



IDFC BANK



EXPERIENCE *the* DIFFERENCE

4th Annual Report 2017-18



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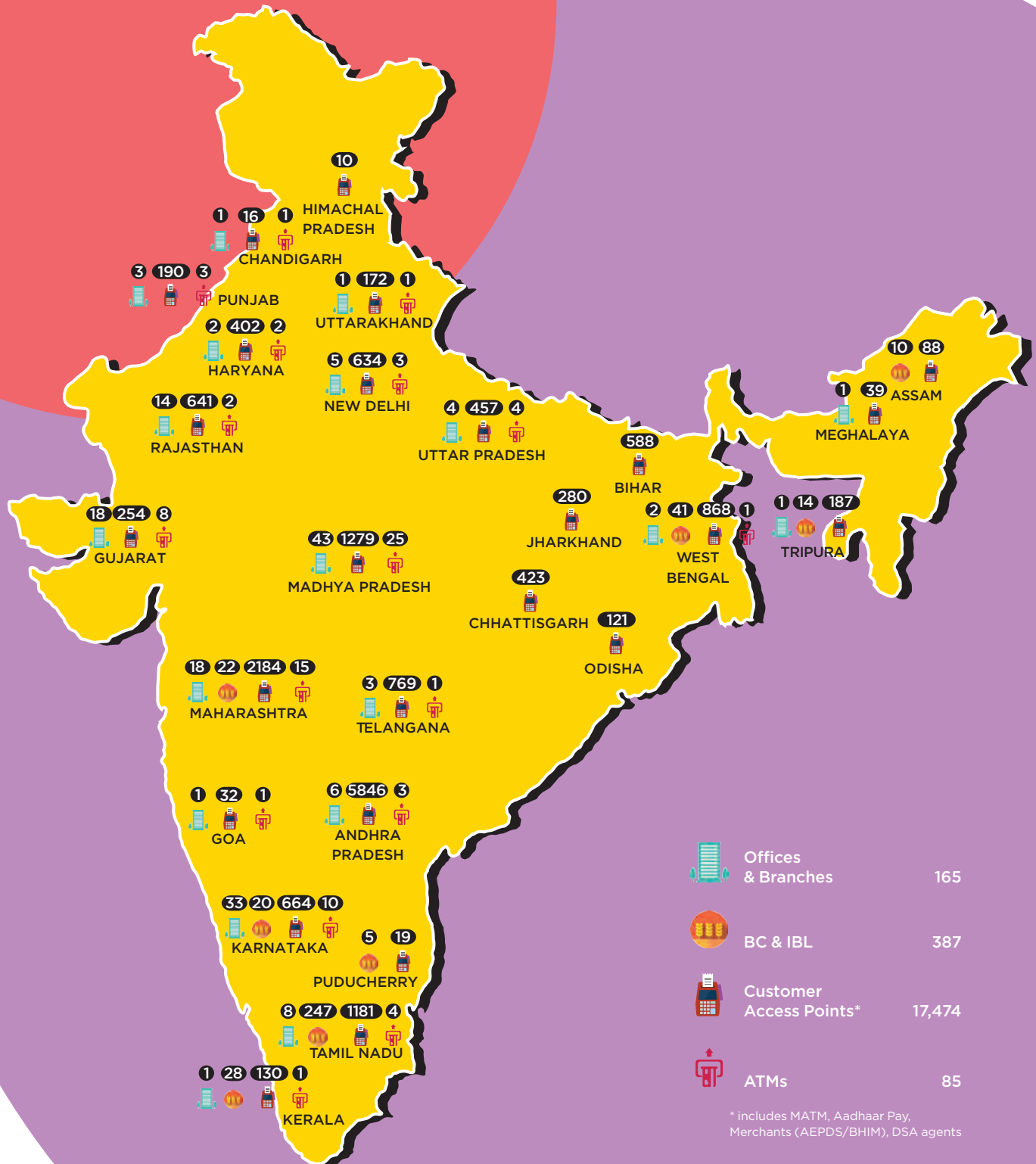
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IDFC BANK NETWORK ACROSS THE COUNTRY



	Offices & Branches	165
	BC & IBL	387
	Customer Access Points*	17,474
	ATMs	85

* includes MATM, Aadhaar Pay, Merchants (AEPDS/BHIM), DSA agents

The Year in Brief

2017-18

as on March 31, 2018



**₹126,520
crore**

Balance Sheet
Grew by 13%

**₹859
crore**

Profit After Tax

**₹7,966
crore**

Direct Retail Assets
Grew by 2X

**₹10,053
crore**

CASA and Retail TD

11.8%

CASA / Deposits

11%

Direct Retailisation
of Funded Book

2.7 million
Customers

150
Branches

17,474
Customer Access
Points

₹375
crore

Recurring Fees
Grew by 34%

18%

Capital Adequacy

₹6,829
crore

Emerging Large
Corporate Book
Grew by 1.3X

9,670

Employees
(including IBL)

1.7%

Net NPL

RETAIL BANKING: SERVING 2.7 MILLION CUSTOMERS



Network: New formats

- 17,474 Customer Access Points
 - 150 Branches
 - 387 BC Branches
 - 85 ATMs
- 13,000 MicroATMs, Fuel Stations Retail Outlets
- 5,000 BHIM Aadhaar Pay
 - 25 states
 - 35 top cities
- 45,000 villages



Products: Innovation & democratisation

- 4-min savings account opening
- Simpler, user-friendly mobile app & net banking, offering state-of-the-art, paperless digital experience
- Micro-housing loan for WASH facilities in rural locations
- Digital access for small businesses: Advanced Onex net banking
 - Combined access to Savings & Current Accounts
 - Omnichannel experience
- Fastest tab-based Current account opening
 - Digital account opening for NRIs
- Wealth Management for all
 - Banker-on-Call
- Transparency



Loans:

Richer customer experience

- Not just loans, IDFC Bank helps customers take an informed decision through various self-help tools & relevant information on its website
- Customised loan options that cover most scenarios in every customer segment
- Very transparent and customer friendly features on mobile and internet banking addressing all pre and post loan servicing needs.
- Digital and Straight Through on-boarding process for faster disbursement of loans



Digital:

Differentiated strategy

- Bank-as-a-Platform
- APIs for unique use-cases
- Fintech partners; BHIM UPI partnerships
- Built on India Stack (Jan Dhan, Bharat Bill Payment System, Mobile)
- Digital account opening, digital payments, digital credit, digital merchant acquisition
- Remote Expert Branch



Commercial Banking:

A bank for Small & Medium Enterprises

- Relationship banking for SMEs: catering to working capital & capex needs
- Transaction Banking, Trade & Treasury solutions
- Commercial Vehicle finance for Retail and Strategic clients
- Finance for new vehicles, refinance option
- Award winning Trade and Fx portal (BXP)

WHOLESALE BANKING: PREFERRED BANK IN THE EMERGING AND MID-SIZED CORPORATE SPACE



Corporate Banking: Customised solutions

- Integrated coverage model with Relationship team supported by Product Specialists
- Offering full suite of products
- Sector knowledge driven coverage



Treasury: Growth in client franchise

- Full suite of product solutions covering foreign exchange and interest rate needs
- Unique bond offerings
- Online Fx offering



Investment Banking:

Leads advisory, capital raising

- Managed the most successful and marquee IPOs
- Global coordinator and left side lead bank
- Executed India's largest-ever road M&A transaction
- Worked closely with client and regulatory authorities to close India's first ever InvIT
- IDFC Bank was involved in 2 out of 3 highest subscribed IPOs of the last decade



Transaction Banking:

Enhanced convenience digitally

- Cash Management
Trade & Supply Chain Finance
- Capital Market & Escrow Services
- Use of technology to provide secure Corporate API framework
- IDFC Bank is leading acquirer at 54 toll plazas offering digital transit solutions to IOCL, BPCL, HPCL and truck aggregators



A Bank of many firsts:

Innovative technologies

- BXP – advanced first-of-its-kind digital banking for corporates
- First to onboard one of the largest electricity billers on Bharat Bill Payment System (BBPS)
- One of the first banks to go live on all three TReDS exchanges
- Integrated trade: Fx offering

HUMAN RESOURCES

**Our People
are our
greatest asset**



**Doing things
the digital way**



- Digital learning has found faster adoption
- Zeta: A digital benefits solution for employees-is an industry first

**Learning is a
journey we
continuously
invest in**



- 100,000 learning hours clocked in FY18
- Learning & Leadership programs empower people to win and adapt to market changes

**Engaging
employees,
optimising
performance**



- Employee engagement initiatives energise our work environment
- We encourage positive workplaces for improved productivity

MARKETING & BRANDING

FY18 saw IDFC Bank's first integrated marketing campaign

- The new campaign augmented visibility for the brand at a time when the Bank was launching branches in 30 new markets at a rapid pace.
- It was the Bank's first integrated campaign, highlighting the Bank's differentiated offering both on the assets as well as the liabilities side.
- For the first time, the Bank rolled out advertisements on TV channels pan India, including both news and general entertainment channels; the on-air campaign was complemented by targeted initiatives on social media, outdoor media and on radio.
- Significant social media reach achieved: 4.8 lakh followers on Facebook, 52,000 on Twitter, 52,500 on LinkedIn
- Website page views achieved: 3.7 million

New Ad film on loans driven by customer insight

- While the industry talked about pre-sanction of loans, your Bank took a differentiated stance to communicate its retail loans proposition.
- We focused on issues that customers face after taking a loan, especially when they decide to pre-pay or foreclose one.
- The film showed the efficient process of loan disbursal, easy management and hassle-free closure at IDFC Bank, highlighting easy prepayment, part-payment, on-mobile access, calculators, among other features.
- The singular message to customers was, 'IDFC Bank se loan lena aasan, chalana aur chukana super aasaan'.



Enriched version of the 4-minute Savings Account Ad film

- The campaign reiterated the brand's standpoint of swiftness and simplicity.
- The 4-minute account opening film was developed further to encompass the entire gamut of conveniences and services made available to IDFC Bank's retail customers.
- It highlighted, among other benefits, account opening in 4 minutes, free unlimited ATM transactions, 24x7 access to a banker.

Doorstep banking through IDFC Bank MicroATMs

- The campaign also included the ad film on doorstep banking, reinforcing our Bank's approach to customers in semi-urban and rural markets.
- It puts the spotlight on service, convenience, digital inclusion and the innovative retail format adopted by our Bank to reach out to the underserved segments of the population.
- The film, featuring the MicroATM, brings to the forefront the multi-channel access provided to customers by the Bank.
- The ad has a humorous tonality and underpins the Bank's #BankingNibhao philosophy.



CORPORATE SOCIAL RESPONSIBILITY



- Millions of poor struggle to access their entitlements because banks/ATMs are located 10-15 kms away from their villages
- Aadhaar-enabled, interoperable Financial Inclusion Devices deployed by IDFC Foundation in underserved areas have enabled the poor and vulnerable to access entitlements within their village
- Community members now withdraw, deposit and remit funds without having to travel long distances
- Initiative has created over 9,000 social entrepreneurship opportunities
- Financial Literacy training programs have been conducted in partnership with National Institute of Securities Markets
- This initiative has touched lives of people living in 32,566 villages across 488 districts

Financial Inclusion

At the heart of our
social initiatives



Shwetdhara

Enhancing income
of small dairy
farmers



- 70 million households in rural India depend on dairy farming; poor households are trapped in low income cycle due to low productivity of milch animals
- 'Shwetdhara-Cattle Care Program' focuses on increasing income of dairy farmers
- 70 Dairy Vikas Kendras established in rural areas offer valuable information to farmers
- Paravets deployed to provide dairy related services like artificial insemination at the doorstep of farmers
- Over 40,000 artificial insemination services and 7.5 lakh treatments carried out

IDFC INSTITUTE

Research-focused
think / do tank

IDFC Institute, an independent, research-focused think / do tank, focuses on:

- Three defining transitions underway in India; farm to non-farm, rural to urban and informal to formal; and
- Improving the delivery of public goods and welfare, and managing these transitions, which are critical to poverty reduction



AWARDS AND RECOGNITIONS

**IFSEC India
Awards 2017**



**Digital
Transformation
Awards 2017**



**IDEX Legal
Awards 2017**



LinkedIn
TOP COMPANIES
WHERE INDIA WANTS TO WORK NOW
2017

**Listed in LinkedIn's
Top Companies**

**TISS CLO
Awards 2017**



**#BankingNibhao
wins Effies 2017**



**Finnoviti
Award 2018**





01

COMPANY INFORMATION

BOARD OF DIRECTORS



Ms. Veena Mankar
INDEPENDENT
NON - EXECUTIVE
CHAIRPERSON



Dr. Rajiv B. Lall
FOUNDER MANAGING
DIRECTOR & CEO



Mr. Anand Sinha
INDEPENDENT DIRECTOR



Mr. Abhijit Sen
INDEPENDENT DIRECTOR



Mr. Ajay Sondhi
INDEPENDENT DIRECTOR



Mr. Rajan Anandan
INDEPENDENT DIRECTOR



Ms. Anindita Sinharay
NOMINEE DIRECTOR
GOVERNMENT OF INDIA



Mr. Sunil Kakar
NOMINEE DIRECTOR
IDFC LIMITED

CORE MANAGEMENT TEAM



Dr. Rajiv B. Lall
FOUNDER MANAGING
DIRECTOR & CEO



Mr. Ajay Mahajan
HEAD - WHOLESALE
BANKING



Mr. Avtar Monga
CHIEF OPERATING OFFICER
& HEAD - RETAIL BANKING



Dr. NS Rajan
GROUP CHRO, GROUP CMO, &
CEO - IDFC FOUNDATION



Mr. Pavan Kaushal
CHIEF RISK OFFICER



Dr. Rajeev Uberoi
CHIEF GENERAL COUNSEL &
HEAD - INTERNAL AUDIT & CONTROLS



Mr. Bipin Gemani
CHIEF FINANCIAL OFFICER



Mr. Mahendra N. Shah
GROUP COMPANY SECRETARY &
GROUP COMPLIANCE OFFICER

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Fax: +91 22 2654 0354

CIN: L65110TN2014PLC097792

Website: www.idfcbank.com

E-mail: bank.info@idfcbank.com

Group Company Secretary & Group Compliance Officer

Mr. Mahendra N. Shah

Statutory Auditors

Deloitte Haskins & Sells
Chartered Accountants

Debenture Trustee

IDBI Trusteeship Services Limited
Asian Building, Ground Floor,

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Mumbai-400 001

Maharashtra, India.

Tel: +91 22 4080 7018

Fax: +91 22 6631 1776

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AZB & Partners

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Wadia Ghandy & Co.

Registrar & Transfer Agents

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Unit: IDFC Bank Limited

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02



CHAIRPERSON'S STATEMENT



“The weakness that the Indian economy witnessed at the start of 2017 gave way to signs of a recovery as 2018 set in, with indicators of industrial production, stock markets, auto sales and exports showing a healthy uptrend. While downside risks remain, various indicators portend an improving macro-economic environment.”

FY 2018 was a year of important changes in our country, both for the banking industry as well as the economy.

The weakness that the Indian economy witnessed at the start of 2017 gave way to signs of a recovery as 2018 set in, with indicators of industrial production, stock markets, auto sales and exports showing a healthy uptrend. While downside risks remain, various indicators portend an improving macro-economic environment.

From a macro perspective, it was a bumpy year that saw the economy absorb the impact of de-monetization followed by the introduction of the GST. FY18 was also a year of achievements as India jumped

40 points to join the top 100 countries in the World Bank's 'ease of doing business' index and Moody's upgraded India's sovereign credit rating for the first time since 2004.

Among the significant events in the banking sector was the government's move to infuse capital of ₹ 2.11 lakh crore over two years in public sector banks reeling under the weight of high NPAs. Further, to bring down burgeoning NPAs, the government issued the Banking Regulation (Amendment) Bill and Insolvency and Bankruptcy Code (Amendment) Act during the year. Although it is still early days, the new

legislation is likely to bring about a fundamental change in creditor rights and will have important long term implications for how banking is done in our country.

Interestingly, India continued to be on the forefront of financial inclusion in the global context, aided by favourable policy interventions such as the Pradhan Mantri Jan-Dhan Yojana and government support for democratizing digital payments through the BHIM UPI and Aadhaar railroads. India today, has put together the best regulatory environment and technology architecture that makes for simple and convenient access to financial services and digital payment mechanisms. This augurs well for

your Bank's focus on financial inclusion and our commitment to improve the lives of citizens using digital technology and innovative banking formats.

We have worked on multiple fronts to play our part in the transition that the economy and the overall banking sector has been witnessing. In general, we have significantly strengthened our business as various economic and regulatory changes have unfolded during the course of the year.

Expanding footprint and retail suite

FY18 marked the completion of the Bank's 30 months in operation. In the last six months of this period, the Bank ramped up investments for building out its retail franchise. In particular, the Bank expanded its physical footprint to cover 35 leading cities of the country at an enhanced pace. I am pleased to say that IDFC Bank's distinctive retail proposition has been well received in these new markets.

This expansion complements the Bank's digital reach and positions it well to serve customers better, besides enabling it to achieve a balanced physical as well as digital presence in both urban and rural geographies. The Bank continued to invest in top talent and technology to enhance customer convenience and access. Given the focus on cost discipline, this was a difficult balancing act.

