HDFC BANK LTD
Form 20-F
July 29, 2016
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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, 2016

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, 2016 2,528,186,517

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 curren of the United States and references to Rs. , INR , rupees 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. U.S. 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.

In fiscal 2012, the Indian rupee 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 United States. This trend continued in fiscal 2013. During fiscal 2014, the rupee came under immense and sustained selling pressure driven by growing anxiety about domestic growth prospects and global risk aversion. The rupee depreciated in fiscal 2014 by 10.1%. Investor expectations that reforms implemented by India s government will lead to an improvement in the long-term growth outlook helped to improve the rupee s performance, reducing the depreciation trend to 3.85% in fiscal 2015. During fiscal 2016 the rupee depreciated by 6.32% (the high and low during fiscal 2016 were Rs. 68.84 per US$1.00 and Rs 61.99 per US$1.00, respectively) primarily reflecting global risk aversion and a strong U.S. dollar. 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 for cable transfers of Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York:

Fiscal Year	Period End(1)	Average(1)(2)	High	Low
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
2015	62.31	61.11	63.67	58.30
2016	66.25	65.39	68.84	61.99

(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.

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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 2016	67.87	67.33	68.08	66.49
February 2016	68.21	68.24	68.84	67.57
March 2016	66.25	66.89	67.75	66.25
April 2016	66.39	66.42	66.70	66.05
May 2016	67.12	66.89	67.59	66.36
June 2016	67.51	67.27	67.92	66.51

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. 66.25 on March 31, 2016. The Federal Reserve Bank of New York certifies this rate for customs purposes on each date the rate is given. The noon buying rate on July 22, 2016 was Rs. 67.19 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, will likely result, believe, expect, will continue, anticipate, estimate, intend, plan, contemplate, seek to, future, ob 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 the other countries which have an impact on our business activities or investments caused by any factor, including 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 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. 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 across metro, urban, semi-urban and rural markets. Our strategy is to provide a comprehensive range of financial products and services to our customers through multiple distribution channels, with what we believe are high quality service, advanced technology platforms 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, 2016, we expanded our operations from 1,986 branches and 5,471 Automated Teller Machines (ATMs) in 996 cities/towns to 4,520 branches and 12,000 ATMs in 2,587 cities/towns. During the same five-year period, our customer base increased from 21.9 million customers to over 37 million customers. On account of the expansion in our geographical reach and the resultant increase in market penetration, our assets have grown from Rs. 2,920.2 billion as of March 31, 2011 to Rs. 7,736.7 billion as of March 31, 2016. Our net income has increased from Rs. 41.2 billion for fiscal 2011 to Rs. 117.9 billion for fiscal 2016.

Our financial condition and results of operations are affected by general economic conditions prevailing in India. The macroeconomic conditions in India continued to improve in fiscal 2016. Despite the slowdown in global growth and two consecutive years of monsoon shortfall, the Indian economy recorded a growth rate of 7.6%, its highest growth rate in five years, according to the Indian Central Statistics Office (CSO). The average level of CPI inflation declined from 6.0% in fiscal 2015 to 4.9% in fiscal 2016, domestic manufacturing growth improved to a robust 9.5% in fiscal 2016 compared to 5.5% in fiscal 2015 (CSO estimate), and foreign direct investment (FDI) into the country increased by 28.0%. A range of supply-side measures, including prudent food stock management, appropriate monetary policy action and subdued global commodity prices, aided the decline in inflation. In addition, initiatives such as Make in India , certain power sector reforms, the liberalization of FDI rules, higher government capital expenditure and enduring levels of urban consumption supported the overall growth momentum.

Export growth declined from 1.7% in fiscal 2015 to negative 5.2% in fiscal 2016 primarily on account of weak external demand and the value impact of low commodity prices. Similarly, muted domestic demand growth (including rural consumption and private investment) and subdued international commodity prices helped keep India s external and fiscal balances in check. The current account deficit remained low and broadly unchanged at 1.5% of GDP, while the fiscal gap declined from 4.1% of GDP in fiscal 2015 to 3.9% of GDP in fiscal 2016.

The focus of fiscal policy in the coming year is on the revival of the rural economy and a sustained increase in capital expenditure. In addition, increased government spending through various social sector programs, the implementation of the recommendations of the Seventh Pay Commission for higher public sector wages, and the upturn in the rural economy supported by a normal monsoon should pave the way for an increase in domestic demand.

