HDFC BANK LTD
Form 20-F
July 31, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 20-F

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended March 31, 2014

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

OR

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report

Commission file number 001-15216

HDFC BANK LIMITED

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant s name into English)

India

(Jurisdiction of incorporation or organization)

HDFC Bank House, Senapati Bapat Marg, Lower Parel, Mumbai 400013, India

(Address of principal executive offices)

Name: Sanjay Dongre, Executive Vice President (Legal) and Company Secretary

Telephone: 91-22-2490-2934 /or 91-22-2498-8484, Ext. 3473

Email: sanjay.dongre@hdfcbank.com

Address: 2nd floor, Process House, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai 400 013, India.

(Name, telephone, e-mail and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing three Equity Shares, Par value Rs. 2.0 per share	The New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: **Not Applicable**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **Not Applicable**

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report:

Equity Shares, as of March 31, 2014 2,399,050,435

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP x International Financial Reporting Standards as issued by the International Accounting Standards Board ¨ Other ¨

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow: Item 17 ¨ Item 18 ¨

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

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CROSS REFERENCE SHEET

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EXCHANGE RATES AND CERTAIN DEFINED TERMS

In this document, all references to we, us, our, HDFC Bank or the Bank shall mean HDFC Bank Limited or whe context requires also to its subsidiaries whose financials are consolidated for accounting purposes. References to the U.S. or United States are to the United States of America, its territories and its possessions. References to India are to the Republic of India. References to the Companies Act in the document mean the Companies Act, 1956 (to the extent such enactment remains in force) and the Companies Act, 2013 (to the extent notified as of the date of this report) and all rules and regulations issued thereunder. References to $ or US$ or dollars or U.S. dollars are to the legal currenc of the United States and references to Rs. or rupees or INR or Indian rupees are to the legal currency of India.

Our financial statements are presented in Indian rupees and in some cases translated into U.S. dollars. The financial statements and all other financial data included in this report, except as otherwise noted, are prepared in accordance with United States generally accepted accounting principles, or U.S. GAAP. US GAAP differs in certain material respects from accounting principles generally accepted in India, the requirements of India s Banking Regulation Act and related regulations issued by the Reserve Bank of India (RBI) (collectively Indian GAAP), which form the basis of our statutory general purpose financial statements in India. Principal differences insofar as they relate to us include: determination of the allowance for credit losses, classification and valuation of investments, accounting for deferred income taxes, stock-based compensation, employee benefits, loan origination fees, derivative financial instruments, business combinations and the presentation format and disclosures of the financial statements and related notes.

References to a particular fiscal year are to our fiscal year ended March 31 of such year.

Fluctuations in the exchange rate between the Indian rupee and the U.S. dollar will affect the U.S. dollar equivalent of the Indian rupee price of the equity shares on the Indian stock exchanges and, as a result, will affect the market price of our American Depositary Shares (ADSs) in the United States. These fluctuations will also affect the conversion into U.S. dollars by the depositary of any cash dividends paid in Indian rupees on the equity shares represented by ADSs.

After the INR depreciated sharply in fiscal 2009 on account of the global risk aversion that resulted in a substantial reduction in capital flows, it managed to recover in fiscal 2010. The recovery in fiscal 2010 was driven by a pickup in domestic growth prospects that attracted foreign funds and improvement in global risk appetite. In fiscal 2011, the rupee was range bound as capital flows just about managed to balance the drag from external debt servicing and the current account deficit. However, in fiscal year 2012, the INR depreciated coming under pressure amidst a widening current account deficit, thin capital inflows and rising global uncertainty spurred by lingering financial and economic instability in Europe and the USA. This trend continued in fiscal 2013. During fiscal 2014, the INR came under immense and sustained selling pressure driven by growing anxiety about domestic growth prospects and global risk aversion (the high and low during fiscal 2014 was Rs. 68.80 per US$ and Rs. 53.65 per US$ respectively). In recent months, however, the INR has appreciated and been fairly stable against the US dollar on expectations that the formation of a new government with a very strong mandate could spur additional market reforms that might in turn help revive growth prospects in the Indian economy.

The following table sets forth, for the periods indicated, information concerning the exchange rates between Indian rupees and U.S. dollars based on the noon buying rate in The City of New York:

Fiscal Year	Period End(1)	Average(1)(2)	High	Low
2010	44.95	47.39	50.48	44.94

2011	44.54	45.49	47.49	43.90
2012	50.89	47.81	53.71	44.00
2013	54.52	54.36	57.13	50.64
2014	60.00	60.35	68.80	53.65

(1) The noon buying rate at each period end and the average rate for each period differed from the exchange rates used in the preparation of our financial statements.