FY18 also saw significant acceleration in the expansion of both retail assets and liabilities. The Bank's retail product suite was also widened to meet the entire lifecycle needs of customers. The Bank's retail offering is now complete with a wide range of loans for individuals – both salaried and self-employed, savings accounts and time deposits, and a wealth management solution that is democratised to meet the investment needs of the masses.

In sum, in a short span of two and half years, the Bank has delivered strong growth in terms of network and customers, CASA and core deposits, and has diversified its assets significantly in line with its retailisation strategy.

We remain committed to Financial Inclusion

To bridge the gap to a cashless ecosystem the Bank continued to expand its digital infrastructure in underserved geographies for the safe, reliable and low-cost delivery of banking services to all. Individuals and businesses in rural and urban locations, who hitherto did not have basic access to banking, are now able to open accounts, save, transact, obtain capital and credit, through our 'assisted digital' route.

Our interoperable Micro-ATMs, which use Aadhaar for authentication, take banking to hard-to-reach populations, small businesses, women and the rural poor, at considerably low cost and risk.

This has worked as the first step to broader financial inclusion as it has enabled people to understand not only banking, but digital banking. The 'click & mortar' distribution ecosystem being created by the Bank is inculcating in people, even in lower income segments, a habit of saving, and is acclimatising these customers to formal sector banking, including mobile and internet banking. Our initiatives in this space are also providing us valuable insights on customer behaviour, helping us design financial products that better fit their needs.

Digital for All

We have long maintained that it is important to remain invested in technology. We believe that digitization is fast transforming the business model of the banking industry.

We have built our systems to enable Straight Through Processing for faster and more efficient operations. Our investments in big data management is helping improve underwriting for retail assets and will make our service more customised and targeted. The new features embedded in our internet and mobile banking solutions makes our online banking experience more convenient, simple, and one of the best in the market.

In FY18, the Bank completely digitised employee benefits. This is now a part of our corporate salary solution that we offer our clients. Separately, we have partnered close to 25 fintech players and created new

use-cases for UPI. We have placed equal emphasis on digitising solutions for small business and merchants, using the Aadhaar and UPI railroads.

Way forward

During FY18, IDFC Bank announced the prospective merger with Capital First Ltd., which as of this date has received all regulatory NOCs, including from RBI, and now awaits approval from you, the shareholder. This merger would be an important milestone in our journey of transforming IDFC Bank into a well-diversified universal bank with a mass retail franchise. The merged entity would have a 6 million customer base encompassing the full range of customer segments from high end urban to the base of the pyramid in rural India.

We remain focused on investing to diversify the Bank's balance sheet with a particular focus on retail assets and to rapidly expand the Bank's CASA balances, customer base, and branch network. Given the technology strengths of IDFC Bank and Capital First, our unique and complementary retail propositions and innovative distribution channels, we would, as a merged entity, be ideally positioned to respond quickly and flexibly to a dynamic business environment in the future. The proposed merger would very significantly accelerate our retailization strategy and propel IDFC Bank into the top league of private banks in the country.

On behalf of the Board of Directors, I would like to thank our employees across the country for their hard work and commitment during the year - it is they who drive your Bank's performance. I thank our customers for their confidence in the Bank. And most importantly, I would like to thank all of you, our valued shareholders, for your continued support through this challenging transformational journey.



VEENA MANKAR

Independent Non-Executive Chairperson

03



FOUNDER MD & CEO'S STATEMENT



“ At the outset, I would like to thank each one of you for the faith you have reposed in the strategic objectives that we had set out to achieve. ”

At the outset, I would like to thank each one of you for the faith you have reposed in the strategic objectives that we had set out to achieve. Your support has been vital for the Bank's progress on its path of transformation from what was an infra-focused lending institution two and half years ago into a diversified universal bank with a particular focus on retail banking.

We developed a shared vision - that of transforming IDFC Limited into a mass retail bank, by pursuing both organic and inorganic growth. Ever since, it has been our endeavour to build a well-diversified portfolio that would completely transform the balance sheet we had inherited and

build a strong foundation for building a nationwide retail lending and liabilities franchise.

Strengthening the Balance Sheet

Since the formation of the Bank, we have made significant progress across all our strategic objectives with Infra loans now accounting for less than a third of the credit book, down from 90% in 2015. Our stressed asset book is stable at ₹ 5,000 crore and is comfortably provided for. Even after the cleaning up of the stressed legacy portfolio, your Bank has a very strong capital base with Tier 1 capital adequacy of 18%. Our retail assets now

stand at ~₹ 8,000 crore, comprising 11% of the credit book. In short, your Bank's balance sheet is much stronger than when we started.

Scaling up retail

We began from scratch and have managed to successfully create a solid 'click & mortar' network of physical branches as well as an innovative digital and digitally assisted distribution points that serves both urban and rural customers. We have also developed a strong retail book, and most importantly, built a very large customer base in a very short period of time.

We now service 2.7 million unique customers and continue to add over a lakh customers a month to the IDFC Bank family

Our retail network now comprises three tiers comprising regular bank branches, Business Correspondent ('BC') branches that are proprietary to us, and 'customer access points'. In the last year alone, we have been able to double the regular branch network to 150, extending our branch presence to the top 35 cities. In addition, we have ~400 BC branches serving customers in semi-urban and rural geographies. And the third layer of our unique distribution network now comprises over 17,000 'customer access points' able to deliver basic banking services to customers even in some of the remotest parts of the country. Our customer acquisition has been the backbone of our growth. We now service 2.7 million unique customers and continue to add over a lakh customers a month to the IDFC Bank family.

Your Bank has also made substantial progress on the liabilities front. The Bank's CASA grew 2.7 times to ₹ 5,700 crore from ₹ 2,100 crore a year ago, contributing 12% to its deposits. Core deposits i.e. CASA and retail term deposits, now stand at over ₹ 10,000 crore and contribute 21 per cent to the depositary franchise.

Retail assets have tripled year-on-year. This book now stands at around ₹ 8,000 crore. Moreover, the retail assets book is well-diversified, both geographically and product-wise.

Reengineering Wholesale Banking

The direction taken by your Bank also involves a transformation of the wholesale banking business. In this context, our focus

on Emerging Large Corporates ('ELC') has been the most important strategic shift. The ELC book stands doubled to ₹ 6,800 crore from ₹ 3,000 crore, while the share of infrastructure loans has declined steadily.

We have also created a sizeable non-fund based franchise which has greatly strengthened the contribution of recurring fees and commissions to the Bank's financials. The Bank's non-fund trade book grew 50 per cent to ₹ 28,000 crore.

Fast-tracking retail with Capital First Ltd.

The most significant strategic development in FY18 was the announcement of the prospective merger with Capital First Ltd. This proposed merger is expected to mark a major milestone in the transformation of IDFC Bank. The merger would very significantly accelerate the build out of the Bank's retail franchise. It will add ~3 million retail customers to our own rapidly growing customer base in geographies and segments that are complementary to ours. The merged entity would have a customer base of ~6 million encompassing the full range of customer segments from high-end urban to the base of the pyramid in rural India and would have the ability to deliver a much wider and differentiated suite of products.

The proposed merger also offers significant synergies that would strengthen the composite entity and its operational effectiveness. We believe that the merged entity will deliver on superior profitability metrics in a much shorter time frame than

if the Bank were to grow on a standalone basis.

The merger would significantly enhance the Bank's revenue base by adding to earnings from a fast growing and high yielding retail asset book. This would, in turn, allow a much faster expansion of our distribution network and provide further momentum to the build out of our CASA franchise.

In effect, the merger would catapult your Bank into the top league of private banks in the country.

Your support has made it possible

Your unstinted and patient support has helped us navigate a difficult transition from a challenging legacy and allowed us to invest in building the foundations of a new bank. This, together with the tireless efforts of our employees, and collaboration from our partners, has been critical to our journey so far.

Given the progress we've made in the short time since we launched and the plans we have for the coming years, I am confident that IDFC Bank will emerge as one of the premier banks in the country.

I express my heartfelt thanks to you and look forward to your continued support.



RAJIV B. LALL

Founder Managing Director & CEO

04



MANAGEMENT DISCUSSION AND ANALYSIS

The Indian economy emerged as one of the fastest growing economies of the world in 2017 and is most likely to maintain this position in 2018.

India has been witnessing significant shifts on the structural front – including the implementation of GST and efforts from both, the RBI and the Government, to correct the ‘twin balance sheet’ problem. Forecast of a good monsoon augurs well for agricultural growth and rural demand. There are also signs of strengthening industrial activity. A rise in global crude oil prices and a rebalancing in global capital flows are potential vulnerabilities but are unlikely to derail the progress.

MACRO-ECONOMIC ENVIRONMENT

India's macro-economics is currently set within a phase where global economic activity has continued to expand despite emerging geo-political tensions. Economic

activity in major emerging market economies has largely remained resilient while oil prices have increased. Financial markets have remained volatile and have been mainly driven by monetary policy expectations and geo-political developments. Despite these challenges, India's GDP registered a growth of 6.7% in FY18.

India's Growth-Inflation Dynamics

A downward growth trajectory that had emerged, starting from Q1FY17, was aggravated by the demonetization exercise of November 2016. Introduction of GST in July 2017, a landmark structural reform, was expected to impact the economy with its share of near-term teething problems.

Manufacturing GVA improved from -1.8% in Q1FY18 to 9.1% in Q4FY18 while construction activity pulled back to 11.5% in Q4FY18 from 1.8% in Q1FY18. On the expenditure side, private final consumption expenditure growth recovered to grow at 6.7% in Q4FY18 from 5.9% in Q3FY18. Gross fixed capital formation also grew by 14.4% in Q4FY18 from 0.8% in Q1FY18. Although for FY18 as a whole, GDP growth was at 6.7% compared to 7.1% in full year FY17, GDP growth momentum improved through the various quarters of FY18 – from 5.6% in Q1FY18 to 7.7% in Q4FY18.

Headline retail (CPI) inflation had ended in FY17 at 3.9% and dropped to a low of 1.5% by June 2017 – mostly on a base effect from food prices. However, headline CPI peaked at 5.2% in December 2017 after vegetable prices showed a sharp pickup. By March 2018, headline CPI inflation dropped to 4.3%.

Monetary Policy, Liquidity and G-Sec Yields

The monetary policy stance was changed to “neutral” from “accommodative” in February 2017 and this was retained through FY18 with just one cut in the repo rate by 25 bps in the August 2017 meeting, bringing the repo rate down to 6%. With the repo rate cut, MCLR's declined across tenors till around February 2018, but tended to show some reversal in March 2018.

The government continued to take significant steps in FY18 to resolve the ‘twin balance sheet’ problem of the Indian economy. In October, the government announced a huge recapitalization plan for the state owned banks amounting to ₹ 2.1 trillion, of which ₹ 1.35 trillion was to be in the form of recapitalization bonds

and the remaining was to be met through budgetary support and capital markets.

The government issued the first tranche of ₹ 881 billion in January of which 59% was allocated to the 11 weaker banks where Prompt Corrective Action (‘PCA’) has been initiated.

The Reserve Bank of India (‘RBI’) also tightened the bad debt resolution framework in mid-February by withdrawing all existing schemes of debt resolution and replacing them with a single, stricter code. The new code requires banks to implement a resolution framework for defaulted loans within 180 days, failing which loans will have to be referred under the Insolvency and Bankruptcy Code (‘IBC’), enacted in 2016 and amended during FY18. IBC was introduced to ensure time-bound settlement of insolvency and enable faster turnaround of business and is expected to bring about fundamental changes in creditor rights with long term implications for banking in India. Some of the 12 key accounts under RBI's first list of corporate defaulters are now in the final stages of resolution while a second list of corporate defaulters have been referred to the National Company Law Tribunal (‘NCLT’) in January.

Banking system liquidity was high at the start of the year due to the liquidity overhang from demonetisation and front-loading of government expenditure. This was amplified by RBI's operations in the foreign exchange market and redemption of G-Secs. The comfortable liquidity scenario led to a downside bias to the overnight money market rates in H1FY18. The Liquidity Adjustment Facility (‘LAF’) corridor was narrowed from +/- 50 bps to +/- 25 bps in April 2017 and active liquidity operations by the RBI progressively reduced the overhang. Liquidity position started to tighten from mid-December 2017 with advance tax outflows and also with a reduction in government spending. By March, liquidity was almost close to the “neutral” zone.

10-year G-sec yields were broadly on a decline till around end-July, driven by lower

inflation, sustained FPI demand and a build-up of expectations of a repo rate reduction by the RBI. With the inflation trajectory changing and with the Fed signalling withdrawal of QE, 10-year G-sec yields began to harden from around August 2017. As the year progressed, the RBI too turned cautious on its inflation outlook.

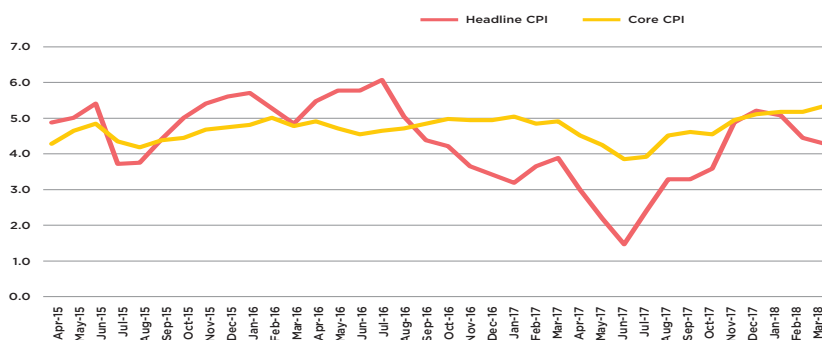
Elevated crude oil prices, a rise in global yields, slippage in the Fiscal Deficit for FY18 and non-adherence to the fiscal roadmap for FY19 led to a continued sell-off in G-secs and 10-year G-sec yield ended at 7.78% on 6th March 2018. However, yields fell thereafter with expectations of retail inflation easing up. Further relief was provided by the government cutting its borrowing programme for FY19 by ₹ 500 billion on account of higher reliance on Small Savings Schemes and a reduction in the buyback amount. For H1FY19 the gross borrowings were placed at ₹ 2,880 billion (19% lower than in H1FY18), while the net will be at ₹ 2,004 billion (8% lower than H1FY18). 10-year benchmark yield ended FY18 at 7.33% while the 5-year G-sec yield was at 7.40%.

External Accounts and Currency Dynamics

After ending FY17 with a Current Account Deficit ('CAD') of US\$14.4 billion, there has been a decline in the trade and current account balances in FY18. In FY18, CAD was at US\$48.7 billion with the CAD/GDP ratio at 1.9%. The principal reason for deterioration in CAD was the trade deficit, cumulatively at US\$160 billion for the full year FY18, compared to a cumulative of US\$112.5 billion in FY17. Both oil and non-oil imports were higher in FY18 compared to FY17.

Total capital flows in FY18 amounted to US\$91.5 billion, significantly higher compared to the US\$36.5 billion flows registered in FY17. Foreign Direct Investments ('FDI') were healthy at US\$30 billion while FPI flows were also significant during FY18 at US\$22 billion. A significant proportion of these FPI flows were through the debt route that came in due to the high yield differential between India and the

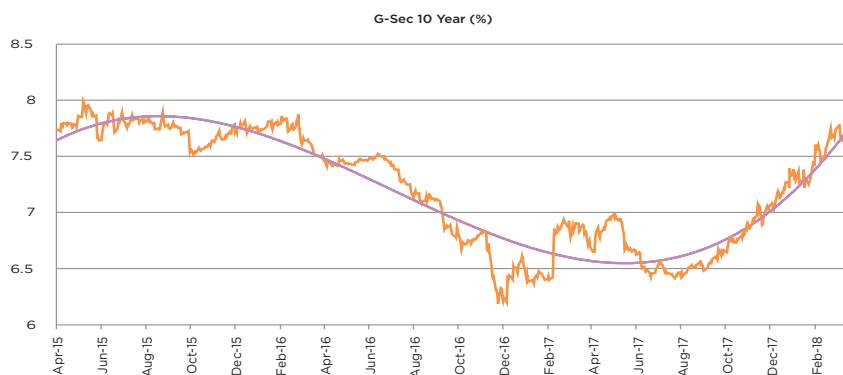
HEADLINE CPI DIPPED SHARPLY TO 1.5% IN JUNE 2017, BOUNCED HIGHER THEREAFTER



USD-INR WITNESSED VOLATILITY IN THE YEAR; CLOSES THE YEAR AT 65.20 (USD/₹ IN FY18)



10-YEAR G-SEC YIELD WITNESSED A SIGNIFICANT JUMP POST AUGUST 2017



US and with a relatively stable USD/INR. Another area of capital flows that showed robust increase was short-term trade credit – at US\$14 billion in FY18 against a net inflow of US\$6.5 billion in FY17.

Broadly, INR traded with an appreciating bias in H1FY18, at-least till around the

first week of September 2017. A weak dollar and large inflows into India due to its relatively strong macro fundamentals accounted for the INR strength. INR experienced intermittent bouts of volatility in H2FY18. USD/INR was at 65.5 on the first

trading day of October 2017 and ended March 2018 at 65.20.

VISION AND STRATEGY OF IDFC BANK

The vision of your bank is to transform itself into a mass retail bank in five years through organic growth and acquisitions.

