

**HDFC Bank Limited**

**28th Annual General Meeting**

**Saturday July 16, 2022**

**Chairman's Address**

Esteemed shareholders, my colleagues on the Board and management of the Bank. It gives me great pleasure to welcome all of you to the 28th Annual General Meeting of the Bank.

We are once again meeting in a virtual mode. Thankfully, we are now greatly protected due the successful vaccination drive of the Government and normal activity has resumed in all corners of our economy. While we get on with our normal lives, we should not forget immense sacrifices of those, who kept the wheels of the economy moving, when the Pandemic was at its worst. I salute the members of our Bank staff, who kept the operations going even in the face of this adversity.

I shall first share my perspective on the current economic environment and then provide you an overview of your Bank's performance and strategic direction, as we see it from the Board:

One of the world's leading Economic Journal's called this year, "An Year of Predictable Unpredictabilities". That was in the context of the Pandemic. However, this scourge has certainly eased in a fair measure. However, the world today is dealing with multiple unanticipated challenges that have put enormous strain on trade flows and international financial system.

Though expected, but inflation has reared its ugly head, globally, much too early. Resultant monetary tightening has led to interest rate increase and depreciation of currency.

Unexpected war in Ukraine has disrupted global trade and energy supplies; increased crude, commodity and grain prices.

The pandemic induced global supply chain issues continue on account of uneven recovery in certain countries, including China. These factors have affected India as well.

Having said that, we also see a healthy rebound globally, in services, trade and travel. How much impact monetary tightening

will have on advanced economies is yet uncertain. We also witness economies in our neighborhood and the emerging one's have been adversely impacted by trade imbalance. However, nascent recovery in China augurs well for trade. But IMF has predicted a lower growth for the year 22-23.

GDP of India showed a healthy growth of 8.7% in the year 21-22. The Government balanced the fiscal policy well. It ensured care for the needy, supported a massive vaccination program and yet pushed large scale capex in Infrastructure. Monetary policy was also very adroitly balanced, and these ensured that there was no excessive money supply in the system that could stoke runaway inflation.

Since a large part of the GDP consists of domestic consumption, I see a healthy growth path during the year. It is predicated on the following factors;

- Low level of corporate taxation and a stabilized GST system that is now showing results in the form of higher tax revenues.
- Large amount of spending on Infrastructure projects through PM's Gati Shakti program.

- PLI scheme is already showing results and manufacturing would further get a fillip on account of this as well on account of rebound in domestic consumption. This will also bring a larger chunk of global supply chain into the country and create a new and diverse set of demand drivers.
- Services sector is rebounding sharply with IT sector on a sharp growth curve. We see recovery in trade, travel and hospitality.

Previous global crisis had seen, Indian financial and banking sector severely impacted. Reforms, tighter regulation and introduction of technology have ensured that Indian financial sector today is in a position to fuel growth through credit expansion and bring innovations through Fintechs. Digitalization at a large scale and formalization of the economy has made the financial sector more transparent, competitive and improved its reach. Capital market is vibrant and well-regulated and insurance sector has been opened up. These would, I strongly feel, underpin growth of Indian economy over next few years.

Furthermore, with both the RBI and Government undertaking measures to combat inflationary pressures, retail inflation is also likely to moderate in the months ahead, providing further support to consumer demand. The medium-term outlook of the economy remains optimistic and macro-economic fundamentals are still strong, putting India in a better position to weather any major global shocks.

Therefore, I am not surprised at a projection of growth around 7.3% in 2022-23, in spite of global headwinds.

Your Bank would continue to be a partner in this phase of the country's growth as well.

Let us now take a look, back at the year that was: The Bank has delivered well on its plans for 2021-22 and continues, committed to creating long-term value for its shareholders.