The Reserve Bank of India s (RBI) accommodative monetary policy, including a focus on more effective transmission of policy rate reductions, taken together with further structural reforms from the government, should, on balance, lead to an improvement in the growth-inflation mix for fiscal 2017. Accordingly, headline GDP growth could increase to 7.8% in fiscal 2017 from 7.6% in fiscal 2016, which may, in turn, lead to an improvement in domestic credit growth, which picked-up from 8.4% in fiscal 2015 to 10.6% in fiscal 2016.

Notwithstanding the pace of growth in India, we believe we have maintained a strong balance sheet and a low cost of funds. As of March 31, 2016, net non-performing customer assets (which consist of loans and credit substitutes) constituted 0.4% of net customer assets. In addition, our net customer assets represented 95.9% of our deposits and our deposits represented 70.5% of our total liabilities and shareholders equity. The average non-interest bearing current accounts and low-interest bearing savings accounts represented 38.2% of total deposits for the period ended March 31, 2016. These low-cost deposits and the cash float associated with our transactional services led to an average cost of funds (including equity) for fiscal 2016 of 4.9%.

We had a cash outflow of approximately Rs. 9.7 billion, Rs. 8.9 billion and Rs. 10.0 billion in fiscals 2014, 2015 and 2016, respectively, principally for property, plant and equipment, including our branch network expansion and our technology and communications infrastructure. We have budgeted for approximately Rs. 12.0 billion of aggregate capital expenditure in fiscal 2017. This amount includes Rs. 2.9 billion to expand our branch and back office network, Rs. 1.1 billion to expand our ATM network and Rs. 4.8 billion to upgrade and expand our hardware, data center, network and other systems. The balance will be primarily used to add new equipment in our existing premises, expand our existing premises and relocate our branches and back offices. We may use these budgeted amounts for other purposes depending on, among other factors, the business environment prevailing at the time. As a result, our actual capital expenditures may be higher or lower than the budgeted amounts.

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HDFC Bank was incorporated in August 1994 and commenced operations as a scheduled commercial bank in January 1995. In 2000, we merged with Times Bank Limited and, in 2008, we acquired Centurion Bank of Punjab (CBoP). 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 21.5% of our outstanding equity shares as of March 31, 2016. Our Chairperson and Managing Director are nominated by HDFC Limited and appointed with the approval of our shareholders and the RBI. In addition, 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 and have been appointed independent of HDFC Limited s entitlement to nominate two directors. See also the section *Principal Shareholders* . We have no agreements with HDFC Limited or any of its group companies that restrict us from competing with them or that restrict HDFC Limited or any of its group companies from competing with our business. 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 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 and other investment services through the internet and other channels. HDBFSL is a non-deposit taking non-banking finance company (NBFC) engaged primarily in the business of retail asset financing. 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, 2007 and 2015 ADS offerings is Depositary Management Corporation, 570 Lexington Avenue, New York, NY 10022.

Our Competitive Strengths

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

We have a strong brand and extensive reach through a large distribution network

We believe our HDFC Bank brand is one of the strongest brands in the Indian banking industry and we were acknowledged as the most valuable brand in India for the second consecutive year in a study conducted by WPP s marketing and brand consultancy, Millward Brown. In addition, we were featured as the only Indian brand in the 2016 Brandz™ Top 100 Most Valuable Global Brands ranking released by WPP and Millward Brown. We have capitalized on our strong brand by establishing an extensive branch network throughout India serving a broad range of customers in urban, semi-urban and rural regions. As of March 31, 2016, we had 4,520 branches and 12,000 ATMs in 2,587 cities and towns and over 37 million customers. Our branch network is further complemented by our digital strategy, including online and mobile banking solutions, to provide our customers with access to on-demand banking services, which we believe allows us to develop strong and loyal relationships with our customers.