Organically, the progress of your bank in terms of network and customers; diversification of assets; growth in CASA and core deposits; growth in fees and non-funded trade products and finally ring-

fencing & managing stressed assets has been impressive in the short period since the launch of the bank in October 2015.

NETWORK

The network of your bank as on March 31, 2018, comprises 150 branches, 387 Corporate Business Correspondent ('BC') branches, 85 ATMs and 17,474 'customer access points'. Of the 150 branches, 50 branches are in the top 35 cities in India. The remaining 100 semi-urban and rural branches are across Madhya Pradesh, Karnataka, Andhra Pradesh, Gujarat, Rajasthan, Tamil Nadu, Tripura and Meghalaya. In the two-and-half years since

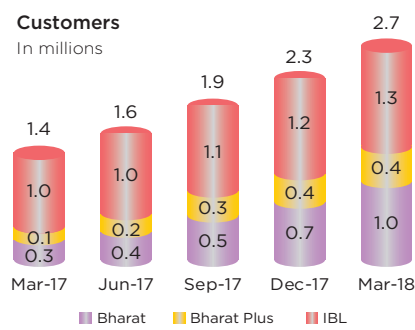
Network						
	BRANCHES	IBL BRANCHES	BC BRANCHES	ATM	CUSTOMER ACCESS POINTS ¹	TOTAL
Mar-17	74	326	24	47	8,142	8,613
Jun-17	86	326	32	47	11,382	11,873
Sep-17	100	335	48	48	13,595	14,126
Dec-17	127	306	50	61	16,493	17,037
Mar-18	150	312	75	85	17,474	18,096

¹ Customer Access Points = Aadhaar Pay+MATM

Funded Credit (₹ in crore)							
PARTICULAR	MAR-17	JUN-17	SEP-17	DEC-17	MAR-18	% YOY	% QOQ
WB	49,477	46,461	47,476	46,514	50,249	2%	8%
Corporate Banking	18,949	18,155	18,447	21,376	26,059	38%	22%
Infrastructure	30,528	28,306	29,029	25,138	24,190	-21%	-4%
Retail	2,599	3,440	4,733	5,991	7,966	207%	33%
PSL Buyout	10,391	8,861	9,216	7,670	6,860	-34%	-11%
Security Receipts	2,120	2,062	2,023	1,997	1,984	-6%	-1%
Stressed Assets	5,662	5,564	5,344	5,316	4,874	-25%	-20%
Technical Write-off	-	-	-	-	(998)	-	-
Gross Retail & Corporate Assets	70,249	66,388	68,792	67,488	70,932	1%	5%
Provision	3,681	3,713	3,615	3,618	2,953	-20%	-18%
Net Retail & Corporate Assets	66,568	62,675	65,177	63,870	67,979	2%	6%
Cash & Bank Balances	2,202	2,101	2,470	2,055	1,768	-20%	-14%
Statutory Investments	19,264	17,467	16,740	18,041	19,458	1%	8%
Trading Investments	15,562	29,618	27,921	25,392	27,899	79%	10%
Fixed and Other Assets	8,564	7,384	7,644	8,841	9,416	10%	7%
Total Assets	112,160	119,245	119,952	118,199	126,520	13%	7%

Customers

In millions



its launch, your bank now has a presence in all the top cities in the country and a semi-urban and rural distribution footprint in 8 key states.

CUSTOMERS

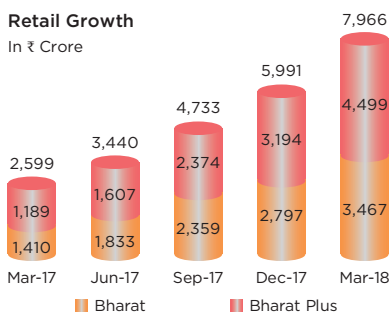
Your bank now has 2.7 million customers. Of these, about 0.4 million are urban customers and the remaining 2.3 million customers are semi-urban and rural. Your Bank has now been consistently acquiring over a 100,000 customers a month and with the recent branch expansion covering the top cities in the last six months, your Bank should continue to sustain this momentum of acquiring new customers.

FUNDED CREDIT

Although the gross corporate and retail assets of your Bank were broadly unchanged over the last one year witnessing a 1% yearly growth from ₹ 70,249 crore as on March 31, 2017 to ₹ 70,932 crore as on March 31, 2018, the change in underlying composition of these assets was consistent with the strategic direction of aggressively growing retail assets and non-infra corporate banking within the wholesale bank. In fact, retail assets of your Bank tripled from ₹ 2,599 crore as on March 31, 2017 to ₹ 7,966 crore as on March 31, 2018. The addition of close to ₹ 2,000 crore of retail assets in the last quarter indicates the build-up of a very strong momentum in the retail book of your bank. Likewise, the non-infra corporate banking assets within the wholesale bank grew 38% annually from ₹ 18,949 crore as on March 31, 2017 to ₹ 26,059 crore as on March 31, 2018 with

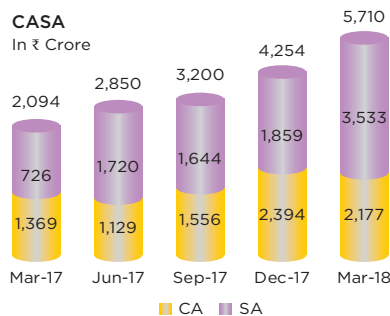
Retail Growth

In ₹ Crore



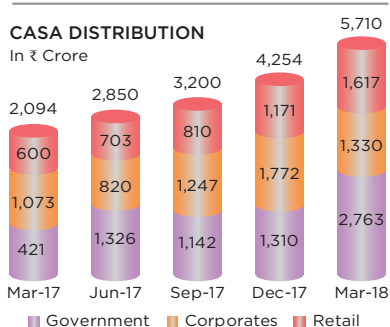
CASA

In ₹ Crore

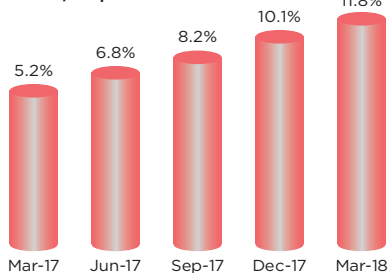


CASA DISTRIBUTION

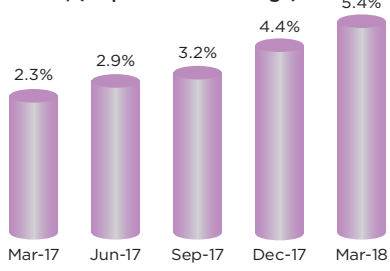
In ₹ Crore



CASA/Deposits



CASA/(Deposits+Borrowings)



growth of the Emerging Large Corporate segment being the strategic focus.

Reflective of the challenging environment for private investments in infrastructure for the last few years, the infrastructure book of your Bank shrank by 21% from ₹ 30,528 crore as on March 31, 2017 to ₹ 24,190 crore as on March 31, 2018. The PSL buyout book too declined by 34% from ₹ 10,391 crore as on March 31, 2017 to ₹ 6,860 crore as on March 31, 2018, as your Bank is increasingly relying on purchasing PSL certificates to meet its regulatory obligations on PSL.

CASA

The CASA franchise of your Bank has grown strongly. It increased 2.7x from ₹ 2,094 crore as on March 31, 2017 to ₹ 5,710 crore as on March 31, 2018. Strong relationships of your Bank with the government translated in the government business contributing ₹ 2,763 crore to the CASA franchise.

The CASA to deposits ratio of your Bank is now close to 12%, which is by no means insignificant for a bank that is just about two-and-half years old.

CORE DEPOSITS

The core deposits of your Bank (CASA and retail term deposits) almost doubled from ₹ 4,906 crore as on March 31, 2017 to ₹ 10,053 crore as on March 31, 2018.

The core deposits now contribute about 10% to the deposits and borrowings of your bank.

FEES AND COMMISSIONS

Your Bank has created a strong non-fund based franchise amongst its customers which has significantly strengthened the contribution of fees and commissions to its financials. Fees and commissions grew by 37% annually from ₹ 360 crore in FY17 to ₹ 494 crore in FY18. In particular, recurring fees from trade and cash management grew by 88% from ₹ 65 crore in FY17 to ₹ 122 crore in FY18.

The underlying non-funded trade outstanding book of your Bank grew by 50% from ₹ 18,605 crore as on March 31, 2017 to ₹ 27,905 crore as on March 31, 2018.

STRESSED ASSETS

The legacy stressed assets book of your Bank has remained stable and is comfortably provided for. The recent RBI inspection validates its prudent provisioning norms. The provision coverage ratio against stressed assets book (excluding security receipts) is now over 76%. In fiscal 18, due to lack of progress on gas supply for gas based power plants, your Bank made additional provisions of about ₹ 300 crore to reach a coverage of 90% for these assets, which is prudent and adequate from an economic-loss perspective. Despite this, the capital adequacy of your Bank is an extremely healthy at 18%. At worst, over the next financial year, your Bank may need to take another ₹ 650-750 crore of provisions to bring its coverage ratio to over 90% of

Stressed Assets		(₹ in crore)				
PARTICULAR	MAR-17	JUN-17	SEP-17	DEC-17	MAR-18	
Stressed Assets (Net of SRs) ¹	5,662	5,564	5,344	5,316	4,874	
NPL	1,542	2,004	2,002	2,777	2,769	
Other Loans	2,725	2,204	2,145	1,342	927	
Stressed Equity	1,395	1,356	1,197	1,197	1,178	
Provisions (Net of SRs)	3,458	3,458	3,361	3,399	3,707	
NPL	966	1,200	1,197	1,570	1,878	
Other Loans	1,371	1,160	1,172	814	814	
Stressed Equity	1,121	1,098	992	1,015	1,015	
PCR	61%	62%	63%	64%	76%	
NPL (% of Stressed Assets)	27.2%	36.0%	37.5%	52.2%	56.8%	
GNPL	3.0%	4.1%	3.9%	5.6%	3.3%	
NNPL ²	1.1%	1.7%	1.6%	2.5%	1.7%	

¹ Without considering technical write-off : 998 crore

² Considering technical write-off

stressed assets excluding security receipts. One can now say with confidence that the balance sheet of your Bank has now been pretty much cleansed of its legacy problems.

MERGER OF CAPITAL FIRST INTO IDFC BANK

Capital First will add an additional ~3 million customers to the already large and rapidly growing customer base of your bank and complement it with customer segments and products that your Bank does not cover. Key advantages are lower cost of funds for Capital First in a bank construct; ability to cross-sell banking asset products to customers of Capital First; expansion of distribution network; and greater CASA mobilization. This will translate into a stronger combined entity delivering on profitability metrics of RoA and RoE in much shorter time frame.

RETAIL BANKING

In its two and half years of operations, IDFC Bank continued to expand its retail network, digital payment channels and product suite across customer segments, gaining significant momentum in terms of market coverage and customer acquisition.

Given that service differentiation and customer experience are increasingly becoming deciding factors for a sustained banking relationship, your Bank introduced a slew of new and innovative products that helped boost customer engagement.

Your Bank has endeavoured to build a retail format with a difference – one that comprises an efficient physical network with an overlay of technology, and embedded with a human touch. While online banking and self-service dominate banking transactions today, customer preferences particularly in semi-urban and rural locations, as well as regulatory requirements, often necessitate an element of personal contact.

In view of this, the Bank is building a 'click and mortar' ecosystem that enables customers to conduct their banking

business flexibly interacting directly with people at physical outlets and / or digitally. A number of new retail payments and banking formats have been introduced by the Bank, including the introduction of banking facilities through Micro-ATM equipped 'customer access points' at fuel stations, PDS outlets and retail shops. The use of 'assisted digital' banking formats has also enabled the Bank to set new standards in service.

Thus, your Bank has built a business model that is inclusive, is sustainable and can be quickly scaled up.

Your Bank has also adopted a granular perspective of customer segments and geographies. This has enabled it to find growth in segments that have been hitherto underserved. Through innovation, the Bank has also brought down the cost-to-serve customers, making outreach to the underserved, a profitable proposition.

ENHANCED REACH

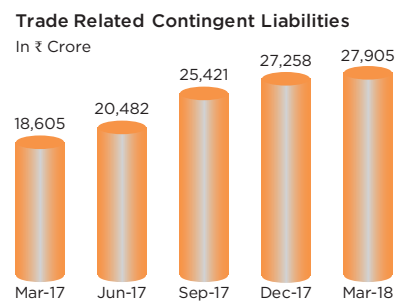
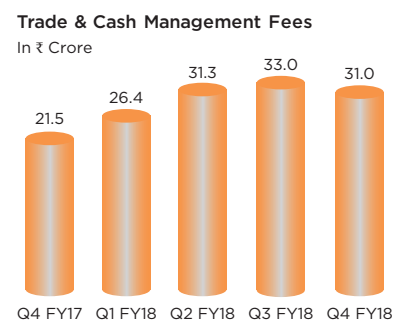
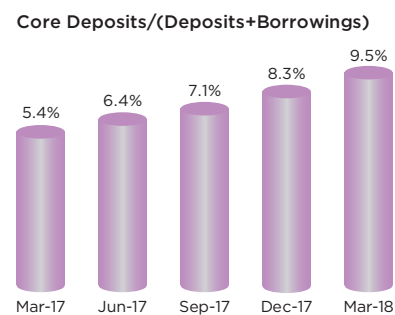
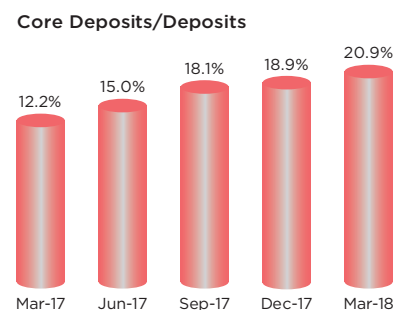
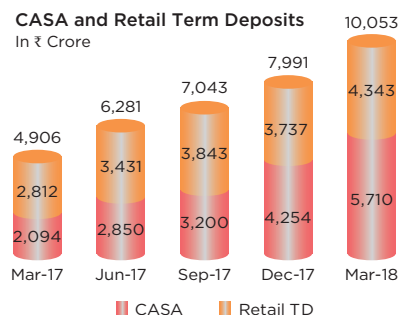
During the year, your Bank embarked on a significant expansion of its regular branch network, extending the reach of this network to the top 35 cities including Pune, Vadodra, Hyderabad, Kochi, Kolkata, Chandigarh, Amritsar, Nashik, Panaji, Jaipur and Lucknow.

In addition, the Bank now has ~400 proprietary BC branches that cover semi-urban and rural locations across 8 states.

The third layer of the Bank's unique distribution network today comprises over 17,000 'customer access points', which is able to deliver basic banking services even to customers in remotest rural locations.

The Bank now has about 90% of its physical distribution network in underbanked and unbanked locations, across Madhya Pradesh, Rajasthan, Gujarat, Karnataka, Andhra Pradesh, Tamil Nadu, Meghalaya and Tripura.

The Bank's tiered distribution network leverages partnerships with corporate BCs and individual merchants across the country. These partnerships have enabled the Bank to offer its suite of savings accounts, loan and payment products to a significantly larger customer base.





We continued to expand our retail network, digital payment channels and product suite across customer segments, gaining significant momentum in terms of market coverage and customer acquisition.

The Bank's partnership with IDFC Bharat Ltd (formerly 'Grama Vidiyal' and now a 100% subsidiary of the Bank), enables it to service over a million customers through a network of proprietary BC branches across five states. Besides this, the Bank is also building a formidable presence across the East and North East of the country through its partnership with third party BCs (such as ASA International) also managing a network of proprietary BC branches.

The Bank's Micro-ATMs and Aadhaar Pay points deployed through a network of merchants has helped extend real-time connectivity to inaccessible and financially excluded locations. Using Aadhaar, phone and account numbers for authentication, this network of 'customer access points' has enabled access in far flung villages, bringing the Bank to the doorstep of customers and obviating the need to visit a branch. From opening an account to enabling fund transfers, a host of services can be availed at these access points. This network of the Bank today spans 25 states and 45,000 villages.

ENRICHED PRODUCT SUITE

Over the past two and half years, your Bank has built a complete retail suite of savings accounts and time deposits, customised to the needs of individuals, small and medium businesses and professionals.

During the year, the Bank strengthened its Wealth Management offering. It also launched its NRI Banking services to complete its liability product suite. The Bank offers a simple and unique digital account opening facility for NRIs based in 70 countries. NRI customers can look forward to digital platforms that allow all transactions to be conducted remotely. The NRI offering has been well received by customers. With branch expansions in key NRI pockets, this customer segment is expected to be a significant contributor to the Bank's CASA growth.

On the asset side of the business, your Bank extends credit to customers across diverse segments; its products ranging from credit for agricultural purposes

and micro-enterprises to loans for two-wheelers, commercial vehicles, equipment hypothecation, personal and housing requirements, Loan against Property, and loans for Joint Liability Groups.

The Bank has mapped its home loan offering to the customer journey, engaging with the customer consistently from the time a loan is applied for, to the time it is disbursed, and later, closed. Using digital technology, the Bank's loan customers can now manage their own loan digitally. These facilities include easy prepayment and part-payment, hassle-free foreclosure, online & on-mobile access, minimal paperwork, calculators to help calculate impact of part-payment on interest and tenure, and transparent statements, to name a few. This has enabled the Bank to deliver a richer customer experience to its asset customer base.