(2) Represents the average of the noon buying rate for all days during the period.

The following table sets forth the high and low noon buying rate for the Indian rupee for each of the previous six months:

Month	**Period End**	**Average**	**High**	**Low**
January 2014	62.63	62.11	63.09	61.45
February 2014	61.78	62.16	62.63	61.78
March 2014	60.00	60.95	62.17	59.89
April 2014	60.21	60.35	61.17	59.86
May 2014	59.16	59.28	60.21	58.30
June 2014	60.06	59.74	60.32	59.15

Although we have translated selected Indian rupee amounts in this document into U.S. dollars for convenience, this does not mean that the Indian rupee amounts referred to could have been, or could be, converted to U.S. dollars at any particular rate, the rates stated above, or at all. Unless otherwise stated, all translations from Indian rupees to U.S. dollars are based on the noon buying rate in the City of New York for cable transfers in Indian rupees at US$1.00 = Rs. 60.00 on March 31, 2014. The noon buying rate on July 18, 2014 was Rs. 60.33 per US$1.00.

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FORWARD-LOOKING STATEMENTS

We have included statements in this report which contain words or phrases, such as will , aim , believe , expect , wil continue , anticipate , estimate , intend , plan , future , objective , project , should , and similar expressions 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, any penalties imposed by the RBI, the future impact of new accounting standards, our ability to pay dividends, the impact of changes in banking regulations and other regulatory changes in India and other jurisdictions on us, 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. Our forward looking statements speak only as of the date on which they are made and we do not undertake any obligation, and we do not intend, to update or revise any forward looking statements to reflect events or circumstances after the date in the statement, even if our expectations or any related events or circumstances change.

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 the global financial crisis and problems in the Eurozone countries, any downgrade in India s debt rating or the debt rating of our borrowings, terrorist attacks 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, 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. For further discussion on the factors that could cause actual results to differ, see Risk Factors .

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BUSINESS

Overview

We are a new generation private sector bank in India. Our goal is to be the preferred provider of financial services to upper and middle income individuals and corporations in India. Our strategy is to provide a comprehensive range of financial products and services to our customers through multiple distribution channels, with what we believe is high quality service and superior execution. We have three principal business activities: retail banking, wholesale banking and treasury operations.

We have grown rapidly since commencing operations in January 1995. In the five years ended March 31, 2014, we expanded our operations from 1,412 branches and 3,295 Automated Teller Machines (ATMs) in 528 cities/towns to 3,403 branches and 11,256 ATMs in 2,171 cities/towns. During the same five year period, our customer base increased from 18.3 million customers to 28.9 million customers. On account of the expansion in our geographical reach and the resultant increase in market penetration, our assets have grown from Rs. 2,020.7 billion as of March 31, 2009 to Rs. 5,125.4 billion as of March 31, 2014. Our net income has increased from Rs. 15.1 billion for fiscal 2009 to Rs. 79.3 billion for fiscal 2014.

Our financial condition and results of operations are affected by general economic conditions prevailing in India. The Indian economy underwent yet another challenging environment in 2013-14 driven by subdued domestic growth, extreme volatility in the exchange rate and a much higher than expected spike in inflation rates. While domestic GDP growth did show a marginal improvement from 4.5% (YoY) in fiscal 2013 to 4.7% in fiscal 2014 (estimated), most of the increase can be attributed to an increase in agricultural growth from 1.4% to 4.2%. Growth in both the industrial sector and service sector remained lackluster due to weakness in both consumption and investment demand. A major problem for the economy in first half of fiscal 2014 was a very aggressive and disorderly bout of currency depreciation. The Indian rupee weakened to its lowest level against the US dollar driven by concerns about the domestic macroeconomic landscape that made investors somewhat circumspect of investing in domestic assets. However, the anxiety about the future direction of US monetary policy due to the U.S. Federal Reserve preparing the markets for a gradual wind-down of the third round of quantitative easing (QE 3) resulted in an overall outflow of funds from European markets. The Indian rupee also fell victim to this rotation of funds away from European markets and into US markets. To counter pressures of currency depreciation, the RBI in July 2014 introduced a series of emergency measures to tighten domestic liquidity in order to raise short-term rates to provide the Indian rupee with some yield advantage. These measures resulted in an inversion of the yield curve. The RBI also provided various incentives to commercial banks to raise foreign currency non-residents (FCNR) deposits which resulted in foreign currency flows of US$ 34 billion into the country. The RBI gradually removed these emergency measures when the exchange rate showed some signs of stability in second half of fiscal 2014. However, the RBI hiked the repo rate by approximately 75 bps over the course of fiscal 2014 in part to counter exchange rate depreciation as well as to fight inflation pressures as consumer price index (CPI) inflation touched a high 11.24% in November 2013.