We provide a wide range of products and high quality service to our clients in order to meet their banking needs

Whether in retail banking, wholesale banking or treasury operations, we consider ourselves a one-stop shop for our customers banking needs. This includes the services that we can provide to our customers, both directly and indirectly through back-office operational execution and the range of products we offer. We consider our high quality service to be a vital component of our business and believe in pursuing excellence in execution through multiple internal initiatives focused on continuous executional improvements. This pursuit of high quality service and operational execution directly supports our ability to offer a wide range of banking products. 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 sales of gold and silver bullion. In addition, we offer our customers brokerage accounts through our subsidiary HSL. On the wholesale banking side, we offer customers working capital loans, term loans, bill collections, letters of credit and guarantees and foreign exchange and derivative products. We also 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 companies in respect of issuances of equity shares and bonds to the public. We are able to provide this wide range of products across our branch network, meaning we can provide our targeted rural customers with banking products and services similar to those provided to our urban customers, which we believe gives us a competitive advantage. Our wide range of products and focus on superior service and execution also create multiple cross-selling opportunities for us and, we believe, promote customer retention.

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We have achieved robust and consistent financial performance while preserving asset quality during our growth

On account of our superior operational execution, broad range of products, expansion in our geographical reach and the resultant increase in market penetration through our extensive branch network, our assets have grown from Rs. 6,259.0 billion as of March 31, 2015 to Rs. 7,736.7 billion as of March 31, 2016. Our net income has increased from Rs. 99.2 billion for fiscal 2015 to Rs. 117.9 billion for fiscal 2016. In addition to the significant growth in our assets and net revenue, we remain focused on maintaining a high level of asset quality. Our gross non-performing customer assets as a percentage of total customer assets was 1.0% as of March 31, 2016 and our net non-performing customer assets was 0.4% of net customer assets. Our net interest margin was 4.8% in fiscal 2015 and 4.6% in fiscal 2016, net income as a percentage of average total shareholders equity was 16.1% in fiscal 2015 and 14.4% in fiscal 2016 and net income as a percentage of average total assets was 1.9% in fiscal 2015 and 1.7% in fiscal 2016. Our current and savings account deposits as a percentage of our total deposits were 43.3% as of March 31, 2016.

We have an advanced technology platform

We continue to make substantial investments in our advanced technology platform and systems and expand our electronically linked branch network. We have implemented mobile data based networking options in semi-urban and rural areas where telecom infrastructure and data connectivity are weak. These networks have enabled us to improve our core banking services in such areas and provide a link between our branches and data centers.

We are constantly working to develop new technology and improve the digital aspects of our business. Certain major technological developments include the introduction of our bilingual mobile banking application and person-to-person smartphone payment solution, Chillr, the introduction of PayZapp with SmartBuy, a comprehensive and convenient secure payment system to improve our e-commerce processing capabilities, and the creation of a virtual relationship manager for high net worth customers. Continuing this important theme of digitization, we have appointed a dedicated digital innovation team to research and experiment with technology and, in March 2016, hosted the first Digital Innovation Summit to attract new talent and business opportunities from the financial technology space.

In addition, we have developed robust data analytics capabilities that allow us to market and cross-sell our products to customers through both traditional relationship management and interactive, on-demand methods depending on how particular customers choose to interact with us. We have also implemented state-of-the-art engineered systems technology for some of the important backend operational systems, including doubling the capacity of our operational customer relationship management system. We believe that our direct banking platforms are stable and robust, enabling new ways to connect with our customers to cross-sell various products and improve customer retention.

We have an experienced management team

Many of the members of our management have had a long tenure with us, which gives us a deep bench of experienced managers. They have substantial experience in banking or other industries and share our common vision of excellence in execution. Having a management team with such breadth and depth of experience is well suited to leverage the competitive strengths we have already developed across our large, diverse and growing branch network as well as allowing our management team to focus on creating new opportunities for our business. See also the section *Management* .

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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, including our strong HDFC Bank brand and our extensive branch and ATM networks, to increase our market penetration.

Increase our geographical reach

As of March 31, 2016, we had 4,520 branches, 12,000 ATMs in 2,587 cities and towns. We believe we can continue expanding our branch footprint, particularly by focusing on rural and semi-urban areas. We believe these areas represent a significant opportunity for our continued growth as we expand banking services to those areas which have traditionally been underserved and which, by entering such markets, will enable us to establish new customer bases. We also believe that delivering banking services which are integrated with our existing business and product groups helps us to provide viable opportunities to the sections of the rural and semi-urban customer base that is consistent with our targeted customer profile throughout India.