IDFC Bank's core customer proposition of 'save interest with us' continued to elicit favourable response, propelling annual disbursements to ₹ 2,624 crore in the current year. The Bank now offers Home loans, Loan against Property, Personal Loans and Business Loans across 30 branch locations in the country. The robust risk management process and operational efficiency is ensuring a healthy portfolio, while continuing the Bank's geographic expansion and maintaining its business momentum.

Your Bank continued to delight customers with a wide array of self-assist tools that enable the digital pre-payment, part-payment and closure of loans. With this, your Bank is one of the few in the country to meet all loan service requirements on the mobile or via net banking.

In the deep rural locations, the Bank is promoting financial literacy and enabling customers to co-relate banking to life's goals and growth. Consistent engagement with customers has helped us incorporate their feedback, and design improved and customized products.

To deepen financial inclusion, your Bank has placed a special emphasis on taking its services to segments such as marginal farmers, micro enterprises and the self-

employed customers. To serve these segments, the Bank has designed products across the spectrum of savings, assets and payments. These include:

- (i) Joint Liability Group loans for women called 'Sakhi Shakti', aimed at enhancing livelihoods
- (ii) Loans for Micro Enterprises (Vyapaar Vridhi Loan) to help meet business needs of small and micro enterprises
- (iii) Automotive loans - Two Wheeler Loan, Commercial Vehicle Loans
- (iv) Equipment Hypothecation Loan
- (v) Rural Housing Loans
- (vi) Savings and Current Accounts
- (vii) Micro Housing Loan - to help customers meet their requirements for WASH (Water, Sanitation and Hygiene) and home improvement purposes, such as being able to convert their 'kuchha houses' to 'pakka' or carrying out roofing for the house.

The Bank also offers (i) Regular Savings Deposit - a product that seeks to build the habit of thrift & savings amongst women with deposits as small as ₹ 100 being collected from the doorstep of the customers (ii) Fixed and Recurring Deposits.

EMPOWERING THROUGH DIGITAL BANKING

In addition to acquiring and servicing customers through its own network, your Bank continued to forge partnerships with fintech companies, particularly for digital payments channels and retail lending. The Bank today has close to 25 partnerships for UPI payments and 4 partnerships for MSME digital lending, which offer opportunities for revenue-generation and cross-sell.

A focus on digital technology has resulted in increased convenience while transacting, improved speed and stability, paperless processes and additional security, leading to enhanced customer delight and satisfaction. For the Bank, it has led to improved efficiency, incremental transactions and additional revenue.

The Bank's suite of digital solutions that makes for enhanced customer experience includes Aadhaar-based paperless opening

of savings accounts in 4-minutes, a fully loaded, feature-rich and user-friendly mobile app, an omni-channel experience, instant loans, online facility for buying and selling insurance and mutual funds, OneX - a net banking portal which gives small businesses the experience of banking like a large corporate, and a 24x7 Banker-on-Call service. The Bank's mobile app and internet banking has seen quick adoption with almost 70% of the customer base transacting digitally.

Customer interactions at the Bank's 24x7 contact centre, termed as 'Banker-on-Call' ('BOC'), rose 159% over the previous year. During the year, a 24x7 rural customer servicing desk was made operational. This also services the Bank's acquired IDFC Bharat Limited ('IBL') customers in languages of their choice. Rural banking inbound volumes increased by 541%. A NRI servicing desk was also launched. With a focus on reducing turnaround time, the BOC continued to move some more of the critical processes to Straight Through Processing ('STP'), with a view to delivering superior customer experience.

During the year, IDFC Bank entered the prepaid card space, with solutions that are convenient, secure and transformational. The Bank partnered Zeta, a leader in the digitised employee benefits space, to launch 'IDFC Bank Benefits' - an innovative solution for corporates that digitises employee spends and claims, making the process simple, real-time and paperless.

The Bank also entered into a partnership with Sodexo, the leader in employee motivation and benefit services in India, to launch Sodexo Premium Pass, a digital employee gifting solution, in partnership with RuPay.

These partnerships enabled the Bank to address a diverse set of customers, who could potentially upgrade to a longer-term financial services relationship.

The Bank's Micro-ATM network, which promotes digital inclusion, grew at a healthy pace, and has more than trebled over the past one year. Micro-ATMs are now enabling banking transactions in new segments such as dairy farming. The Micro-ATM channel

Through innovation, the Bank has also brought down the cost-to-serve customers, making outreach to the underserved, a profitable proposition.



Financial Results 2017-18 STANDALONE

Key Ratios

PARTICULAR	FY17	FY18
Return on Assets	1.0%	0.7%
Return on Equity	7.2%	5.7%
EPS (₹)	3.0	2.5
Book Value Per Share (₹)	43.2	44.8
NIMs	2.1%	1.7%
Cost / Income	42.1%	54.1%
Capital Adequacy Ratio	18.9%	18.0%
Of which Tier I	18.5%	17.7%
Gross NPL (% of Loans)	3.0%	3.3%
Net NPL (%)	1.1%	1.7%

Income Statement

IN ₹ CRORE

PARTICULAR	FY17	FY18	% GROWTH (YOY) FY18 VS FY17
Operating Income	3,030	3,056	1%
Net Interest Income	2,076	1,859	-10%
Non Interest Income	954	1,197	25%
Operating Expenses	1,277	1,653	29%
Pre-Prov Op Profit (Ppop)	1,753	1,403	-20%
Provisions & Contingencies	282	376	33%
Profit Before Tax	1,471	1,027	-30%
Tax	451	168	-63%
Profit After Tax	1,020	859	-16%

of your bank has also been working with state governments of Bihar, Jharkhand, Chhattisgarh, Maharashtra and Andhra Pradesh under the State Government Rural Livelihood Mission program, to support the livelihood mission and appoint 'Bank Sakhis' as Business Correspondents.

COMMERCIAL BANKING

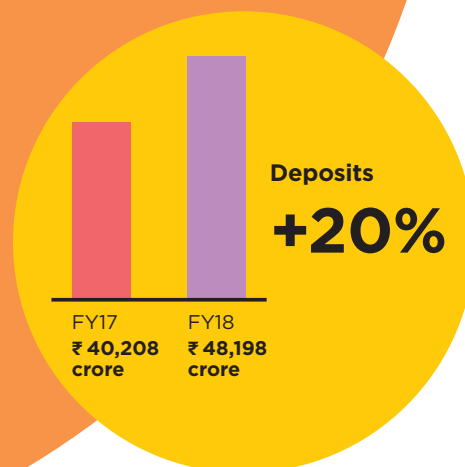
Commercial Banking at IDFC Bank includes Small & Medium Enterprises Group and the Commercial Vehicles Group - both remain areas of focus for the Bank.

The Bank's approach is anchored on relationship management principles whilst using digital technology for ease of delivery, transparency and access. The Bank is rapidly scaling up in both the segments of the Commercial Bank and will be expanding its geographical reach to over 15 locations from the current 8 cities.

Balance Sheet

IN ₹ CRORE

PARTICULARS	MAR-17	MAR-18	% GROWTH (YOY)
Shareholders' Funds	14,678	15,257	4%
Deposits	40,208	48,198	20%
Borrowings	50,262	57,287	14%
Other liabilities and provisions	7,012	5,778	-18%
Total Liabilities	112,160	126,520	13%
Cash and Bank Balances	2,202	1,768	-20%
Net Retail and Corporate Assets	66,567	67,979	2%
Statutory Investments	19,264	19,458	1%
Trading Investments	15,562	27,899	79%
Fixed and Other Assets	8,565	9,416	10%
Total Assets	112,160	126,520	13%



The Bank's on-ground sales, product and risk teams are empowered to meet client needs in an efficient manner with the right balance of responsiveness and risk management.

WHOLESALE BANKING

During the year, the wholesale banking business successfully navigated a challenging business environment, and has leveraged expertise and corporate relationships to deliver healthy growth. This has enabled the Bank to successfully transition from an infrastructure player to a preferred bank in the Emerging Large Corporate space.

The Bank's investment banking and syndication fees segment delivered strong performance. The investment banking business at IDFC Bank has established itself as a leading advisory and capital raising practice for emerging local corporates, Indian business groups and financial sponsors. It advises on

mergers and acquisitions, private equity syndications, structured deals and a full range of equity capital market transactions (IPO, QIP, Buyback, FPOs, Rights Issue, Block deal, etc.) across sectors.

During FY2018, the Bank executed some of the most successful and marquee IPOs. Among others, it was the global coordinator and left side lead bank, working closely with client and various regulatory authorities to close India's first ever InvIT. The deal was recognized as the Best India Deal by the prestigious Finance Asia publication. Other transactions included India's largest ever Road M&A transaction. Two out of the three highest subscribed IPOs of the last decade involved your Bank.

Overall, the Investment Banking business executed transactions aggregating more than ₹ 30,000 crore, emerging as one of the top arrangers of equity capital and M&A in the country for the financial year 2018.

TRANSACTION BANKING

The landscape of Transaction Banking (Payment and Trade Finance) is dynamic.

FY18 has seen a number of significant changes, especially in the payments domain, led by NPCI. Further, corporate usage patterns of banking services and their preferences have been extensively influenced by multiple payments / collection methods, integration with e-commerce / m-commerce, and adoption of digital and analytical platforms.

Your Bank's Integrated Transaction Banking Group caters to Cash Management, Trade & Supply Chain Finance and Capital Market & Escrow Services offerings across all business segments. The year saw business building on existing offerings as well as launch of many new product offerings which has strengthened your Bank's presence in the market.

In line with the Government's agenda of promoting digital modes of payments, your Bank introduced a number of services. Your Bank amongst the first Bank to onboard one of the largest electricity billers on NPCI promoted Bharat Bill Payment System ('BBPS').

It has further leveraged technology and launched a state-of-the-art and extremely secure Corporate API framework. The framework enables your Bank to take a definitive step in providing banking

as a service to corporate clients across Payments, Receivables and Account Services. Your Bank's innovative corporate banking portal, the Business Experience Platform ('BXP'), has gained strong momentum and has helped your Bank in driving digitization in emerging large corporates and financial institutions in a seamless manner.

Your Bank's Transaction Banking business received significant recognition in the form of several awards during the year.

1. The Asset Triple A awards : 2 awards under Electronic Banking and Supply Chain Solutions
2. Finnoviti 2018 : Best Corporate Liquidity Management Solutions
3. IDC Digital Transformation Awards 2017 : Digital Transformation Leader for Omni Channel Experience (BXP)

Your Bank reported another year of strong performance in Trade & Supply Chain. Non-funded assets (Letter of Credits / Bank Guarantee etc.) scaled up to ₹ 28,000 crore and funded assets (Dealer / Vendor Finance, Factoring, Export Loans etc.) touched ₹ 3,000 crore. Your Bank became one of the first banks to go live on all the three TReDS exchanges (Trade Receivable e discounting System - initiative promoted by RBI enabling PSL assets for banks).

Your Bank has been one of the pioneers in driving government-led digital initiatives including the e-Toll, starting from the pilot phase. Over the past year, your Bank has strengthened its Electronic Toll Collection ('ETC') offering further and is a leading acquirer at 54 toll plazas, having issued approximately over 64,000 tags in FY18.

Your Bank has provided digital transit solutions to PSUs such as IOCL, BPCL, HPCL and various truck aggregators, helping them to manage toll payments efficiently. The Bank expects the program to grow multifold with its technology-led push and drive by the government.

TREASURY AND DEBT CAPITAL MARKETS

Your Bank's treasury manages investments and funding from money markets for the

Bank. It also carries out Financial Markets business for its clients. To our clients, this group provides solutions to meet (a) their foreign exchange conversion and exchange risk hedging needs, (b) their debt capital markets financing needs and (c) their interest rates risk hedging needs. The Treasury function ensures that the Bank meets its requirements of maintaining CRR and SLR. It also manages interest rate related risks for the Bank by utilising various market investments, money markets and permitted derivative products.

Since inception, your Bank has successfully grown its client franchise, through offering the full suite of product solutions covering clients' foreign exchange and interest rate needs. Providing access to local debt markets to corporate customers has been another key area of opportunity, where your Bank uses its well-established presence in bond markets. Our DCM business has been credited with some unique bond offering solutions which have been accepted by our issuer clients as well as the investor community. Going forward, with increasing interest rates in the developed world and its impact on currency rates, we expect an increase in the hedging needs of our clients and bond issuances.

GOVERNMENT BANKING

Your Bank's Government Business Group continued its efforts towards helping various state and central government departments to efficiently manage their receivables and payments. During the year, the liabilities sourced by the Government Banking business team crossed ₹ 7,000 crore.

Your Bank successfully managed many key government schemes and ensured that payments reach beneficiaries on time. IDFC Bank has been very active in popularizing the Central Government initiative of Public Financial Management System ('PFMS') and has nodal accounts of government agencies in all major states. The schemes

The Bank executed some of the most successful and marquee IPOs. Among others, it was the global coordinator and left side lead bank, working closely with client and various regulatory authorities to close India's first ever InvIT.

focused on were from diverse sectors such as Water, Health, Housing and Power.

The Government Banking Business group at your Bank has been at the forefront to help government agencies digitize transactions. The Bank has provided real time cash management solutions and cashless modes of payment to one of the largest railway PSUs in the country. The Bank's solution has helped PSUs manage all their payments through a single platform.

The Bank has entered into associations with the Municipal Corporation of Gurgaon, Greater Noida Industrial Development Authority ('GNIDA') and Greater Chennai Corporation.

Your Bank has helped the state road transport corporations operate their large fleet of buses using electronic ticketing and toll payment solutions of the Bank. The Bank is associated with state road transport corporations in Tamil Nadu, Maharashtra, Karnataka, West Bengal and Rajasthan. Your Bank is keen to deepen these relationships in coming years.

IDFC Bank's Government Business group places emphasis on technical integrations with all key Government platforms. The Bank is in the process of integrating with the Government's e-Market Place ('GEM'), e-Procurement platforms and e-Nam portal, to name a few.

OPERATIONS

The Operations function at your Bank has been designed to deliver a superior and differentiated customer experience. Your Bank has developed technology-enabled processes that minimise paperwork and ensure seamless processing with minimal manual intervention.

Wholesale Banking Operations provides transaction and accounting execution for all corporate banking products. It ensures market-leading client service and delivery. The client servicing team is structured to provide targeted service to clients through experienced client-focussed bankers having expertise across a range of products. A large

part of the account opening process is digital and requires minimal manual intervention. Loan disbursement happens through image-based workflow with key activities processed centrally, ensuring scalability & proper controls. Through the year, the Operations team has delivered against exponentially higher volumes across products by leveraging technology-enabled systems, workflows and STP, wherever possible. The focus on technology and channels has ensured that your Bank can deliver high levels of service in a cost-effective manner, and at scale. This focus on technology and processes has enabled us to consistently deliver faster turnaround times, across identified key products. Client feedback through a Voice of the Customer Survey has consistently demonstrated a continuing high degree of satisfaction with our service delivery. The Operations processes have undergone numerous reviews which have been satisfactory and have proven to be robust with appropriate understanding and mitigation of key risks.

HUMAN RESOURCES

Your Bank's People agenda in FY18 was guided by three themes – talent development, employee engagement and digitization.

Nurturing Talent

In a fast-moving and fiercely competitive business environment, employees are required to constantly adapt to changing customer expectations. Learning, therefore, plays a critical role in developing employee capability and empowering them so that they can effectively contribute to the organisation's objectives.

Your Bank continued to invest in its people in a significant way in FY18. Talent development initiatives included extensive training programs, learning events and mentoring. These provided an enabling environment in which employees could perform to their potential and navigate in a challenging business environment.



A focus on digital technology has resulted in increased convenience while transacting, improved speed and stability, paperless processes and additional security, leading to enhanced customer delight and satisfaction.

The Bank's learning journey started with an analysis of training needs so as to identify relevant interventions. The training interventions were aimed at improving technical knowledge, reorienting and skilling, and enhancing managerial capabilities. Induction of new hires was an area of focus as the Bank onboarded close to 3,000 new employees, to meet its pace of growth during the year. The induction set the tone for the IDFC Way of servicing customers.

The Bank's new leadership programs encouraged innovation and collaboration across businesses, functions and geographies. Your Bank closed the year with more than one lakh learning hours, including offline and online training programs. The mandatory modules, largely in the areas of Fraud Risk Management, Operational Risk Management, Information security, AML & KYC, Prevention of Sexual Harassment ('POSH'), had a 93 per cent completion rate.

Customised training programs such as 'Certified To Operate', 'Role-based induction' and 'Agile' focused on project management. To equip frontline managers, who play a critical role in motivating their teams, the Bank rolled out dedicated programs of 'Param' and 'Manager of Now' for them. The Bank also introduced sessions, termed as 'Conversations that matter' to upskill managers on leading performance review discussions with their teams. These initiatives were aimed at enhancing managerial effectiveness and capability.

Creating an engaging workplace

As an employee-first organisation, engagement continued to be a valuable theme for the human resource function during the year. Several engagement initiatives were implemented structurally within the organization to make employees more collaborative and enable them to lead better work lives. Employees also engaged in volunteering initiatives during the year, the prime among them being blood donation on World Donor Day and teaching at night schools run by

Masoom (an NGO supported by the IDFC Foundation).