However, in the fourth quarter of fiscal 2014 there were some signs of an improvement in the overall domestic macroeconomic landscape that in turn provided some stability to the Indian rupee. For one, inflation pressures subsided because of a reduction in food price inflation. The government appeared to have stuck to its promise of fiscal consolidation by reducing the fiscal deficit to GDP ratio from 4.9% in fiscal 2013 to 4.6% in fiscal 2014. Lastly, there has been a significant improvement in the current account deficit that has compressed from 4.8% of GDP in fiscal 2013 to a possible 1.9% of GDP in fiscal 2014. The improvement in the current account position can partially be attributed to a substantial compression in the trade deficit as imports fell by 6.7%. Going forward, the forecasts are based on expectations that the new government with a strong mandate could spur the reform process. This might in turn help revive growth prospects in the Indian economy and that domestic growth could increase to around 5.5%.

However, downside risks remain primarily from an unfavorable monsoon season that could adversely affect the agricultural sector and result in a further escalation in food price inflation. Notwithstanding our pace of growth, we believe we have maintained a strong balance sheet and a low cost of funds. As of March 31, 2014, net non-performing customer assets (which consist of loans and credit substitutes) constituted 0.6% of net customer assets. In addition, our net customer assets represented 88.6% of our customer deposits and customer deposits represented 71.6% of our total liabilities and shareholders equity. The average non-interest bearing current accounts and low-interest bearing savings accounts represented 42.1% of total deposits for fiscal 2014. These low-cost deposits and the cash float associated with our transactional services, led to an average cost of funds including equity for fiscal 2014 of 5.1%.

We are part of the HDFC group of companies established by our principal shareholder, Housing Development Finance Corporation Limited (HDFC Limited), a listed public limited company established under the laws of India. HDFC Limited is primarily engaged in financial services, including mortgages, property-related lending and deposit services. The subsidiaries and associated companies of HDFC Limited are also largely engaged in a range of financial services, including asset management, life insurance and other insurance. HDFC Limited and its subsidiaries owned 22.6% of our outstanding equity shares as of March 31, 2014. Our Chairman and Managing Director were nominated by HDFC Limited and appointed with the approval of our shareholders and the Reserve Bank of India (RBI). Mr. Keki Mistry Vice Chairman and Chief Executive Officer of HDFC Limited, and Mrs. Renu Karnad Managing Director of HDFC Limited are members of our Board of Directors. See also Principal Shareholders . We have no agreements with HDFC Limited or any of its group companies that restrict us from competing with them. We currently distribute products of HDFC Limited and its group companies, such as home loans of HDFC Limited, life and general insurance products of HDFC Standard Life Insurance Company Limited and HDFC ERGO General Insurance Company Limited respectively and mutual funds of HDFC Asset Management Company Limited.

We had a cash outflow of approximately Rs. 7.9 billion, Rs. 10.0 billion and Rs. 9.7 billion in fiscals 2012, 2013 and 2014, respectively, principally for property, plant and equipment, including our branch network expansion and our technology and communications infrastructure. We have current plans for aggregate capital expenditures of approximately Rs. 8.1 billion in fiscal 2015. This budgeted amount includes Rs. 2.5 billion to expand our branch and back office network, Rs. 0.1 billion to expand our electronic data capture terminal network and Rs. 3.1 billion to upgrade and expand our hardware, data center, network and other systems. We may use these budgeted amounts for other purposes depending on, among other factors the business environment prevailing at the time, consequently our actual capital expenditures may be higher or lower than our budgeted amounts.

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We have two subsidiaries as per local laws: HDFC Securities Limited (HSL) and HDB Financial Services Limited (HDBFSL). HSL is primarily in the business of providing brokerage services through the internet and other channels. HDBFSL is a non-deposit taking non-bank finance company (NBFC). We have consolidated the financial statements of Atlas Documentary Facilitators Company Private Ltd. (ADFC), which provides back office transaction processing services, in our U.S. GAAP financial statements.