## Our Performance

I am happy to share that as a Bank:

- We continue to have a very strong balance sheet, asset quality that is among the best in the industry and sufficient capital buffer available to take advantage of future opportunities.
- We maintain and exceed the required standards of Liquidity and Capital Adequacy and monitor the liquidity scenario closely.
- Our operational performance continues to be healthy with greater focus on our traditional prudence as we successfully navigate challenging conditions brought on by the pandemic and external shocks that I have talked about earlier.
- Our focus on “customer first”, remains unwavering. For a very large customer base that we have, I do understand that there are grievances sometimes. Let me assure you that there is a very sound system in place for addressing customer complaints. Your Bank has also realigned the employee incentives at the “cutting edge” to make it more responsive to customer needs. The Bank is also scaling up Net Promoter System (NPS) implementation as a customer response measurement tool.
- We continue to invest in our technology capability creation and have significantly strengthened our ability to serve our customers better.

- We continue to expand our distribution footprint in terms of our physical branch network, increased customer relationships under management, leveraging our tele-sales service relationship architecture, as well as the new digital journeys that have been launched.
- We are investing to ensure that we have the right talent to take advantage of the market opportunities.
- As a company committed to leading responsibly, we are embedding ESG more strongly into our business strategy and operations and have a very robust CSR Programme.

Now, let me update you on our stellar performance for the last financial year.

The Bank recorded an improvement in a majority of its key financial parameters largely on account of its traditional prudence, adopting new styles of working and enhancing customer delivery.

- Net Profit at INR ₹ 36,961.3 crore was up by 18.8 per cent
- Net Interest Income at ₹ 72,009.6 crore rose 11.0 per cent while
- Net Interest Margin stood at 4.0 per cent

- Gross Non-Performing Assets (NPAs) at 1.17 per cent, was among the lowest in the industry

Our commitment to shareholders remains high with a proposed dividend payout of ₹15.50 (Fifteen Rupees Fifty Paise only) per equity share of ₹1 (Rupee 1 only) for the financial year ended March 31, 2022.

We continued to enhance our pipeline of products and services to stay competitive, while also adding over 90 lakh new customers during the year, taking the Bank's customer base to just over 7 crores.

In spite of the challenges in the operating environment, the Bank opened 734 new branches over the last year. As we endeavour that an increasing number of under-served areas have access to a bank, we are also conscious of the evolving needs of the modern consumer and are catering to future branches being equipped to be phygital relationship centres. In fact, we have tied up with over 15,000 business correspondents primarily from the Common Service Centres to ensure that financial services are delivered in the last mile.

## Growth Drivers / Future Ready Strategy

We had identified Retail Assets, Commercial and Rural Banking, Corporate Banking, Government and Institutional Banking, Wealth Management, and Payments as growth engines. I am happy to state that we have made progress across all these. Alongside, focus on technology remains, to maintain a competitive edge in customer service, product innovation as well as secure banking practices.

We are also harnessing the strength of various digital platforms developed by Fintechs and other Startups to harness a larger customer base and improve the reach of the Bank and innovate new products.

The Bank also proposes to harness the strong growth visible in semi-urban and rural areas of the country. We do not see priority sector lending as a mere regulatory requirement, but as a profitable product(s) offering.

Towards this end, we also believe that there is a big opportunity to take the Bank to several underbanked areas in the country. The Bank would look at opportunities to further expand the current network of over 6,000 branches to help enhance its liability base, vital for pushing credit growth.

This pace of growth also means we will add necessary manpower to cater to our growing customer base of over 7 crores.

### Technological Resilience

We met last year under the shadow of regulatory action as customers had some difficulty in accessing our products and services. However, I am very happy to state that, over the course of the last year, we worked closely with the regulator to ensure adherence to the highest standards of compliance. We are happy to share that the restrictions on your Bank are completely lifted following the progress we have made on our technology investments, processes and governance.