During the year, your Bank was recognized by LinkedIn for talent as it featured in the 'LinkedIn Top Companies 2017: Where India wants to work now', reinforcing IDFC Bank as a strong employer brand in the talent industry.

Digitising benefits

The Bank introduced innovative digital solutions that not only drove efficiencies at an organizational level, but also enhanced convenience for employees, empowering them to manage their benefits on-the-go. One of the solutions was the IDFC Bank Benefits Card in partnership with Zeta. The end-to-end digital solution integrates the full suite of allowances and reimbursements offered by the Bank into one preloaded card. Employees can also access the Benefits Card via the Zeta app on mobile or web. This enables them to track spends, entitlement limits and submit claims, digitally, while on-the-move. The Zeta app was widely used by employees to track spends and entitlement limits, and submits claims, digitally.

In an effort to encourage a diverse and an inclusive work environment, your Bank introduced additional child care leave for women employees which can be used in the first two years of maternity.

The total employee strength at IDFC Bank increased to 9,670 (including IBL) as on March 31, 2018.

TECHNOLOGY

Your Bank's technology framework underpins its focus on digital banking that has led innovations in product, channel, reach, cost of acquisition, and most importantly, service. These elements come together to enhance customer engagement and experience. Your Bank continuously improves on technology solutions such as interoperable Micro-ATMs, mobile banking app, net banking, digitized branches and the 24x7 Banker-on-Call – all of which have an accent on user experience and agility.

The Bank's technology systems are built to be intuitive, highly flexible and responsive to customer needs. The technology architecture creates an omni-channel, omni-device experience for customers – as all verticals and businesses are connected to one master database and enabled for STP with minimal human intervention.

Your Bank was among the first movers in adopting a GST solution for the Bank's service charges, Legal Entity Identifier ('LEI'), Risk Based Supervision ('RBS'), Aadhaar authentication and has completed key disaster recovery drills, in line with the regulator's requirement.

During the year, areas that saw key technology interventions include data centre, wealth management, NRI Banking, new branches, and fintech partnerships.

Niche technology projects like payment hub, customer communication hub, big data & data lake, robotic process automation were focused on to enhance customer experience.

Your Bank's service oriented architecture and Application Programming Interface ('API') framework has given it an edge to offer banking as a platform to fintech collaborations and digital partnerships.

The technology landscape of the Bank includes 200+ network locations, 100+ applications, 500+ web services, 60+ APIs, 2000+ virtual machine servers across multiple environments, 30+ information security & cyber security solutions, 24x7 non-stop operations translating to a 99%+ up-time for the entire technology framework.

RISK

Your Bank operates within an effective risk management framework to actively manage all the material risks faced by the Bank, in a manner consistent with the Bank's risk appetite. Your Bank aims to establish itself as an industry leader in the management of risks and strive to reach the efficient frontier of risk and return for the Bank and its shareholders. The Board has ultimate responsibility for

the Bank's risk management framework. It is responsible for approving the Bank's risk appetite, risk tolerance and related strategies and policies. To ensure the Bank has a sound system of risk management and internal controls in place, the Board has established the Risk Management Committee of the Board ('RMC'). The RMC assists the Board in relation to the oversight and review of the Bank's risk management principles and policies, strategies, appetite, processes and controls.

Risk Appetite

The risk appetite is an expression of the risks the Bank is willing to take in pursuit of its financial and strategic objectives. The risk appetite thus sets the outer boundaries for risk taking at the Bank. The risk appetite is a top-down process and consists of specific risk appetite statements, which are approved by the Board and reviewed quarterly.

Credit Risk

Your Bank's credit risk is controlled and governed by the Board approved Credit Risk Management Policy. The Credit Risk group has been established to independently evaluate all proposals to estimate the various risks as well as their mitigation.

Your Bank has rigorously adhered to the RBI mandated prudential norms on provisioning of stressed assets and has adopted a stringent approach in taking aggressive provisioning which is aimed at preserving and protecting shareholder value. During the year we have proactively worked on the resolution and reduction of the stressed asset portfolio. We have also de-risked the portfolio by diversifying the credit portfolio across non-infrastructure sectors and focused on increasing shorter tenure and non-funded exposures. With these measures, we have sought to reduce the concentration risk in the portfolio.

Market Risk

Your Bank's positions in debt, foreign exchange, derivatives, and equity are subject

to Market Risk. Such risks faced by the Bank are monitored by the Market Risk Group. Several models and their tools are used to support the continuous monitoring of such risks. The tools, models and underlying risk factors are reviewed periodically to enhance their effectiveness. The group also supports the Asset-Liability Management ('ALM') function. The purpose of the Asset Liability Management Committee ('ALCO') is to act as a decision making unit responsible for integrated balance sheet risk management from risk-return perspective including strategic management of interest rate and liquidity risks.

Operational Risk

Deregulation and globalization of financial services, together with growing sophistication of financial technology and increase in the complexity and volume of financial transactions, are making the risk profiles of Banks more complex. A growing number of operational losses and risk events, recent regulations, industry trends and new types of threats and exposures have highlighted the importance of Operational Risk management. Operational Risk touches every part of the organisation from products, people, processes and technology and hence it is important to identify and manage operational risks proactively.

Your Bank has put in place Board approved governance and organisational structure to manage Operational Risks. A committee comprising senior management personnel namely 'Operational Risk & InfoSec Risk Management Committee' is responsible for overseeing implementation of Board approved Operational Risk Management policy and framework. Operational Risk Management Department engages with the First Line of Defense (Business & Operating Units) on a continuous basis to identify and mitigate operational risks to minimize their impact.

Information Technology and Information Security Risk

Given that your Bank's expansion strategy is more digital oriented, Information

Security risk is identified as a material risk for the Bank. The Information Security Group ('ISG') is responsible for this function and works continually towards adoption of newer and better security practices. ISG works as an independent group within Risk function and operates under the Information Security Management System framework ('ISMS') which is aligned to ISO 27001 and RBI guidance issued from time to time. Your Bank is a ISO 27001: 2013 and PCI DSS 3.2 certified organization. ISG follows systematic approach through people, process and technological security controls to manage sensitive company information so that it remains secure. The team also conducts Information security awareness (for employees and customers) to address security at the weakest link.

Capital Adequacy

The Bank manages its capital position to maintain strong capital ratios well in excess of regulatory and Board approved minimum capital adequacy at all times. The strong Tier I capital position of the Bank is a source of competitive advantage and provides assurance to regulators, credit rating agencies, depositors and shareholders. In accordance with the RBI guidelines on Basel III, the Bank adopts the standardized approach for credit risk, basic indicator approach for operational risk and standardised duration approach for market risk. Capital management practices are designed to maintain a risk reward balance, while ensuring that businesses are adequately capitalised to absorb the impact of stress events.

The Internal Capital Adequacy Assessment Process ('ICAAP') forms an integral part of the Supervisory Review Process ('SRP') under Pillar 2 of the Basel II Framework. SRP under the Basel II Framework (pillar 2) envisages the establishment of appropriate risk and capital management processes in banks and their review by the supervisory authority. ICAAP is a structured approach to assess the risk profile of the Bank and determine the level of



**IDFC Foundation
has been supporting
the State Rural
Livelihood Missions
of Bihar, Jharkhand,
Maharashtra and
Chattisgarh in improving
the banking services
for the poor.**

capital commensurate with the scale and complexity of operations. As part of the Basel II implementation, your Bank has developed a comprehensive ICAAP policy and document, in line with regulations prescribed by the RBI. The document aims to assess the risk profile of the Bank and whether the capital maintained is commensurate with the scale and complexity of operations. The document also contains projections of financials for the Bank, and its capital adequacy projections for next three years under normal and stress conditions. It also contains relevant details of plans and strategies for meeting capital requirements.

Stress testing forms an essential part of ICAAP. It requires the Bank to undertake rigorous, forward looking assessment of risks by identifying severe events or changes in market conditions which could adversely impact the Bank. The ICAAP ensures that stress testing reports provide senior management with a thorough understanding of the material risks to which the Bank is exposed. Stress testing complements other approaches in the assessment of risk. It is the primary indicator of the Bank's ability to withstand tail events and maintain sufficient levels of capital. It is used to evaluate the financial position of the Bank under a severe but plausible scenario to assist in decision making. It also assists the Bank in improving its risk monitoring processes.

ENVIRONMENT & SOCIAL POLICY AND APPRAISAL PROCESS

Your Bank has a comprehensive environment and social policy and a robust environment and social risk management framework for all its businesses. The Environmental Risk Group ('ERG') of IDFC Bank works proactively with clients / internal teams to identify, mitigate and manage E&S risks associated with projects / transactions. Your Bank obtains information on environment related regulatory and compliance norms so as to ensure that the projects / transactions

it finances are in compliance with the applicable national environmental legislations. IDFC Bank has developed and adopted an exclusion list comprising sectors in which it will not engage in any financing activity. For the purpose of financing activities, IDFC Bank has also identified sensitive sectors which have potentially high impact on the environment and communities, and where the bank may have to deal with critical E&S issues.

IDFC FOUNDATION

Corporate Social Responsibility ('CSR') has been core to IDFC Group's philosophy. The Group has woven social development activities seamlessly into the fabric of its business to benefit local communities. IDFC Foundation, a subsidiary of IDFC Ltd., has been leading the Group's CSR agenda and it is through this entity that your Bank fulfills its CSR mandate.

The Foundation focuses on four broad areas of activity: a) livelihood enhancement through financial inclusion; b) rural development through dairy farming; c) education for children and youth from lower income families; and d) support for research institutions, in particular, IDFC Institute.

Livelihood enhancement through financial inclusion:

Millions of poor people in rural India are dependent on social entitlements like pensions and wages. In order to ensure efficient transfer of these entitlements, the Government has launched a number of initiatives including Pradhan Mantri Jan-Dhan Yojana ('PMJDY') and Direct Benefit Transfers ('DBT'). However, large sections of the rural population are forced to travel 10-15 kms to reach the nearest bank and access their entitlements.

IDFC Foundation, through its Financial Inclusion initiative, has been complementing government efforts to universalize access to social entitlements. The Foundation, with the help of IDFC Bank, has deployed interoperable Financial Inclusion Devices in underserved and

backward areas across 24 states and 3 Union Territories. Using these devices, community members in over 30,000 villages have been accessing various banking services like withdrawals, deposits and remittances within minutes and without stepping out of their villages.

In addition to providing large scale access to financial services, the initiative has also resulted in the creation of over 9,000 social entrepreneurship opportunities across the country in the form of Mitras. The Mitras earn a crucial income by providing services to the community members through the Financial Inclusion Devices.

In line with the Master Circular on Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (FIDD.GSSD. CO.BC.No.04/09.01.01/2017-18) issued by the RBI, IDFC Foundation has been supporting the State Rural Livelihood Missions of Bihar, Jharkhand, Maharashtra and Chattisgarh in improving the banking services for the poor.

In addition, IDFC Foundation in partnership with National Institute of Securities Markets (promoted by SEBI) has conducted a number of Financial Literacy programs. The participants gained not only better knowledge of personal finance but also skills to manage their resources. These include awareness about the need to save, ways to access formal credit, protect wealth and prepare for financial exigencies.

Shwethdharma - cattle care program:

Dairy farming is an important source of income for around 70 million households in rural India. Poorer households including small and marginal farmers prefer dairy farming to other farm based activities due to its superior cash flows. But low productivity of milch animals continues to be a major challenge. A number of reasons have contributed towards low productivity. These include inadequate knowledge of good dairy farming practices among farmers, low quality of dairy animals, suboptimal access to veterinary and Artificial Insemination services. Due to the low productivity of milch animals, the poor

households are trapped in a low income cycle.


The 'Shwethdharma-Cattle Care program', initiated by the Foundation, has been focusing on increasing the income of small and marginal farmers in the states of Madhya Pradesh and Karnataka. As part of the program, the Foundation established Dairy Vikas Kendras in rural and underserved areas.

The Dairy Vikas Kendras acted as an important source of information for the farmers in nearby villages. The Foundation also deployed a trained para-vet in each of the centres. The para-vets provided the farmers a range of dairy related services including Artificial Insemination, pregnancy diagnosis, infertility treatment, deworming, deticking etc. at their doorstep. The Foundation also encouraged farmers to adopt fodder cultivation by establishing demonstration fodder plots.

The Shwethdharma program has contributed immensely in strengthening the veterinary infrastructure in project areas. More than half a million treatments and around 40,000 Artificial Insemination services have also been done till date.

Education initiatives for children and youth from lower socio-economic strata:

The IDFC Foundation has helped thousands of children and young people in Rajasthan, Madhya Pradesh and Maharashtra gain good quality education. In Alwar district of Rajasthan, the Foundation worked with teachers and School Management Committees of 60 Government primary schools to improve learning outcomes and leadership skills of students. Through the 'Night School Transformation programme', the Foundation has been supporting 10 night schools located in Mumbai suburbs. The Foundation also adopted 18 Government Schools in Hoshangabad district (Madhya Pradesh) to promote 'digital literacy' among students. A Digishala was set up in each of these schools, which included a full-fledged computer lab and a trained local instructor.



The 'Shwethdharma-Cattle Care program', initiated by the Foundation, has been focusing on increasing the income of small and marginal farmers.

IDFC INSTITUTE:

IDFC Institute is an independent, not-for-profit, think / do tank, focusing primarily on two broad areas of research / action: a) job creation in the context of India's transition from farm to non-farm, rural to urban and informal to formal economic activity; and b) improving the delivery of essential services (such as infrastructure). The Institute produces evidence-based, actionable research and diagnostic tools that can contribute towards bringing about meaningful change. All of the Institute's work is in the public domain and freely accessible through the website: www.idfcinstitute.org.

This year, as part of its research program on urbanization, IDFC Institute released key findings from 'Safety Trends and Reporting of Crime' ('SATARC'), a 4-city, 21,000 household, crime victimisation survey that measures the gap between the true extent of crime and official crime records. The Ministry of Home Affairs'

Bureau of Police Research & Development ('BPR&D') will now roll out a similar survey covering 100+ police districts across the country. IDFC Institute has been invited to join the Executive Committee on Crime Victimisation Survey to provide inputs on the launch of the first pan-India CVS. IDFC Institute's research on alternative urban definitions, and on rental and vacant housing were prominently featured in the Ministry of Finance's Economic Survey 2016-17 and 2017-18. In August 2017, the IDFC Institute-NITI Aayog "Ease of Doing Business: An Enterprise Survey of Indian States" report was launched by Nirmala Sitharaman and Ravi Shankar Prasad. The Survey covered 3,200 manufacturing firms and assessed the business regulatory environment for manufacturing at the state level. In December 2017, Finance Minister Arun Jaitley launched IDFC Institute's first book, "Aadhaar: A Biometric History of India's 12-Digit Revolution" by Visiting Senior Fellow, Shankkar Aiyar.

05



BOARD'S REPORT

In a short span of just two-and-half years, your Bank has built a national footprint through the operation of 50 branches across the top 35 cities in India, 100 semi-urban and rural branches across 8 key states of India.

Dear Members,

Your Directors are pleased to present the **Fourth Annual Report of IDFC Bank together with the audited financial statements for the financial year ended March 31, 2018.**

State of Affairs of the Bank

Your Bank has successfully and steadily diversified its business mix and added new revenue streams. It has expanded its reach to serve new customer segments both on the retail as well as wholesale side of the business.

In a short span of just two-and-half years, your Bank has built a national

footprint through the operation of 50 branches across the top 35 cities in India, 100 semi-urban and rural branches across 8 key states of India viz. Madhya Pradesh, Karnataka, Andhra Pradesh, Gujarat, Rajasthan, Tamil Nadu, Tripura and Meghalaya, 387 Corporate Business Correspondents ('BC') branches, 85 ATMs and 17,474 Customer Access Points.

Points of Presence comparison chart:

POINTS OF PRESENCE	MARCH 31, 2018	MARCH 31, 2017
Branches	150	74
IDFC Bharat & other Business Correspondents	387	350
Customer Access Points (including MicroATMs, cashless PDS outlets and Aadhaar Pay merchant points)	17,474	8,142
ATM's	85	47

Your Bank's customer base has almost doubled with a total of 27 lakh customers as on March 31, 2018, with 4 lakh urban and 23 lakh semi-urban and rural customers, as against 13.8 lakh customers as on March 31, 2017.

Your Bank offers a wide gamut of products to cater to the needs of customers from all segments which can be viewed on our website: www.idfcbank.com.

MERGER - SHRIRAM GROUP

IDFC Group and Shriram Group had signed an exclusivity agreement on July 8, 2017 to allow due diligence and discussions to arrive at an agreement on a transaction structure and swap ratio for a strategic combination between certain businesses of the Shriram Group with IDFC Bank and IDFC Limited.

However, despite best efforts, the two groups were not able to reach an agreement on a mutually acceptable swap ratio.

Accordingly, the exclusivity period was terminated with effect from October 30, 2017.

IDFC Bank, while focusing on enhancing its strategic momentum, continued to explore opportunities for inorganic growth as well.

MERGER - CAPITAL FIRST GROUP

The Board of Directors of IDFC Bank and Capital First Limited ('Capital First') at their respective meetings held on January 13, 2018 had approved a composite scheme of amalgamation ('Scheme') of Capital First, Capital First Home Finance Limited

and Capital First Securities Limited with IDFC Bank Limited and their respective shareholders and creditors under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ('Amalgamation').

