, FIG – Financial Institutions & Government Group;

'Others' includes Capital Markets and Commodity Finance groups

# Cards – Market Leadership



- Market leader in credit cards – 7.3 mn
- About 70% of new credit cards issued to existing customers
- Merchant acquiring – over 280,000 POS terminals
- Leading provider of payment gateway services

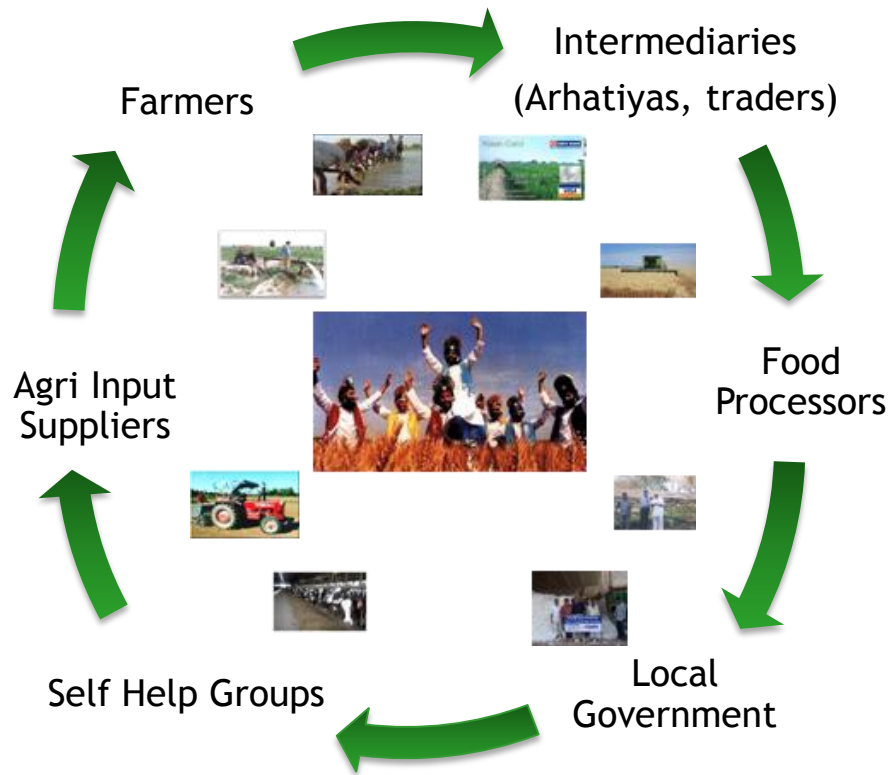
Indian GAAP figures. Fiscal year ended 31<sup>st</sup> March. ₹ - Rupees

FY 2016 – Fiscal year ended 31<sup>st</sup> March 2016

POS – Point of Sale

# Banking on Rural India

**Banking Services for the rural eco-system:**  
Rural / micro branches offering customised loan and deposit products, whilst maintaining credit standards



## Comprehensive Product Suite

- Agri Credit / Kisan Card / Cattle Loans
- Tractor Loans
- Retail Loans – Two Wheeler / LCV etc.
- Small Working Capital Loans
- Sustainable Livelihood Banking

- Regular / Basic Savings Accounts
- Term / Micro Recurring Deposits
- Life & General Insurance Products

## Innovative Solutions through Technology

- Milk to Money ATMs
- Payment solutions for agri. procurement

*Micro branches are primarily two member branches to expand and deepen the penetration in the rural market including in unbanked areas.*

# Subsidiary Companies

## HDB Financial Services Limited

- Main Products: Retail (LAP, CV/CE, PL), Insurance services and Collection services
- Network of 929 branches across 623 cities
- FY 2016 - Loan book : ₹ 244 Bn, Net Profit : ₹ 5.3 Bn
  - Gross NPA : 1.23%, Capital adequacy ratio (CAR) : 19.2%

## HDFC Securities Limited

- State-of-the-art trading and internet platform
- 1.7 million customers ; 258 branches
- FY 2016 - Net Profit : ₹ 1.3 Bn

₹ - Rupees

FY 2016 – Fiscal year ended March 31, 2016; LAP – Loans Against Property; CV/CE – Commercial Vehicle and Construction Equipment Loans;

PL – Personal Loans

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# Key Financials

₹. In million

	Quarter Ended Dec' 16	Quarter Ended Dec' 15	Change	Year Ended Mar 16	Year Ended Mar 15	Change
Net Interest Income	83,091	70,685	17.6%	275,915	223,957	23.2%
Fees & Commissions	22,068	20,048	10.1%	77,590	65,842	17.8%
FX & Derivatives	2,972	2,774	7.1%	12,277	10,280	19.4%
Profit / (loss) on Investments	3,986	3,279	21.6%	7,318	5,816	25.8%
Recoveries	2,400	2,621	-8.4%	10,332	8,026	28.7%
<b>Net Revenues</b>	<b>114,518</b>	<b>99,407</b>	<b>15.2%</b>	<b>383,432</b>	<b>313,921</b>	<b>22.1%</b>
Operating Costs	48,425	42,048	15.2%	169,797	139,876	21.4%
Provisions & Contingencies	7,158	6,539	9.5%	27,256	20,758	31.3%
<b>Profit Before Tax</b>	<b>58,935</b>	<b>50,820</b>	<b>16.0%</b>	<b>186,379</b>	<b>153,287</b>	<b>21.6%</b>
Tax	20,281	17,251	17.6%	63,417	51,128	24.0%
<b>Profit After Tax</b>	<b>38,653</b>	<b>33,568</b>	<b>15.1 %</b>	<b>122,962</b>	<b>102,159</b>	<b>20.4%</b>

Indian GAAP figures (₹ Mn) , ₹ - Rupees.

