

HDFC Bank wins Best Asian Bank 2015

HDFC Bank is the newly crowned winner of this year's Best Asian Bank award, a **standout among the 15 winners of 2015 *FinanceAsia's* Country Awards programme** for generating high growth and steady profitability as well as maintaining a low nonperforming loans ratio and high asset quality.

Sukarm Bali, chief executive of HDFC Bank Hong Kong, accepted the award in front of roughly 150 peers attending the awards dinner held at the Ritz Carlton Hotel in Hong Kong on Thursday evening. HDFC Bank is one of India's largest financial institutions. It is also the country's most profitable and well-run private bank, with \$85.6 billion in assets including \$53 billion in loans for the fiscal year ending in March.

HDFC Bank has a reputation for stringent lending standards. Net nonperforming loans were only 0.27% of assets for fiscal 2014, in stark contrast to most Indian peers, which are grappling with bad loans. The Mumbai-based bank boasts an impressive multiyear history of steady earnings gains, partially thanks to low-cost deposits.

Return on assets meanwhile are 2%, as high as they have been over the past decade and a half, and the bank has been delivering steady net profit growth of at least 20% in the past eight quarters even when economic expansion was sluggish because of a pick-up in retail credit growth.

Mumbai to main street

HDFC Bank's small-town expansion plans should yield more high-quality auto and small-business loans. The bank has invested in infrastructure over the past three years, doubling the number of ATMs it operates, and boosting branch locations. This year, the bank — via organic expansion — has opened 611 branches, some 55% of which are in semi-urban and rural areas that were previously unbanked locations. Digital banking has been a focus area for the bank of late. With its digital banking platform, HDFC Bank is able to address customers who have access to the Internet and smart phones.

In 2014, 55% of its retail customers used Internet and mobile banking to complete their banking transactions, cutting errors and costs. This is significantly higher than the 3% recorded in 2001. HDFC Bank's stellar record has made it one of the world's most expensive banking stocks in recent years. It now trades at about four times price-to-book.

Judging criteria

FinanceAsia's Country Awards programme participants are required to meet certain criteria to be considered for the Best Asian Bank award. Our methodology looks at the totality of operations and management, with each country award winner further subject to a series of metrics deemed important to shareholders, regulators and borrowers. Ultimately, this award is bestowed on the bank that stands out among the

country award winners. Data provider SNL assists us in trawling through data sets on each bank, while *FinanceAsia* scores the institutions in key areas such as profitability, size and quality of assets, loan growth, and capital adequacy. We also took into account news flow through the year and strategy developments.