This decision was made pursuant to IDFC Bank's stated strategy of "retailising" its business to complete their transformation from a dedicated infrastructure financier to a well-diversified universal bank, and in line with Capital First's stated intention and strategy to convert to a universal bank.

The Share Exchange ratio for the Amalgamation is 139 (One Hundred and Thirty Nine) fully paid-up equity shares of the Bank for every 10 (Ten) fully paid-up equity shares held in Capital First.

The Amalgamation is founded on leveraging of the significant complementarities that exist between the entities involved and the Amalgamation would create meaningful value to various stakeholders including respective shareholders, customers, employees, as the combined business would benefit from increased scale, wider product diversification, diversified balance sheet and the ability to drive synergies across revenue opportunities, operating efficiencies and underwriting efficiencies, amongst others.

Capital First brings with it a retail lending franchise with a loan book of ₹ 25,243 crore (March 31, 2018), a live customer base of more than 3 million customers; and a distribution network in 225 locations across the country growing at a five-year CAGR of 29% on AUM and 39% in profits.

Mr. Vaidyanathan, currently Chairman and Managing Director of Capital First, will succeed Dr. Rajiv B. Lall as the Managing Director and CEO of the combined entity upon completion of the Amalgamation and upon receipt of necessary regulatory approvals. Post Amalgamation, Dr. Lall will step into the role of Non-Executive Chairman of IDFC Bank, subject to regulatory approvals, and guide the transition process. He will replace Ms. Veena Mankar, the present

Non-Executive Chairperson of IDFC Bank, who will remain on the Board.

As on the date of this report, the Scheme has received approvals from the National Housing Bank, Competition Commission of India, BSE Limited and the National Stock Exchange of India Limited (in the capacity of a SEBI registered Stock Broker), No Objection Letters from BSE Limited and the National Stock Exchange of India Limited under Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') and No Objection Letter from the Reserve Bank of India ('RBI').

Further, the Bank has filed an application with the National Company Law Tribunal, Chennai Bench seeking its direction for convening meetings of the Shareholders and Creditors of IDFC Bank. On receipt of directions from the National Company Law Tribunal, the Bank will convene meetings of the Shareholders and Creditors. Subsequent to the receipt of approval of the Shareholders and Creditors, the Bank shall file a Petition with the National Company Law Tribunal for its final approval to the Scheme.

Dividend

In accordance with Regulation 43A of the Listing Regulations, your Bank has formulated a Dividend Distribution Policy which ensures a fair balance between rewarding its Shareholders and retaining enough capital for the Bank's future growth.

This Policy is available on the Bank's website: www.idfcbank.com under the 'Investor Relations' section.

Your Directors are pleased to recommend a dividend at the rate of ₹ 0.75 per equity share of ₹ 10 each (i.e. 7.5%) for the year ended March 31, 2018.

The above dividend would be paid subject to approval by the Members at the ensuing Annual General Meeting ('AGM').

The Register of Members and Share Transfer Books will remain closed from Wednesday, July 25, 2018 to Tuesday, July 31, 2018 (both days inclusive) for the



Financial Highlights 2017-18

Summary

IN ₹ CRORE

PARTICULARS	STANDALONE		CONSOLIDATED	
	FY18	FY17	FY18	FY17
Deposits	48,198	40,208	48,039	40,098
Borrowings	57,287	50,262	57,287	50,262
Investments	61,202	50,472	60,904	50,164
Advances	52,165	49,402	52,165	49,402
Total Assets / Liabilities	126,520	112,160	126,382	112,064
Total Income	10,048	9,546	10,218	9,597
Profit before depreciation and tax	1,191	1,605	1,303	1,650
Net Profit	859	1,020	880	1,019
Amount available for appropriation	2,506	2,233		

Appropriations

IN ₹ CRORE

PARTICULARS	STANDALONE	
	FY18	FY17
Transfer to Statutory Reserve	215	255
Transfer to Capital Reserve	202	6
Transfer to Special Reserve	75	325
Transfer (from) / to investment reserve	(1)	1
Dividend paid (includes tax on dividend)*	305	8
Balance in profit and loss account carried forward	1,710	1,646

8 represents amount less than ₹1 crore.

Key Performance Indicators

PARTICULARS	STANDALONE	
	FY18	FY17
Capital adequacy ratio (Basel III)	18.00%	18.90%
Gross NPA %	3.31%	2.99%
Net NPA %	1.69%	1.14%
Return on Assets	0.72%	1.04%

* The Board of Directors, at their meeting held on April 24, 2018 have proposed dividend of ₹ 0.75 (Previous Year ₹ 0.75) per equity share of ₹ 10 each amounting to ₹ 307.78 crore (Previous Year ₹ 307.01 crore), inclusive of dividend distribution tax. The proposal is subject to the approval of shareholders at the ensuing Annual General Meeting. In terms of the revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, dated March 30, 2016, proposed dividend is not recognised as a liability as on March 31, 2018 and March 31, 2017.

Dividend paid during the year ended March 31, 2018 represents dividend of ₹ 304.78 crore pertaining to previous year.

Dividend paid during the year ended March 31, 2017 of ₹ 0.03 crore represents dividend paid pursuant to exercise of employee stock options after the previous year end but before the record date for declaration of dividend.

purpose of payment of dividend for the financial year ended March 31, 2018.

Dividend will be paid to those Members whose names appear in the Register of Members as on Tuesday, July 24, 2018; in respect of shares held in dematerialised form, it will be paid to those Members whose names are furnished by National Securities Depository Limited and Central Depository Services (India) Limited, as beneficial owners as on that date. Dividend shall be subject to tax on dividend to be paid by the Bank.

Implementation of Indian Accounting Standards ('Ind-AS')

The Ministry of Corporate Affairs ('MCA') in its press release dated January 18, 2016 outlined the roadmap for implementation of International Financial Reporting Standards ('IFRS') converged Ind-AS for banks and Non-Banking Financial Companies ('NBFCs'). The roadmap requires the Bank to prepare Ind-AS based financial statements for accounting periods beginning from April 1, 2018 onwards, with comparatives for the period beginning April 1, 2017 or thereafter.

The RBI in its first Bi-monthly Monetary Policy statement on Development and Regulatory Policies for 2018-19 dated April 5, 2018, announced the deferment of Ind-AS Implementation for all Scheduled Commercial Banks ('SCBs') by one year for necessary legislative amendments. As per the statement, the new implementation date will be April 1, 2019 with comparatives for the period beginning April 1, 2018 or thereafter.

The RBI vide its circular DBR.BP.BC.No.76/21.07.001/2015-16 dated February 11, 2016 has also requested all banks to take note of press release for implementation of Ind-AS and disclose in the annual report, the strategy for Ind-AS Implementation and progress in this regard.

As guided by the RBI in its circular dated February 11, 2016, your Bank has formed a Steering Committee to review the entire process of Ind-AS implementation. The Steering Committee closely monitors the progress of the project and assesses the

changes in significant accounting policies, impact on capital adequacy and business model of the Bank. Under supervision of Steering Committee, your Bank has also formed a Technical committee and working group comprising of members from cross functional areas. The Technical committee and working group have carried out a detailed diagnostic analysis of GAAP differences between the current accounting framework and Ind-AS. In addition, the Audit Committee of the Bank also oversees the progress of the Ind-AS implementation process. Working group of the Bank has prepared pro-forma Ind-AS financials as requested by the RBI vide its circular DBR.BP.BC.No.106/21.07.001/2015-16 dated June 23, 2016 and vide its letter DO.DBR.BP.No.2535/21.07.001/2017-18 dated September 13, 2017 respectively. The pro-forma Ind-AS financials were also presented to Steering committee and Audit committee before final submission to the RBI.

Your Bank has evaluated the system and process change requirements for implementation of Ind-AS and the main impacted areas are Effective Interest Rate ('EIR'), Expected Credit Loss ('ECL') and Investment classification. Your Bank has also evaluated systems requiring significant changes and identified additional system and process requirements for implementation of Ind-AS. The Bank is engaging with vendors for technology solutions for implementation of Ind-AS.

Your Bank had also appointed consultants for their expert advice on various topics such as identification of key GAAP differences, evaluation of accounting policy choices, changes in accounting policy and development of ECL methodology etc. Your Bank has also conducted training sessions for the officials from various departments of the Bank to develop the understanding of Ind-AS for smooth transition and implementation. Key members of the Bank from Finance and Risk has also attended the training sessions arranged by Indian Banking Association ('IBA') and National Institute of Bank Management ('NIBM') on Ind-AS.

The implementation of Ind-AS is expected to result in significant changes to the way the Bank prepares and presents its financial statements. The areas that are expected to have significant accounting impact on the application of Ind-AS are summarised below:

- 1)** Financial assets (which include advances and investments) shall be classified under amortised cost, fair value through other comprehensive income (a component of Reserves and Surplus) or fair value through profit / loss categories on the basis of the nature of the cash flows and the intention of holding the financial assets.
- 2)** Interest will be recognised in the income statement using the effective interest method, whereby the coupon, fees net of transaction costs and all other premiums or discounts will be amortised over the life of the financial instrument.
- 3)** The impairment requirements of Ind-AS 109, Financial Instruments, are based on an ECL model that replaces the incurred loss model under the extant framework. The Bank will be generally required to recognize either a 12-Month or Lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. Ind-AS 109 will change the Bank's current methodology for calculating the provision for standard assets and non-performing assets ('NPAs'). The Bank will be required to apply a three-stage approach to measure ECL on financial instruments accounted for at amortised cost or fair value through other comprehensive income. Financial assets will migrate through the following three stages based on the changes in credit quality since initial recognition:
 - Stage 1:** 12 Months ECL For exposures which have not been assessed as credit-impaired or where there has not been a significant increase in credit risk since initial recognition, the portion of the ECL associated with the probability of default events occurring within the next twelve months will need to be recognised.
 - Stage 2:** Lifetime ECL - Not Credit Impaired For credit exposures where there has been a significant increase in credit risk

since initial recognition but are not credit-impaired, a lifetime ECL will need to be recognised.

Stage 3: Lifetime ECL - Credit Impaired
Financial assets will be assessed as credit impaired when one or more events having a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL will need to be recognised.

Interest revenue will be recognised at the original effective interest rate applied on the gross carrying amount for assets falling under stages 1 and 2 and on written down amount for the assets falling under stage 3.

4) Accounting impact on the application of Ind-AS at the transition date shall be recognised in Equity (Reserves and Surplus).

The implementation of Ind-AS by banks requires certain legislative changes in the format of financial statements to comply with disclosures required by Ind-AS. The change in format requires an amendment to the third schedule of the Banking Regulation Act, 1949 to make it compatible with the presentation of financial statements under Ind-AS. The RBI would issue necessary instructions / guidelines and clarifications to facilitate the implementation of the new accounting standards.

Awards and Recognitions

During the year under review, your Bank was recognized in various ways and the significant awards presented to your Bank are listed below:

- ◆ IDEX Legal Awards 2017
- ◆ TISS CLO Awards 2017
- ◆ Digital Transformation Awards 2017
- ◆ IFSEC India Awards 2017
- ◆ #BankingNibhao wins Effies 2017
- ◆ Listed in LinkedIn Top Companies 2017
- ◆ Finnoviti Award 2018

Capital Raising & Capital Adequacy Ratio

During FY18, 5,068,721 equity shares of ₹10 each were issued and allotted to the eligible employees of the Bank on exercise of Options granted under IDFC Bank

Limited Employee Stock Option Scheme 2015 ('IDFC Bank ESOS-2015').

As on March 31, 2018, the issued, subscribed and paid-up share capital of your Bank was ₹34,040,749,050 comprising of 3,404,074,905 equity shares of ₹10 each.

Subsequently on April 16, 2018, the Bank issued and allotted 32,167 equity shares of ₹10 each under IDFC Bank ESOS-2015, which resulted in an increase in share capital and the share capital as on the date of this report stands at ₹34,041,070,720 i.e. 3,404,107,072 equity shares of ₹10 each.

Also, your Bank has not issued any equity shares with differential voting rights.

During the year ended March 31, 2018, your Bank has not issued any Senior Unsecured Redeemable Long Term Bonds in the nature of Non-Convertible Debentures.

Credit rating details for 80CCF Long Term Infrastructure Bonds and Private Placement Bonds of IDFC Bank along with rating rationale are available on the Bank's website: www.idfcbank.com.

Your Bank is well capitalised and has a Capital Adequacy Ratio ('CAR') under Basel III as at March 31, 2018 of 18.00% as against a minimum RBI requirement of 13.00%, with Tier I being 17.68%.

During the year, your Bank has not issued any non-equity regulatory capital instrument.

Deposits

Being a banking company, the disclosures required as per Rule 8(5)(v) & (vi) of the Companies (Accounts) Rules, 2014, read with Sections 73 and 74 of the Companies Act, 2013 are not applicable to your Bank.

Loans, Guarantees or Acquisition of Securities

Pursuant to Section 186(11) of the Companies Act, 2013, loans made, guarantees given or securities provided or acquisition of securities by a banking company in its ordinary course of business are exempted from disclosure requirements under Section 134(3)(g) of the Companies Act, 2013.

PERFORMANCE AND CONTRIBUTION OF SUBSIDIARY AND ASSOCIATE COMPANIES

IDFC Bank has one wholly owned subsidiary company namely IDFC Bharat Limited ('IDFC Bharat'), which was formerly known as Grama Vidiyal Micro Finance Limited.

IDFC Bharat is acting as a BC for distribution of the products of IDFC Bank and has given an added momentum to the financial inclusion plan of the Bank.

During FY18, IDFC Bharat has disbursed ₹3,744 crore of Joint Liability Group ('JLG') loans as a BC to IDFC Bank. The year end portfolio outstanding managed by IDFC Bharat for the financial year ended March 31, 2018 has increased to ₹2,455 crore as compared to ₹1,148 crore for the financial year ended on March 31, 2017. IDFC Bharat, as a BC to IDFC Bank, has initiated mobilisation of savings from the clients and reached an outstanding balance of ₹34 crore at the end of FY18. The number of clients for JLG loans has increased to 12.91 lakh during FY18 as against 9.6 lakh, at the end of FY17. The number of saving accounts opened by IDFC Bharat during the FY18 was 3.88 lakh.

IDFC Bank's policy for determining material subsidiaries is available on the Bank's website: www.idfcbank.com under the 'Investor Relations' section. The Bank does not have any material subsidiary company as per the Companies Act, 2013 and the Listing Regulations.

In accordance with the provisions of Section 129(3) of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014, the Bank has prepared its consolidated financial statements, which forms part of this Annual Report.

Further, pursuant to Section 136(1) of the Companies Act, 2013, the Annual Report of the Bank, containing therein its standalone and consolidated financial statements has been hosted on the Bank's website: www.idfcbank.com under the 'Investor Relations' section.

In addition thereto, the Annual Report of IDFC Bharat containing therein its audited financial statements has also been hosted



Your Bank has grown significantly with a talent base of 5,814 permanent employees (excluding IDFC Bharat) as on March 31, 2018 out of which 929 were women employees.

on the Bank's website: www.idfcbank.com under the 'Investor Relations' section.

The Annual Reports of IDFC Bank and IDFC Bharat are also available at the Registered Office of the Bank during business hours i.e. from 9.30 a.m. to 6.30 p.m. on all days (except Saturday, Sunday and Public Holidays).

Any Shareholder who is interested in obtaining a physical copy of the aforesaid Annual Reports may write to the Group Company Secretary & Group Compliance Officer of the Bank on: mahendra.shah@idfcbank.com or send an email on bank.info@idfcbank.com.

Feedback Infra Private Limited was an associate company of IDFC Bank during FY18. However, the Bank sold partial stake in Feedback Infra Private Limited, which resulted in change in its holding from 24.61% to 17.77%. Accordingly, Feedback Infra Private Limited ceased to be an associate of the Bank w.e.f. March 19, 2018. As a result, IDFC Bank had only one associate company as on March 31, 2018, namely Millennium City Expressways Private Limited in which it holds 29.98% equity stake.

The highlights on performance of the subsidiary and associate company and their contribution to the overall performance of the Bank can be referred to in Form AOC-1, appended as **Annexure 1**.

Employees

Your Bank considers gender diversity during its recruitment process. Your Bank has grown significantly with a talent base of 5,814 permanent employees as on March 31, 2018 out of which 929 were women employees, as against 3,905 permanent employees as on March 31, 2017, including 686 women employees. Also, IDFC Bharat had a strong employee base of 3,856 employees as on March 31, 2018.

Your Bank stood out for the intent to shake up the industry's "age-old conventions" the benefits that begin even before the first day and the appetite for innovative ways of working like the Twitter resume initiative.

In terms of the provisions of Section 197(12) of the Companies Act, 2013 read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement showing the names and other particulars of the employees drawing remuneration in excess of the limits set out in the said rules are provided in this Annual Report. Having regard to the provisions of the first proviso to Section 136(1) of the Companies Act, 2013, the Annual Report excluding the aforesaid information is being sent to the Members of the Bank. The said information is available for inspection at the Registered Office and Corporate Office of the Bank during working hours and any Member interested in obtaining such information may write to the Group Company Secretary & Group Compliance Officer and the same will be furnished on request.

