



## FOUNDER MD & CEO'S STATEMENT

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Over the last two years, the Government has taken several steps to ensure a steady revival in economic growth. The positive implications of its proactive steps were visible in the country's stable macroeconomic fundamentals for the fiscal 2016, which were further supported by a comfortable current account deficit, manageable fiscal deficit and low crude prices.

In its continued pursuit of fiscal consolidation, the Government has set a fiscal deficit target of 3.5% of GDP for FY17. Against such a backdrop, the easing of monetary policy will hinge on domestic and international factors, with inflation and monsoons playing a key role.

In the recent Union Budget of February 2016, the Government spelt out its agenda for transforming India, a key component of which is a significant step up in public investments in rural India, and in social and physical infrastructure. Public investment in infrastructure and energy is likely to go up to ₹ 246,246 crore in FY17

from ₹ 180,610 crore in FY16. A large share of this is to be directed to roads and railways with a view to enhancing efficiency in transportation of goods, thereby reducing the cost of logistics. Government investment in agriculture and irrigation has also been increased from ₹ 25,988 crore in FY16 to ₹ 54,212 crore in FY17. The expectation is that this should help improve the productivity of the farm sector, which is prone to droughts. Apart from this, the Government is expected to invest ₹ 25,000 crore during the year to recapitalize PSU banks. This will be critical for shoring up overall credit given that PSU banks still account for more than 70% of the system's total advances. The combined effect of these measures along with the Government's ambitious initiatives to liberalize our FDI regime, should improve the business climate restore some momentum to private corporate investment and strengthen the country's growth outlook.

The banking landscape in India is also changing with the Reserve Bank of India ('RBI') providing in-principle approval to small finance banks and payment banks. Small finance banks will offer basic banking services and lend to un-served and under-served sections including small business units, small and marginal farmers, micro and small industries and entities in the unorganized sector. On the other hand, payments banks will offer basic savings, deposit, payment and remittance services to people without access to the formal banking system. RBI has also floated the idea of allowing more differentiated banks, such as wholesale banks. Further, it proposes to allow Non-Banking Financial companies ('NBFCs'), experienced individuals, and companies that are not part of large conglomerates to seek bank licenses on tap.

For IDFC Bank, FY16 has been historic with the launch of the Bank by the Hon'ble Prime Minister Shri Narendra Modi in October 2015. We launched with 23 branches and a state-of-the-art digital banking platform. We are among the few banks to start wholesale and retail operations simultaneously in line with our stated position of being a universal bank. Soon after launch, in November 2015, the Bank was also listed on the BSE Limited and National Stock Exchange of India Limited demonstrating our robust commitment to Corporate Governance.

In our maiden half year of banking operations, IDFC Bank reported a profit before tax of ₹ 625 crore and after providing income tax of ₹ 218 crore, the net profit after tax stood at ₹ 407 crore for the half year ended March 31, 2016. The Bank is extremely well capitalized and has a AAA credit rating.

Our aim is to build an institution that stands the test of time and is committed to serving all stakeholders. We are committed to take forward the IDFC legacy - of serving the nation. A Bank that goes much beyond servicing just the needs of the country's infrastructure sector, being our historical sector of focus, to focus particularly on the needs of mid-market, small business, the self-employed and the wider retail customer base in our cities and in underserved communities of rural India.

Our banking activities will allow us to serve the full range of financial needs of a more diversified client base, while also enabling us to serve our infrastructure clients better. We look upon the large segments of the economy that are under-penetrated from a financial services perspective as an opportunity for us to deliver stable earnings growth for shareholders.

Our vision for IDFC Bank is to transform it into a mass retail bank in 5 years. Credible partnerships will play a key role in this. Through partnerships we intend delivering banking products and solutions across networks and customers that are not necessarily owned by us. Our partnership with ASA India, an MFI, is one such example. We will leverage its network across north-east India, north Bengal and Bihar to complement its asset offerings, source liabilities and facilitate remittances.

Our consumer banking foray is currently focused on the top 5-8 cities to deliver a multi-channel user friendly access to customers that relies on fewer physical branches. Our "click-and-mortar" model combines state of the art branches with an easy-to-use digital platform and 'Banker on Call' services. Digital marketing, acquisition and servicing will be a thrust area.

Our Bharat Banking business aims to deliver banking anywhere, anytime in a simple, 'no-nonsense' way. Its unique concept involves creating hub branches with an ecosystem of access points and an ambulatory sales force. This unique distribution model is intended to

substantially increase financial access in India's vast hinterland.

Solutions through technology for simplicity and transparency for customers are the underlying theme for all our banking products and solutions. Be it our internet portal for our corporate banking customers or our Banker-on-Call or our Straight-Through-Process ('STP') for account opening for customers having an Aadhar number or internet banking for urban consumers or the bank-in-a-box offering called a micro-ATM; customer feedback on all of these has been extremely encouraging. This initial positive feedback on differentiating through simplicity and transparency, gives us a lot of confidence that we will fulfil our vision of transforming into a mass retail bank in 5 years.

We have made significant progress in the first six months of launch on the back of our investments in people and technology. We believe these two pillars are the cornerstone to help us deliver a differentiated superior customer experience.

In line with our nation building purpose, the Bank's staff is closely involved in implementing IDFC Foundation's community engagement initiatives at locations where the intervention is in the vicinity of its branches. To engage with the local communities, IDFC Foundation in conjunction with the Bank has identified requirements such as digital education for children, vision care, and cattle care for livelihood enhancement.

There is a wave of transformation happening across the economy and the banking industry. Being a new Bank we are extremely well poised to leverage the opportunities that this presents. As we embark on this exciting journey, I look forward to the cooperation of our stakeholders and wish to sincerely thank the entire IDFC Bank staff and our shareholders for their contribution and support.



**Rajiv B. Lall**  
Founder Managing Director & CEO