Recoveries includes miscellaneous income and dividend from subsidiaries/associates.



# Financial Highlights - Quarter ended December 2016

- Deposits: Up by 21.1% to ₹ 6,347 Bn
- Gross Advances: Domestic\* - Up by 17.5% to ₹ 4,774 Bn  
Total - Up by 13.4% to ₹ 4,987 Bn
- Net interest margin: 4.1%
- Core Cost-to-income ratio: 43.8%
- Net profit: Up by 15.1% to ₹ 38.7 Bn
- Gross NPA / gross advances: 1.05%
- Net NPA / net advances: 0.3%
- Capital adequacy ratio (CAR)<sup>#</sup> - Total 15.9% of which Tier I at 13.8%

*\*Domestic advances account for 96% of total advances.*

*Indian GAAP figures (Bn =Billion); ₹ - Rupees; Net NPA = Gross NPA less specific loan loss provisions;*

*# Capital adequacy ratio computed as per RBI's Basel III regulations.*

*Comparisons are with respect to corresponding figures for the quarter ended December 31, 2015*

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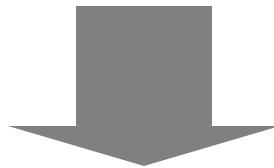
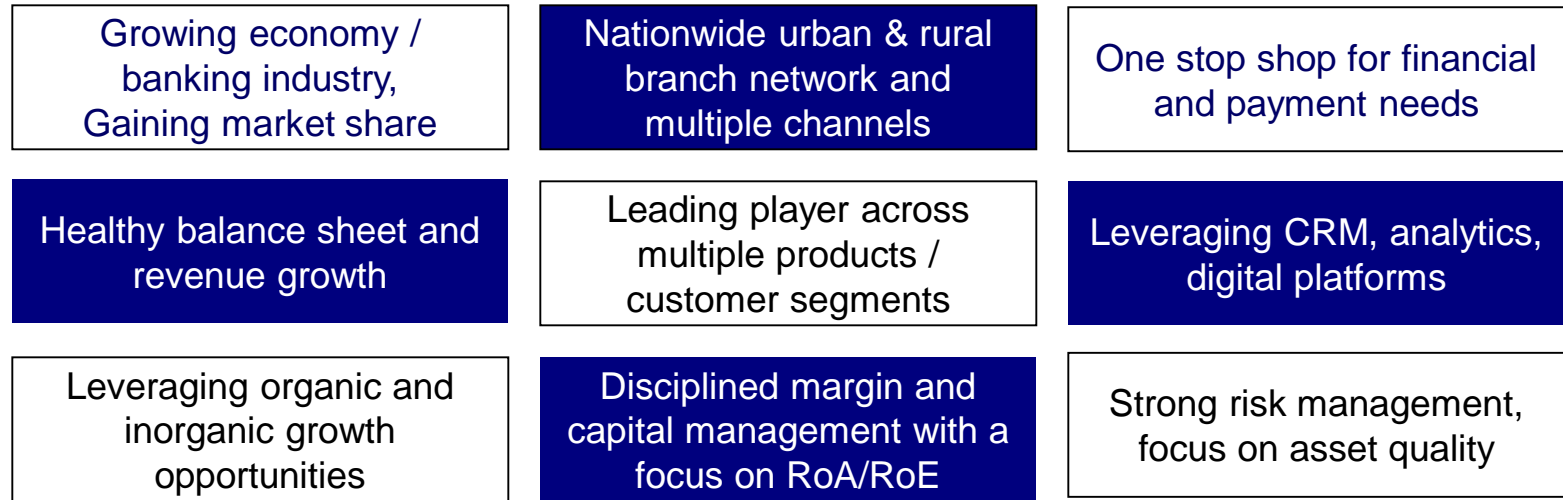
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**Value Proposition**

# Value Proposition – Healthy Growth, Low Risk



**Proven ability to generate  
Shareholder Value**

*Certain statements are included in this release which contain words or phrases, such as “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of these expressions, that are “forward-looking statements”. Actual results may differ materially from those suggested by the forward-looking statements due to certain risks or uncertainties associated with our expectations with respect to, but not limited to, our ability to implement our strategy successfully, the market acceptance of and demand for various banking services, future levels of our non-performing loans, our growth and expansion, the adequacy of our allowance for credit and investment losses, technological changes, volatility in investment income, our ability to market new products, cash flow projections, the outcome of any legal, tax or regulatory proceedings in India and in other jurisdictions we are or become a party to, the future impact of new accounting standards, our ability to pay dividends, the impact of changes in banking regulations and other regulatory changes on us in India and other jurisdictions, our ability to roll over our short-term funding sources and our exposure to market and operational risks. By their nature, certain of the market risk disclosures are only estimates and could be materially different from what may actually occur in the future. As a result, actual future gains, losses or impact on net income could materially differ from those that have been estimated. In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this document include, but are not limited to: general economic and political conditions, instability or uncertainty in India and other countries which have an impact on our business activities or investments caused by any factor, including terrorist attack in India, the United States or elsewhere, anti-terrorist or other attacks by the United States, a United States-led coalition or any other country, tensions between India and Pakistan related to the Kashmir region or between India and China, military armament or social unrest in any part of India, the monetary and interest rate policies of the government of India, 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, changes in Indian and foreign laws and regulations, including tax, accounting and banking regulations, changes in competition and the pricing environment in India, and regional or general changes in asset valuations.*