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is appended as **Annexure 2**.

Employee Stock Option Scheme

The Employee Stock Option Scheme (IDFC Bank ESOS-2015) was framed with an object of encouraging higher participation on the part of employees in the Bank's financial growth and success. An effective stock option scheme enables retention of talent and aligning employee interest to that of the Shareholders.

IDFC Bank ESOS-2015 was approved by the Members at their meeting held on December 09, 2014. The Members at the AGM held on July 27, 2016 approved an ESOP pool of 6% of the paid up share capital of the Bank.

There were 90,712,744 Options outstanding at the beginning of FY18. During FY18, 20,419,100 Options were granted to the eligible employees under IDFC Bank ESOS-2015. Further, 15,351,463 Options were lapsed / forfeited and 5,068,721 Options were

exercised during the year ended March 31, 2018. Accordingly, 90,711,660 Options remained outstanding as on March 31, 2018. All Options vests in a graded manner and are required to be exercised within a specific period.

The Bank has used the intrinsic value method to account for the compensation cost of Stock Options to employees of the Bank. Intrinsic value is the amount by which the quoted market price of the underlying share on the date, prior to the date of the grant, exceeds the exercise price on the Option. IDFC Bank ESOS-2015 is administered by the Nomination & Remuneration Committee ('NRC') of the Board of the Bank.

There has been no material change in IDFC Bank ESOS-2015 during FY18 and the said scheme is in compliance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, as amended from time to time.

Disclosures as required under Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and circulars issued thereunder, have been uploaded on the Bank's website: www.idfcbank.com.

Further, disclosure as per the "Guidance Note on Accounting for Employee Share-based Payments" issued by the Institute of Chartered Accountants of India, are appearing in the Notes to the Standalone Financial Statements of IDFC Bank, forming part of this Annual Report.

Directors and Key Managerial Personnel

APPOINTMENT & CESSATION

All appointments of Directors are made in accordance with the relevant provisions of the Companies Act, 2013 and the Rules framed thereunder, the Listing Regulations, the Banking Regulation Act, 1949 and the rules, guidelines and circulars issued by the RBI from time to time.

The NRC conducts due diligence before appointment of Directors and ensures adherence to 'Fit and Proper' criteria, as prescribed by RBI.

Mr. Vikram Limaye (DIN: 00488534) tendered his resignation from the Board of IDFC Limited effective from July 15, 2017 consequent to his appointment as the Managing Director & CEO of National Stock Exchange of India Limited. Thereafter, the Board of IDFC Limited appointed **Mr. Sunil Kakar** (DIN: 03055561) as the Managing Director & CEO of IDFC Limited in place of Mr. Limaye w.e.f. July 16, 2017. As a result, Mr. Limaye resigned from the Board of IDFC Bank w.e.f. July 15, 2017 and IDFC Limited nominated Mr. Sunil Kakar on the Board of IDFC Bank w.e.f. July 16, 2017 in place of Mr. Limaye.

Further, **Mr. Sunil Kakar**, on taking charge as the Managing Director & CEO of IDFC Limited, resigned as the Chief Financial Officer of IDFC Bank w.e.f. July 15, 2017.

The aforesaid appointment of Mr. Kakar was approved by the Shareholders of the Bank, at its 3rd AGM, held on July 28, 2017 at Chennai.

Based on the recommendations of the NRC, the Board of IDFC Bank had at its meeting held on April 25, 2017, recommended the appointment of Mr. Avtar Monga (DIN: 00418477) as the Executive Director, subject to approvals of the RBI and of the Shareholders of the Bank. In terms of Section 35B of the Banking Regulation Act, 1949, an application was made to the RBI seeking its approval for the appointment of Mr. Monga as the Executive Director. Since, the proposed merger of Capital First Limited with IDFC Bank, will require the Board of the Bank to be reconstituted, the application under Section 35B of the Banking Regulation Act, 1949 was withdrawn from RBI.

The Board appointed **Mr. Bipin Gemani** as the interim Chief Financial Officer of the Bank at its meeting held on January 13, 2018, w.e.f. the said date.

Since, the terms of office of Ms. Veena Mankar, Mr. Ajay Sondhi, Mr. Abhijit Sen, Mr. Rajan Anandan and Dr. Rajiv B. Lall will expire in FY19, the Board, based on the recommendation of the NRC, has recommended re-appointment of the following directors:

1. Re-appointment of Ms. Veena Mankar as an ID for a period of 5 years w.e.f July 27, 2018 or for such other period as the RBI may approve;
 2. Re-appointment of Mr. Abhijit Sen as an ID for a period of 5 years w.e.f July 27, 2018 or for such other period as the RBI may approve;
 3. Re-appointment of Mr. Ajay Sondhi as an ID for a period of 5 years w.e.f July 27, 2018 or for such other period as the RBI may approve;
 4. Re-appointment of Mr. Rajan Anandan as an ID for a period of 5 years w.e.f December 1, 2018 or for such other period as the RBI may approve; and
 5. Re-appointment of Dr. Rajiv B. Lall as the Founder Managing Director & Chief Executive Officer for a period of 2 years w.e.f October 1, 2018 or for such other period as the RBI may approve.
- In terms of Section 160 of the Companies Act, 2013, your Bank has received notice in writing from Members proposing candidature of the aforementioned Directors.

The relevant details including brief profiles of Ms. Veena Mankar, Mr. Abhijit Sen, Mr. Ajay Sondhi, Mr. Rajan Anandan and Dr. Rajiv B. Lall are given in the Exhibit to the Notice of the 4th AGM and are also available on the Bank's website: www.idfcbank.com.

None of the Directors of the Bank are disqualified to be appointed as Directors in accordance with Section 164 of the Companies Act, 2013.

Further, the Bank had received a declaration from all the ID, at the time of appointment and also at the first meeting of the Board of Directors held in FY18, that they meet the criteria of independence specified under sub-section (6) of Section 149 of the Companies Act, 2013, read with Rule 5 of the Companies (Appointment and Qualification of Directors) Rules 2014 and Regulation 16 of the Listing Regulations, for holding the position of ID and that they shall abide by the 'Code for Independent Directors' as per Schedule IV of the Companies Act, 2013.

Each ID of the Bank, is independent of all other Directors and the Management.

The Board recommends the re-appointment of the aforesaid Directors to the Shareholders at the ensuing AGM.

Brief Profiles of all the Directors are available on the Bank's website: www.idfcbank.com.

FRAMEWORK FOR APPOINTMENT OF DIRECTORS

The Bank has in place a framework for Board Diversity, Fit & Proper Criteria and Succession Planning for appointment of Directors on the Board of the Bank.

RETIREMENT BY ROTATION

In accordance with the Articles of Association of the Bank and pursuant to the provisions of Section 152 of the Companies Act, 2013, Ms. Anindita Sinharay, Nominee Director representing the Government of India, would retire by rotation at the ensuing AGM and being eligible, offers herself for re-appointment.

KEY MANAGERIAL PERSONNEL

As on the date of this report, the following officials of the Bank are the 'Key Managerial Personnel' pursuant to the provisions of Section 203 of the Companies Act, 2013:

Dr. Rajiv B. Lall

Founder Managing Director & CEO

Mr. Bipin Gemani

Chief Financial Officer
(appointed w.e.f. January 13, 2018)

Mr. Mahendra N. Shah

Group Company Secretary &
Group Compliance Officer

All the Key Managerial Personnel are part of the Executive Committee of IDFC Bank.

Familiarisation Programmes for Board Members

At the time of appointment, all Directors of your Bank are made familiar with their roles, responsibilities, rights and duties

along with a brief overview of your Bank's operations in a nutshell.

The Board members are further provided with necessary documents, reports and internal policies to enable them to familiarise with the Bank's procedures and practices.

Periodic presentations are made at the Board and Committee meetings on business and performance of the Bank, global business environment, business strategy and associated risks, responsibilities of the Directors etc. Detailed presentations on the Bank's business and updates thereon were made at the meetings of the Directors and Committees, held during the year.

The details of the said programmes are available on the Bank's website: www.idfcbank.com under the 'Investor Relations' section.

Board Evaluation

The detailed process indicating the manner in which annual evaluation, pursuant to Listing Regulations and Companies Act, 2013, has been done by the Board, of its own performance and that of its Committees and Individual Directors is given in the Corporate Governance Report, which forms part of this Annual Report.

Board Meetings

During FY18, nine (9) board meetings were held; details of which are given in the Corporate Governance Report, which forms part of this Annual Report.

Board Committees

In compliance with various regulatory requirements, several Board-level Committees have been constituted to delegate matters that require greater and more focused attention.

Details on the constitution, terms of reference, meetings held and attendance of all the Board-level Committees are given in the Corporate Governance Report which forms part of this Annual Report.

A brief overview of some of the Board-level Committees is furnished below:

Audit Committee

As on March 31, 2018, the Audit Committee had the following members:

Mr. Abhijit Sen

Chairman | Independent Director

Mr. Anand Sinha

Member | Independent Director

Mr. Ajay Sondhi

Member | Independent Director

Ms. Veena Mankar

Member | Independent Director

Mr. Sunil Kakar

Member | Nominee Director

The Audit Committee met six (6) times during FY18 i.e. on April 25, 2017; July 26, 2017; October 24, 2017; January 13, 2018; January 18, 2018 and March 08, 2018.

All recommendations made by the Audit Committee during the year were accepted by the Board.

The Audit Committee was reconstituted w.e.f. April 24, 2018 and accordingly, the Committee now comprises the following members:

Mr. Abhijit Sen

Chairman | Independent Director

Mr. Anand Sinha

Member | Independent Director

Mr. Sunil Kakar

Member | Nominee Director

Corporate Social Responsibility Committee

The Corporate Social Responsibility ('CSR') Committee has the following members:

Dr. Rajiv B. Lall


Chairman | Founder Managing Director & CEO

Mr. Abhijit Sen

Member | Independent Director

Ms. Veena Mankar

Member | Independent Director



Our Bank being a green field setup, has Information Security woven into our banking platform and seamlessly merges both culturally and technologically.

The CSR Committee of the Bank met one (1) time during FY18 on April 25, 2017.

The CSR Policy of the Bank is available on the Bank's website: www.idfcbank.com under the 'Investor Relations' section.

The CSR initiatives of the Bank are implemented through IDFC Foundation, a Section 8 company under the Companies Act, 2013. In order to achieve impact and scale, the CSR activities undertaken during the year mainly focused on two national initiatives a) Livelihood enhancement through financial inclusion and b) Shwethdara-Cattle Care program.

Details of the CSR initiatives undertaken by IDFC Bank through IDFC Foundation are given in **Annexure 3**.

Nomination and Remuneration Committee / Remuneration Policy

The Nomination and Remuneration Committee was constituted in compliance with the RBI Guidelines, Section 178 of the Companies Act, 2013 and Listing Regulations.

The NRC has the following members:

Mr. Ajay Sondhi

Chairman | Independent Director

Mr. Anand Sinha

Member | Independent Director

Ms. Veena Mankar

Member | Independent Director

In line with the provisions of the Companies Act, 2013 and RBI guidelines issued in this regard, from time to time, your Bank has a stable framework for remuneration of the various categories of persons at IDFC Bank and accordingly has two separate remuneration policies as given below:

I. Remuneration Policy for the Whole Time / Executive Directors, Non Executive/ Independent Directors, Key Managerial Personnel and Senior Management Personnel.

The various components of remuneration itemized in this policy *inter alia* are as follows:

For Whole Time / Executive Directors:

- a. Fixed Pay benchmarked primarily to the Indian Private Sector Banks;
- b. Variable Pay in the form of annual performance bonus will be determined based on the Bank, business units and individual performance and other evaluation criteria and is not an entitlement;
- c. Retiral benefits, allowances, perquisites and other benefits;
- d. Stock Options;
- e. Directors and Officers Liability Insurance Policy;
- f. Severance Pay, if mandated by any applicable laws.

For Non-Executive / Independent Directors:

- a. Commission to Non-executive / Independent Directors (other than the Part - time Chairperson);
- b. Remuneration to Non-Executive Part - time Chairperson;
- c. Sitting Fees and Other Expenses; and
- d. Directors and Officers Liability Insurance Policy.

For Key Managerial Personnel ('KMP') and Senior Management Personnel ('SMP'):

- a. Fixed Pay benchmarked primarily to the Indian Private Sector Banks;
- b. Variable Pay in the form of annual performance bonus;
- c. Retiral benefits, allowances, perquisites and other benefits;
- d. Stock Options;
- e. Directors and Officers Liability Insurance Policy;
- f. Severance Pay, if mandated by any applicable laws.

II. Remuneration Policy for Employees (Including Risk-Takers) except for the Whole Time / Executive Directors, Non-Executive / Independent Directors, KMP and SMP.

The various components of remuneration itemized in this policy *inter alia* are as follows:

- a. Fixed Pay benchmarked primarily to the Indian Private Sector Banks;
- b. Variable Pay in the form of annual performance bonus;

- c. Statutory Bonus, as may be mandated by any applicable laws;
- d. Stock Options;
- e. Severance Pay, if mandated by any applicable laws.

The principles for remuneration at IDFC Bank are guided by the Bank's philosophy for driving employee performance to achieve its short term and long term objectives, balanced with prudent risk taking and are in compliance with the RBI's Guidelines on Compensation of Whole-Time Directors / Chief Executive Officers / Risk takers and Control function staff, etc. dated January 13, 2012.

Both the policies are available on the Bank's website: www.idfcbank.com.

Your Bank also has a process in place for identification of independence, qualifications and positive attributes of its Directors. The NRC ensures a transparent nomination process to the board of directors with the diversity of gender, thought, experience, knowledge, perspective and in the Board.

The NRC, after taking into consideration the Remuneration Policy for the Whole Time / Executive Directors, Non-Executive/ Independent Directors, Key Managerial Personnel and Senior Management Personnel, recommends their remuneration to the Board for its approval.

Internal Financial Controls

The Bank has adequate internal controls and processes in place with respect to its financial statements that provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements. These controls and processes are driven through various policies, procedures and certifications which also ensure the orderly and efficient conduct of the Bank's business, including adherence to Bank's policies, safeguarding of assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records, and the timely preparation of reliable financial information. The controls and processes are being reviewed periodically. The Bank

has a mechanism of testing the controls and processes at regular intervals for their design and operating effectiveness to ascertain the reliability and authenticity of financial information.

Information / Cyber Security Framework

IDFC Bank since its inception has put in place a robust Information / Cyber Security Framework. Our Bank being a green field setup, has Information Security woven into our banking platform and seamlessly merges both culturally and technologically. A dedicated team of security professionals are part of the Information Security Group ('ISG') who govern the Information Security practices in the Bank. Our Bank has put in place state of the art security technologies including several industry 'firsts' technology solutions and adopted "defense in depth" approach & industry best practices as part of our security framework and architecture. Our Bank is mindful of the need to always be on the guard and monitors its environment 24/7/365. Given the changing threat landscape and evolving technology platforms, the attempt is to progressively move towards adoption of proactive and adaptive platforms for quick detection and recovery.

Statutory Auditors

Deloitte Haskins & Sells, Chartered Accountants, Ahmedabad ('DHS') (Registration No.: 117365W), will retire as the Statutory Auditors of the Bank at the ensuing AGM. In terms of Section 139 of the Companies Act, 2013 read with Companies (Audit & Auditors) Rules, 2014, the Board of Directors has recommended the appointment of DHS as Statutory Auditors of the Bank for a period of One (1) year, subject to approval of the RBI, to hold office from the conclusion of the ensuing 4th AGM till the conclusion of 5th AGM, on a remuneration to be decided by the Board or Committee thereof.

DHS, the retiring auditors, have confirmed that their appointment, if made, would be in conformity with the provisions of Section 139(1) read with Rule 4 of the

Companies (Audit and Auditors) Rules, 2014 and Section 141 of the Companies Act, 2013 and have given their consent to be appointed.

The Bank has received approval from the RBI for the aforesaid appointment.

The Board recommends the appointment of DHS as the Statutory Auditors of the Bank at the ensuing AGM.

Auditors' Report

There were no qualifications, reservations, adverse remarks or disclaimers made by the Statutory Auditors in their report for the financial year ended March 31, 2018.

Secretarial Audit

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Bank had appointed Bhandari & Associates, Company Secretaries to undertake the Secretarial Audit of the Bank for the financial year ended March 31, 2018.

The Bank provided all assistance and facilities to the Secretarial Auditors for conducting their audit.

The Secretarial Audit Report is appended as **Annexure 4** to this report.

There were no qualifications, reservations, adverse remarks or disclaimers made by the Secretarial Auditors in their report for the financial year ended March 31, 2018.

Compliance with applicable Secretarial Standards

The Bank has generally complied with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India.

Concurrent Audit

Your Bank has a regular process of getting concurrent audit done for the treasury and trade finance operations. The concurrent audit is done by BSR & Co. LLP, Chartered Accountants for treasury operations and Ernst & Young LLP, Chartered Accountants for trade finance operations. The concurrent audit reports for both

the functions are placed before the Audit Committee for review.

Instances of Fraud, if any reported by the Auditors or the Management

There have been no instances of fraud reported by the Auditors under Section 143(12) of the Companies Act, 2013 or by the Management.