We also utilised the time to draw up plans to meet the evolving digital requirements of our customers. The transformation

journey for the Bank is a holistic approach that will not only add new digital platform capabilities, but also look at strengthening as well as replacing our legacy systems, bringing in new-age skill sets, and strengthening the overall security environment. We are also working to enable new age consumer experiences by partnering with modern neotechs. Under our technology transformation agenda, we are investing to 'Run the Bank' as well as 'Build a Future-ready Bank'.

### Leading Responsibly and ESG

Sustainability is a core value at HDFC Bank. Our philosophy has been to create long-term, sustainable solutions.

As an organisation we have been committed to making a difference in the lives of marginalised communities, particularly in rural areas, while contributing to global sustainable development goals.

I am delighted to share that through HDFC Bank's flagship CSR programme, 'Parivartan', we have potentially impacted the lives of 9.6 crore Indians till date. In the last year alone, over one crore people benefited through programmes from our CSR spend.

Mindful that our actions matter for our future generations, we are committed to a healthier and better planet. Accordingly, we have also recently introduced a comprehensive ESG assessment framework for corporate lending with a wider coverage.

## People

They are our biggest strength. They have often gone beyond the call of duty at great personal risk to ensure that we were able to serve our customers through the Pandemic. We are deeply saddened as we remember those within our ranks who are no longer with us today. No word or action can adequately convey our sorrow. To ease the financial burden of affected families, your Bank structured and delivered a Compassion Package to the families of the deceased. Over this time period there has also been no reduction in salary for our staff and we have ensured that bonuses and increments were on time.

As an organisation, we recognize the value in investing in the on-going development of our people and have ramped up learning and development programmes for employees. The Bank has rolled

out a certification known as the 'Nurture, Care Collaborate' programme for its 12,000+ managers with an aim to promote a work culture where everyone feels included, respected and valued, and has access to equal opportunity.

In order to ensure that incentive structures is aligned with the organization's objectives, your Bank has introduced Restricted Stock Option Scheme for a much larger number of employees. That will give them a strong sense of connect with the Bank.

HDFC Bank is firmly committed to being a more diverse and inclusive organisation. We are specifically keen on ensuring increased participation of women in our workforce. In the last year about 28 per cent of our new hires were women. This is aligned with our stated goal to have 25% women in the organisation workforce by 2025.

In recognition of all that goes into creating a conducive environment for one and all, HDFC Bank once again featured amongst India's Best Workplaces in BFSI, 2022.

## Merger

As you are all aware, your Bank has announced a composite of scheme of amalgamation of HDFC Limited, along with its subsidiaries, into HDFC Bank Limited on April 4, 2022, subject to various regulatory approvals. We have spoken on several occasions about the rationale and merits of the merger. Housing Finance is going to be a huge growth opportunity and one of the key drivers of India's GDP over the next decade. With the advantage of lower cost of funds and the strong distribution network that we have built, among several other factors, there is huge merit in seizing this opportunity. A large and more stable balance sheet that the merger would create, would also enable us to step up our exposures and facilitate higher credit growth in the economy.

We have made necessary applications to various authorities. The Board is closely monitoring the merger process for approval of various aspects of the merger, as required by the legal process.

## Conclusion

To conclude, I would like to summarise that, given the anticipated resurgence of growth in GDP, the huge scale of the banking opportunity in India, the enormous strength of our franchise and our resilient balance sheet, we believe that we are extremely well poised to leverage the immense opportunities that lie ahead of us. We will achieve this by staying true to our core values of Customer Focus, Operational Excellence, Product Leadership, People and Sustainability, as well adhering to the highest standards of corporate governance.

Before I conclude, I would once again like to assure you that your Bank has in place the strategy and road map to achieve growth with stability and profitability. I feel a great sense of confidence in our ability to deliver robustly on the expectations of our customers, stakeholders and employees.

Last but not the least, on behalf of the Board members and the management, I would like to express Gratitude for the Guidance and support we have received from the Reserve Bank of India, other Government and regulatory agencies, our employees and our esteemed shareholders.



We understand your world

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