Our principal corporate and registered office is located at HDFC Bank House, Senapati Bapat Marg, Lower Parel, Mumbai 400 013, India. Our telephone number is 91-22-6652-1000. Our agent in the United States for the 2001, 2005 and 2007 ADS offerings is Depositary Management Corporation, 570 Lexington Avenue, 44th Floor, New York, NY 10022.

Our Competitive Strengths

We attribute our growth and continuing success to the following competitive strengths:

Our use of technology

We continued to make substantial investments in our technology platforms and systems and expand our electronically linked branch network. Our Bank s direct banking platforms continue to be stable and robust, supporting ever increasing transaction volumes, as customers adopt newer self-service technologies.

We successfully upgraded our retail core banking system to the latest technology platform. Continuing with the program from the previous fiscal year, our Bank migrated the remaining retail accounts to this new technology platform during fiscal 2014. The new retail core banking system, deployed on a more robust architecture, enabled the Bank to provide additional features to its customers and respond faster to business and market needs.

We have implemented state-of-the-art engineered systems technology for some of the important systems. The capacity of the electronic funds transfer (EFT) switch has been upgraded to cater to growing ATM and other payment transaction volumes and enhance scalability. We have doubled the capacity of our operational customer relationship management system, by implementing the latest version of its database engine and have doubled the number of possible concurrent users.

Live switch-over and switch-back drills of major IT applications have successfully been completed, as part of our Bank s Business Continuity and Disaster Recovery management strategy, thereby enhancing our Bank s readiness in responding to emergency situations. These switch-over and switch-back drills have also been successfully completed for the new retail core banking system.

We deliver high quality service with superior execution

We continued to improve on Service Quality (SQ) across various customer contact points, including retail branches, ATMs and phone banking. With a view to ensure comprehensive improvement, we have extended SQ initiatives to the back office support functions as well. Our SQ team s responsibilities include workplace organization, lobby management, handling of complaints, turn-around times and compliance with the Bank s internal processes as well as regulatory processes pertaining to customer service. The SQ team undertakes improvement projects at Retail branches using the Lean Sigma methodology for improving turn-around times, process re-engineering, first time right (FTR) for customer instructions/account opening forms, customer satisfaction improvement and cost reduction.

We have augmented training and skill development programs to enable and empower employees to deliver a higher quality of customer service. We have also integrated certain technology platforms to provide a seamless and smooth service experience to our customers, for example, the complaints management module has been integrated within the core Customer Relationship Management (CRM) system. Our focus on knowledgeable and personalized service, we believe, draws customers to our products and increases existing customer loyalty.

Many of our operational processes are certified under the International Organization for Standardization (ISO) 9001:2008. This certification requires the underlying processes to be robust, effective and efficient. The ISO certification ensures that: (a) we have a set of procedures that cover key processes; (b) our processes are monitored to ensure effectiveness with a focus on maximizing customer satisfaction; (c) adequate records are maintained and (d) outputs are monitored for any defects which provide triggers for continual improvement in service experience through root cause remediation.

We have taken various steps to improve the effectiveness of our grievance handling mechanism across our delivery channels. We periodically review the effectiveness of our overall customer service initiatives and grievance handling in particular at different levels within the Bank including at the Board level.

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We offer a wide range of products to our clients in order to service their banking needs

Whether in retail or wholesale banking, we consider ourselves a one-stop shop for our customers banking needs. Our retail banking products range from retail loans to deposit products and other products and services, such as private banking, depositary accounts, foreign exchange services, distribution of third party products (such as insurance and mutual funds), bill payments and sale of precious metals (such as gold and silver). In addition we offer our customers broking accounts through our subsidiary HSL. On the wholesale banking side we offer customers working capital loans, term loans, bill collections, investment banking services, letters of credit and guarantees and foreign exchange and derivative products. In addition we offer a range of deposit and transaction banking services such as cash management, custodial and clearing bank services and correspondent banking. We collect taxes for the government and are bankers to issuances of equity shares and bonds to the public by companies. Our wide range of products creates multiple cross-selling opportunities for us and, we believe, improves our customer retention rates.