Cross-sell our broad financial product portfolio across our customer base

We are able to offer our complete suite of financial products across our branch network, including in our rural locations. By matching our broad customer base with our ability to offer our complete suite of products to both rural and urban customers across the retail banking, wholesale banking and treasury product lines, we believe that we can continue to generate organic growth by cross-selling different products by proactively offering our customers complementary products as their relationships with us develop and their financial needs grow and evolve.

Continue our investments in technology to support our digital strategy

We believe the increased availability of internet access and broadband connectivity across India requires a comprehensive digital strategy to proactively develop new methods of reaching our customers. As a result, we are continuously investing in technology as a means of improving our customers banking experience, offering them a range of products tailored to their financial needs and making it easier for them to interact with their banking accounts with us. We believe our culture of innovation and development to be crucial to remaining competitive. As part of our dedication to digitization and technological development, we have appointed a digital innovation team to research, develop and experiment with new technologies, and, in March 2016, we hosted a Digital Innovation Summit to tap into emerging technological trends that are shaping the financial technology space.

While we currently provide a range of options for customers to access their accounts, including net banking, telephone banking, and banking applications on mobile devices, we believe additional investments in our technology infrastructure to further develop our digital strategy will allow us to cross-sell a wider range of products on our digital platform in response to our customers needs and thereby expand our relationship with our customers across a range of customer segments. We believe a comprehensive digital strategy will provide benefits in developing long-term customer relationships by allowing customers to interact with us and access their accounts wherever and whenever they desire.

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 gross non-performing customer assets as a percentage of total customer gross assets was 1.0% as of March 31, 2016 and our net non-performing customer assets as a percentage of net customer assets was 0.4% as of March 31, 2016. As of March 31, 2016, our gross restructured loans as a percentage of gross non-performing loans were 8.0%. 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 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. Our average cost of funds (including equity) was at 5.0% for fiscal 2015 and 4.9% for the fiscal 2016.

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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,						
	2014		2015		2016		
	(in millions, except percentages)						
Retail banking	Rs.199,306.9	81.0%	Rs.245,670.7	82.2%	Rs.304,223.4	US$ 4,592.0	82.7%
Wholesale banking	39,302.8	16.0%	45,416.6	15.2%	48,340.9	729.7	13.1%
Treasury operations	7,368.8	3.0%	7,910.3	2.6%	15,099.8	227.9	4.2%
Net revenue	Rs.245,978.5	100.0%	Rs.298,997.6	100.0%	Rs.367,664.1	US$ 5,549.6	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 actively market our services 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 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, 2016, we had 4,520 branches and 12,000 ATMs in 2,587 cities and 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.

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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 69.3% of our gross loans of which 18.8% were unsecured as of March 31, 2016. Apart from our branches, we use our ATMs 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 analysis of the borrowers and the value of the collateral if the loan is secured. 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 offense in India to issue a bad check. We also occasionally obtain instructions to debit the customer s account directly for making payments. Our unsecured personal loans, which are not supported by any collateral, are a greater credit risk for us than our secured loan portfolio. 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 contracted interest rate 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* .

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

	At March 31, 2016 Value (in millions)		% of Total Value
Retail Assets:			
Auto loans	Rs. 589,010.3	US$ 8,890.7	16.9%
Personal loans / Credit Cards	626,152.2	9,451.4	18.0%
Retail business banking	791,857.3	11,952.6	22.8%
Commercial vehicle and construction equipment finance	369,992.4	5,584.8	10.6%
Housing loans	318,692.0	4,810.4	9.2%
Other Retail Loans	762,861.5	11,514.8	21.9%
Total retail loans	3,458,565.7	52,204.7	99.4%
Mortgage-backed securities	667.7	10.1	%
Asset-backed securities	19,179.8	289.5	0.6%
Total retail assets	Rs. 3,478,413.2	US$ 52,504.3	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.

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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 ranges, including gold, silver, corporate, platinum, titanium, signature, infinite, regalia, superia and world credit cards. During fiscal 2016, the Bank launched three co-brand premium variants under the Diners brand along with Jet, Snap deal, and Maruti Nexa. This enables the Bank to cater to the specific needs of super-premium customers requiring global card benefits. We had approximately 6.0 million and 7.3 million cards outstanding as of March 31, 2015 and March 31, 2016, respectively.

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