We have an experienced management team

Many of the members of our senior management team have been with us since our inception. They have substantial experience in banking across various countries and share our common vision of excellence in execution. We believe this team is well suited to leverage the competitive strengths we have already developed as well as to create new opportunities for our business. See also Management .

Our Business Strategy

Our business strategy emphasizes the following elements:

Increase our market share of India s expanding banking and financial services industry

In addition to benefiting from the overall growth in India s economy and financial services industry, we believe we can increase our market share by continuing to focus on our competitive strengths. We also aim to increase geographic and market penetration by expanding our branch and ATM networks and increasing our efforts to cross-sell our products.

Maintain strong asset quality through disciplined credit risk management

We have maintained high quality loan and investment portfolios through careful targeting of our customer base, and by putting in place what we believe are comprehensive risk assessment processes and diligent risk monitoring and remediation procedures. Our ratio of gross non-performing customer assets to customer assets was 1.2% as of March 31, 2014 and our net non-performing customer assets amounted to 0.6% of net customer assets. In addition, we have restructured the payment terms of certain loans. As of March 31, 2014, these represented 0.1% of our gross customer assets. We believe we can maintain strong asset quality appropriate to the loan portfolio composition, while achieving growth.

Maintain a low cost of funds

We believe we can maintain a relatively low-cost funding base as compared to our competitors, by leveraging on our strengths and expanding our base of retail savings and current deposits and increasing the free float generated by transaction services, such as cash management and stock exchange clearing. During fiscal 2014, our average cost of funds (including equity) was 5.1%.

Focus on high earnings growth with low volatility

Our net income has grown at a compounded average rate of 39.3% during the five-year period ended March 31, 2014. We intend to maintain our focus on steady earnings growth through conservative risk management techniques and low-cost funding. In addition, we aim not to rely heavily on volatile streams of income such as those from trading and other big ticket fees (such as those from investment banking) so as to maintain earnings growth.

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Our Principal Business Activities

Our principal business activities consist of retail banking, wholesale banking and treasury operations. The following table sets forth our net revenues attributable to each area for the last three years.

	Year ended March 31,						
	2012		2013		2014		
	(in millions, except percentages)						
Retail banking	Rs.140,761.6	82.2%	Rs. 173,367.6	82.7%	Rs.199,306.9	US$ 3,321.8	81.0%
Wholesale banking	29,098.7	17.0%	32,100.7	15.3%	39,302.8	655.0	16.0%
Treasury operations	1,289.9	0.8%	4,097.6	2.0%	7,368.8	122.8	3.0%
Net revenue	Rs.171,150.2	100.0%	Rs. 209,565.9	100.0%	Rs.245,978.5	US$ 4,099.6	100.0%

Retail Banking

Overview

We consider ourselves a one-stop shop for the financial needs of upper and middle income individuals. We provide a comprehensive range of financial products including deposit products, loans, credit cards, debit cards, third-party mutual funds and insurance products, investment advice, bill payment services and other services. Our retail banking loan products include loans to small and medium enterprises for commercial vehicles, construction equipment and other business purposes, which together account for more than a third of our total retail banking loans. We group these loans as part of our retail banking business considering, among other things, the customer profile, the nature of the product, the differing risks and returns, our organization structure and our internal business reporting mechanism. Such grouping ensures optimum utilization and deployment of specialized resources in our retail banking business. We also have specific products designed for lower income individuals through our Sustainable Livelihood Initiative (SLI). Through this initiative, we reach out to the un-banked and under-banked segments of the Indian population.

We market our services aggressively through our branches and alternate sales channels, as well as through our relationships with automobile dealers and corporate clients. We seek to establish a relationship with a retail customer and then expand it by offering more products. As part of our growth strategy we continue to expand our distribution channels so as to make it easier for the customer to do business with us. We believe this strategy, together with the general growth of the Indian economy and the Indian upper and middle classes, affords us significant opportunities for growth.

As of March 31, 2014, we had 3,403 branches and 11,256 ATMs in 2,171 cities/towns. We also provide telephone banking, internet and mobile banking to our customers. We plan to continue to expand our branch and ATM network as well as our other distribution channels, subject to regulatory guidelines/approvals.

Retail Loans and Other Asset Products

We offer a wide range of retail loans, including loans for the purchase of automobiles, personal loans, retail business banking loans, loans for the purchase of commercial vehicles and construction equipment finance, two-wheeler loans, credit cards and loans against securities. Our retail loans were 67.8 % of our gross loans of which 18.2% were unsecured as of March 31, 2014. Apart from our branches, we use our ATM screens and the internet to promote our loan products and we employ additional sales methods depending on the type of products. We perform our own credit analyses of the borrowers and the value of the collateral. See Risk Management Credit Risk Retail Credit Risk . We also buy mortgage and other asset-backed securities and invest in retail loan portfolios through assignments. In addition to taking collateral in many cases, we generally obtain post-dated checks covering all payments at the time a retail loan is made. It is a criminal offence in India to issue a bad check. We also sometimes obtain instructions to debit the customer s account directly for making of payments. However, unsecured personal loans are still a greater credit risk for us than our secured loan portfolio because they are not supported by any collateral. We may be unable to collect in part or at all on an unsecured personal loan in the event of non-payment by the borrower. Accordingly, personal loans are granted at a higher loan yield since they carry a higher credit risk as compared to secured loans. Also see Risk Factors *Our unsecured loan portfolio is not supported by any collateral that could help ensure repayment of the loan, and in the event of non-payment by a borrower of one of these loans, we may be unable to collect the unpaid balance* .

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The following table shows the value and share of our retail credit products:

	At March 31, 2014 Value (in millions)		% of Total Value
Retail Loans:			
Auto loans	Rs. 407,811.6	US$ 6,796.9	18.5%
Personal loans / Credit Cards	347,393.8	5,789.9	15.8%
Retail business banking	519,472.2	8,657.9	23.6%
Commercial vehicle and construction equipment finance	280,372.2	4,672.9	12.7%
Housing loans	193,180.5	3,219.7	8.8%
Other Retail Loans	440,107.4	7,335.0	20.0%
Total retail loans	2,188,337.7	36,472.3	99.3%
Mortgage-backed securities	1,834.4	30.6	0.1%
Asset-backed securities	14,243.4	237.4	0.6%
Total retail assets	Rs. 2,204,415.5	US$ 36,740.3	100.0%

Note: The figures above exclude securitized-out receivables. Mortgaged-backed securities and asset-backed securities are reflected at fair values.

Auto Loans

We offer loans at fixed interest rates for financing new and used automobile purchases. In addition to our general marketing efforts for retail loans, we market this product through our relationships with car dealers, direct sales agents, corporate packages and joint promotion programs with automobile manufacturers.

Personal Loans / Credit Cards

We offer unsecured personal loans at fixed rates to specific customer segments, including salaried individuals and self-employed professionals. In addition, we offer unsecured personal loans to small businesses and individual businessmen.

We also offer credit cards from the VISA and MasterCard stable, including gold, silver, corporate, platinum, titanium, signature, infinite, regalia, superia and world credit cards. During fiscal 2014, the Bank launched three premium variants of credit cards under the Diners brand under an exclusive arrangement with Diners. This will enable the Bank to cater to the specific needs of super-premium customers requiring global card benefits. We had approximately 5.1 million cards outstanding as of March 31, 2014, as against 6.4 million as of March 31, 2013 as a result of rationalization exercise of the bank to identify and eliminate inactive cards and focus more on card activation.

Retail Business Banking

We address the borrowing needs of the community of small businessmen primarily located near our bank branches by offering facilities such as credit lines, term loans for expansion or addition of facilities and discounting of receivables. We classify these business banking loans as a retail product. Such lending is typically secured with current assets as well as immovable property and fixed assets in some cases. We also offer letters of credit, guarantees and other basic trade finance products, foreign exchange and cash management services to such businesses.

Commercial Vehicles and Construction Equipment Finance

We provide secured financing for commercial vehicles and provide working capital, bank guarantees and trade advances to transport operators. In addition to funding domestic assets, we also finance imported assets for which we open foreign letters of credit and offer treasury services, such as forward exchange covers. We coordinate with manufacturers to jointly promote our financing options to their clients.

Housing Loans

We provide home loans through an arrangement with HDFC Limited. Under this arrangement we sell loans provided by HDFC Limited through our branches. HDFC Limited approves and disburses the loans, which are kept on in their books, and we receive a sourcing fee for these loans. We have an option but not an obligation to purchase up to 70% (or 55% in case all the loans purchased qualified for priority sector lending) of the fully disbursed home loans sourced under this arrangement through either the issue of mortgage backed pass through certificates (PTCs) or a direct assignment of loans. The balance will be retained by HDFC Limited.

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Other Retail Loans

Two-Wheeler Loans