Risk Management Framework

Your Bank operates within an effective Risk Management Framework to actively manage all the material risks faced by the Bank, in a manner consistent with the Bank's risk appetite. Your Bank aims to establish itself as an industry leader in the management of risks and strives to reach the efficient frontier of risk and return for the Bank and its Shareholders. The Board has the ultimate responsibility for the Bank's risk management framework. The Board is responsible for approving the Bank's risk appetite, risk tolerance and related strategies and policies.

To ensure the Bank has a sound system of risk management and internal controls in place, the Board has established the Risk Management Committee of the Board. The Risk Management Committee of the Board reviews risk management policies of the Bank pertaining to credit, market, liquidity and operational risks. The Committee also reviews the Risk Appetite & Enterprise Risk Management framework, Internal Capital Adequacy Assessment Process ('ICAAP') and Stress Testing.

Your Bank has in place a Board approved Risk Management Policy. The Policy aims at establishing a risk culture and governance framework to enable identification, measurement, mitigation and reporting of risks within the Bank in line with the Bank's risk appetite, risk - return trade-off and the escalation & accountability framework.

Vigil Mechanism / Whistle Blower Policy

The Bank has implemented a Whistle Blower Policy in compliance with the provisions of the Listing Regulations,

Companies Act, 2013 and RBI notification on Introduction of 'Protected Disclosures Scheme for Private Sector and Foreign banks'. Pursuant to this policy, the Whistle Blowers can raise concerns relating to reportable matters (as defined in the policy) such as breach of IDFC Bank Code of Conduct, employee misconduct, fraud, illegal unethical imprudent behaviour, corruption, safety and misappropriation or misuse of Bank funds / assets etc. Further, the mechanism adopted by the Bank encourages the Whistle Blower to report genuine concerns or grievances and provides for adequate safeguards against victimisation of Whistle Blower to those who avail such mechanism and also provides for direct access to the Chairman of the Audit Committee, in exceptional cases. The Audit Committee reviews the functioning of the Vigil Mechanism from time to time. None of the Whistle Blowers has been denied access to the Audit Committee of the Board. The Whistle Blower Policy is available on the Bank's website: www.idfcbank.com under the 'Investor Relations' section. The Whistle Blower Policy is communicated to the employees and is also posted on the Bank's intranet.

In addition to the above, IDFC Bank has formulated a Vigilance Policy for effectively managing the risks faced by the Bank on account of corruption, malpractices and frauds.

Ms. Susmita Ghosh is the Chief Vigilance Officer of IDFC Bank.

Anti-Sexual Harassment Policy

Your Bank has in place a policy on Anti-Sexual Harassment, which reflects the Bank's zero-tolerance towards any form of prejudice, gender bias and sexual harassment at the workplace. Your Bank has set up an Internal Committee to receive and redress complaints of sexual harassment. Your Bank undertakes ongoing trainings to create awareness on this policy. During FY18, employees were given training on the subject so that they understand the anti-sexual harassment policy, the complete framework adopted

by the Bank to report and resolve instances of sexual harassment etc., details of which have been mentioned in the Business Responsibility Report, which is hosted on the Bank's website: www.idfcbank.com.

There were no cases of sexual harassment during the year under review.

Significant and Material Orders passed by the Regulators / Courts / Tribunals

During the year under review, no significant and material orders were passed by the regulators or courts or tribunals impacting the going concern status or the operations of the Bank.

Material Changes and Commitments affecting the Financial Position of the Bank

There are no material changes and commitments, affecting the financial position of the Bank which have occurred between the end of the financial year of the Bank i.e. March 31, 2018 and the date of this Board's Report.

Related Party Transactions

All the related party transactions that were entered into during the financial year were on arm's length basis and in the ordinary course of business of the Bank. IDFC Group including IDFC Bank have always been committed to good corporate governance practices, including in matters relating to related party transactions.

All the related party transactions are placed before the Audit Committee for approval. Prior omnibus approval is obtained from the Audit Committee for foreseen related party transactions. Prior omnibus approval is also obtained for unforeseen related party transactions subject to their value not exceeding ₹1 crore per transaction. The required disclosures are made to the Committee on a quarterly basis in terms of the omnibus approval of the Committee.

Pursuant to the provisions of Companies Act, 2013 and Rules made thereunder, Listing Regulations and in back-drop of the Bank's philosophy on such matters,

the Bank has in place a Board approved policy on related party transactions. The said policy is also uploaded on the Bank's website: www.idfcbank.com under the 'Investor Relations' section. Since all related party transactions entered into by the Bank were in the ordinary course of business and on arm's length basis, Form AOC-2 as prescribed under Section 134(3)(h) of the Companies Act, 2013 is not applicable to the Bank.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

The provisions of Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 are not applicable to your Bank.

However, your Bank has been taking steps at all times for conservation of energy. The initiatives taken for conservation of energy has been mentioned in the Business Responsibility Report, which is hosted on the Bank's website: www.idfcbank.com.

Also, your Bank has been increasingly using information technology in its operations, for more details please refer Management Discussion and Analysis, which forms part of this Annual Report.

Special Business

The Board of Directors recommends the following items under Special Business for approval of the Shareholders at the ensuing AGM:

1. Offer and Issue of Debt Securities on Private Placement basis
2. Re-appointment of Mr. Abhijit Sen as an Independent Director of the Bank
3. Re-appointment of Ms. Veena Mankar as an Independent Director of the Bank
4. Re-appointment of Mr. Ajay Sondhi as an Independent Director of the Bank
5. Re-appointment of Mr. Rajan Anandan as an Independent Director of the Bank
6. Re-appointment of Dr. Rajiv B. Lall as the Founder Managing Director & Chief Executive Officer of the Bank.
7. Alteration of Articles of Association of the Bank

Green Initiative

In accordance with 'Green Initiative', your Bank is sending the Annual Report and Notice of AGM in electronic mode to those Shareholders whose e-mail addresses are registered with the Bank and / or the Depository Participants.

Your Directors are thankful to the Shareholders for their participation in this Green Initiative.

We look forward to your continued support towards this Initiative.

Management Discussion and Analysis Report

The Management Discussion and Analysis Report for the year under review, as required by Regulation 34(2)(e) of the Listing Regulations forms part of this Annual Report.

Corporate Governance

Your Directors ensure the Bank's prosperity by collectively directing its affairs, whilst meeting the appropriate interests of its Shareholders and other Stakeholders.

Your Bank is committed to achieve the highest standards of Corporate Governance. A separate section on Corporate Governance standards followed by your Bank and the relevant disclosures, as stipulated under Listing Regulations, Companies Act, 2013 and Rules made thereunder forms part of this Annual Report.

A Certificate from the Statutory Auditors of the Bank, Deloitte Haskins & Sells, Chartered Accountants, Ahmedabad (Registration No. 117365W), conforming compliance to the conditions of Corporate Governance as stipulated under Listing Regulations is affixed at the beginning of the Corporate Governance Report and forms part of this Annual Report.

CEO & CFO Certification

Certificate issued by Dr. Rajiv B. Lall, Founder Managing Director & CEO and Mr. Bipin Gemani, Chief Financial Officer of the Bank, in terms of Regulation 17(8)

of Listing Regulations, for the year under review was placed before the Board of Directors and forms part of this Annual Report.

Business Responsibility Report

The Business Responsibility Report, in terms of Regulation 34(2)(f) of Listing Regulations, describing the initiatives taken by IDFC Bank from an environmental, social and governance perspective is hosted on the Bank's website:

www.idfcbank.com under the 'Investor Relations' section and constitutes a part of this Annual Report. Any Member interested in obtaining a physical copy of the same may write to the Group Company Secretary & Group Compliance Officer of the Bank by sending an e-mail on mahendra.shah@idfcbank.com.

Extract of Annual Return

Pursuant to sub-section 3(a) of Section 134 and sub-section (3) of Section 92 of the Companies Act, 2013, read with Rule 12 of the Companies (Management and Administration) Rules, 2014, the extract of the Annual Return (Form No. MGT-9) as at March 31, 2018 forms part of this report and is appended as **Annexure 5**.

Directors' Responsibility Statement

Pursuant to the requirement under Section 134(5) of the Companies Act, 2013, it is hereby confirmed that:

a. in the preparation of the annual accounts, the applicable accounting

standards had been followed along with proper explanation relating to material departures;

b. the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank at the end of the financial year and of the profit of the Bank for that period;

c. the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities;

d. the Directors had prepared the annual accounts on a going concern basis;

e. the Directors had laid down internal financial controls to be followed by the Bank and that such internal financial controls are adequate and were operating effectively; and

f. the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Acknowledgement

Your Directors take this opportunity to express their deep and sincere gratitude to our Customers, Business Partners, Business Correspondents and Vendors for the trust and confidence reposed by them in the Bank.

We would like to thank our Shareholders, Bondholders, Investors and Financial Institutions for their co-operation and assistance during the year under review.

Your Directors would like to place on record their appreciation for the support received from IDFC Group, Capital First Group, Government of India, State Governments, various Ministries, RBI, SEBI, Stock Exchanges, Depositories, Rating Agencies, CCI, Unique Identification Authority of India ('UIDAI'), National Payments Corporation of India ('NPCI'), The Clearing Corporation of India Limited ('CCIL'), Indian Banks' Association ('IBA'), Insurance Regulatory and Development Authority of India ('IRDA'), Fixed Income Money Market and Derivatives Association of India ('FIMMDA') and all other regulatory agencies and associations with which the Bank interacts.

Your Directors sincerely acknowledge the commitment and hard work put in by all employees of the Bank through its transformational journey. Their valuable contribution has enabled the Bank to make significant progress towards achieving its objective of becoming a diversified universal bank, with a focus on retail banking.

For and on behalf of the Board of Directors

VEENA MANKAR

Independent Non-Executive Chairperson

JUNE 29, 2018

ANNEXURE 1

Form No. AOC-1

Statement Containing Salient Features of the Financial Statement of Subsidiaries / Associate Companies / Joint Ventures as on the Financial Year ended on March 31, 2018

[Pursuant to first proviso to Section 129(3) of the Companies Act, 2013, read with Rule 5 of the Companies (Accounts) Rules 2014]

A	Subsidiaries											(₹ in crore)
Sr. No.	Name of subsidiary company	Share Capital	Reserves and Surplus	Total Assets	Total Liabilities	Investments	Turn-over	Profit before tax	Provision for tax	Profit after tax	Proposed Dividend (%)	% of Share-holding
1.	IDFC Bharat Limited	5.58	169.43	229.15	54.14 (Note 3)	-	177.29	32.95	11.70	21.25	1400% (Note 4)	100%

Notes:

1. Names of Subsidiaries which are yet to commence operations: Not Applicable

2. Names of Subsidiaries which have been liquidated or sold during the year: Not Applicable

3. Total Liabilities is excluding Share capital and Reserves and Surplus

4. Includes interim dividend of 200% on equity shares paid during the year. Further, In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, dated March 30, 2016, proposed dividend of 1200% is not recognised as a liability by the subsidiary as on March 31, 2018.

B Associates and Joint Ventures											
[Pursuant to Section 129(3) of the Companies Act, 2013 related to Associates Companies and Joint Ventures]											
SR. NO.	NAME OF ASSOCIATE COMPANY										MILLENNIUM CITY EXPRESSWAYS PRIVATE LIMITED
1.	Latest audited Balance Sheet Date										March 31, 2018
2.	Shares of Associate held by the Bank on the year end										
	Number of Equity Shares										226,383,431
	Amount of Investment in Associate Company (₹ in crore)										226.38
	Extent of Holding (%)										29.98%
3.	Description of how there is significant influence										Extent of equity holding in the associate company exceeds 20%
4.	Reason why the Associate is not consolidated										Not Applicable
5.	Networth attributable to Bank's Shareholding as per latest audited Balance Sheet (₹ in crore)										27.86
6.	Profit / (Loss) attributable to Bank's Shareholding for the year ended March 31, 2018 (₹ in crore)										
	I. Considered in Consolidation										(75.79)
	II. Not Considered in Consolidation										Not Applicable

Notes:

1. Names of Associates or Joint Ventures which are yet to commence operations: Not Applicable.

2. Names of Associates or Joint Ventures which have been liquidated or sold during the year: The Bank sold partial stake in Feedback Infra Private Limited, which resulted in change in its holding from 24.61% to 17.77%. Accordingly, Feedback Infra Private Limited ceased to be an associate w.e.f. March 19, 2018.

3. The financials of Millennium City Expressways Private Limited for the year ended March 31, 2018 are unaudited.

For and on behalf of the Board of Directors of IDFC Bank Limited

VEENA MANKAR
Chairperson

RAJIV B. LALL
Founder Managing Director & CEO

BIPIN GEMANI
Chief Financial Officer

ABHIJIT SEN
Director

SUNIL KAKAR
Director

MAHENDRA N. SHAH
Company Secretary & Chief Compliance Officer

MUMBAI | APRIL 24, 2018

ANNEXURE 2

Ratio of Director Remuneration to Employee Median Remuneration

The ratio of the remuneration of each Director to the median Employee's remuneration and other details in terms of sub-section 12 of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

I. The ratio of the remuneration of each Director to the median remuneration of the Employees for the financial year

The ratio of the remuneration of Founder Managing Director and CEO to the median remuneration of the employees of IDFC Bank for FY18 was 86X.

II. The percentage increase in remuneration of each Director, CFO, CEO, CS in the financial year

Founder Managing Director and CEO: 0%
Chief Financial Officer: 5%
Company Secretary: 5%

III. The percentage increase in the median remuneration of Employees in the financial year

The median remuneration of the employees increased by 6% in the financial year.

IV. The number of permanent Employees on the rolls of the Bank

5,814 as on March 31, 2018

VIII. Average percentile increase already made in the salaries of Employees other than the Managerial Personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration

Average % increase for Managerial Personnel for the financial year was 5%.
Average % increase for employees other than the Managerial Personnel for the financial year was 6%.

The average increase in the remuneration of employees compared to the increase in remuneration of Managerial Personnel is in line with the market bench mark study and the performance of the Bank. There is no exceptional increase in the Managerial Remuneration.

XII. Affirmation that the remuneration is as per the remuneration policy of the Bank

We confirm.

ANNEXURE 3

Note on CSR Activities undertaken during FY18

[Pursuant to clause (o) of sub-section (3) of section 134 of the Act and Rule 9 of the Companies (Corporate Social Responsibility) Rules, 2014]

1. A brief outline of the Company's CSR policy, including overview of projects or programmes proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.

The CSR policy is to ensure that CSR activities are not performed in silos and that it be skillfully and inextricably woven into the fabric of the Company's business strategy for overall value creation for all stakeholders. IDFC believes that profitability must be complemented by a sense of responsibility towards all stakeholders with a view to make a material, visible and lasting difference to the lives of disadvantaged sections of the people, preferably in the immediate vicinity in which the Company operates but at the same time ensure widespread spatial distribution of its CSR activities Pan-India befitting its status as a conscientious corporate citizen.

Section 135 of Companies Act, 2013 ('the Act') read with Companies (Corporate Social Responsibility Policy) Rules 2014 requires IDFC Bank Limited to mandatorily spend on CSR.

During the year, IDFC Bank Limited carried out CSR activities through its group company, namely, IDFC Foundation, a not-for-profit Company within the meaning of Section 8 of the Act.

The object of the CSR activities would seek to –

- (a) serve the poor, marginalised and underprivileged
- (b) promote inclusion

- (c) be sustainable
- (d) meet needs of the larger community and society

IDFC Foundation, as implementing agency on behalf of IDFC Limited and its group companies, undertook the following CSR activities which fall within the ambit of the activities listed in Schedule VII of the Act for promoting the development of –

- (a) livelihoods
- (b) rural development projects
- (c) promoting healthcare including preventive health care
- (d) education
- (e) community engagement / development
- (f) environmental sustainability
- (g) disaster relief
- (h) research and studies in all or any of the activities mentioned in Schedule VII &
- (i) Others

2. The Composition of the CSR Committee:

- a) Dr. Rajiv B. Lall - Chairman
- b) Ms. Veena Mankar - Member
- c) Mr. Abhijit Sen - Member

3. Average net profit of the company for last three financial years:

₹ 711.68 crore.

4. Prescribed CSR Expenditure (2% of the amount as in item 3 above):

₹ 14.23 crore.

5. Details of CSR spent during Financial Year:

- a) Total amount to be spent for the financial year: ₹ 14.23 crore
- b) Amount spent during the year: ₹ 14.23 crore
- c) Amount unspent, if any: NIL
- d) Manner in which the amount spent during the financial year is detailed in Annexure – A

6. In case the Company has failed to spend 2% of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report:

Not Applicable

7. The CSR Committee of the Company hereby confirms that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

For IDFC Bank Limited

RAJIV B. LALL

Chairman of the CSR Committee

VEENA MANKAR

Member of the CSR Committee

MUMBAI | APRIL 24, 2018

ANNEXURE A

SR. NO	CSR PROJECT OR ACTIVITY IDENTIFIED	SECTOR IN WHICH THE PROJECT IS COVERED (CLAUSE NO. OF SCHEDULE VII TO THE COMPANIES ACT, 2013, AMENDED)
1.	Promoting learning outcomes of under privileged students in night schools in Maharashtra	Cl.(ii) promoting education
2.	Promoting learning outcomes in 60 government primary schools in the backward blocks of Ramgarh and Kishangarh	Cl.(ii) promoting education
3.	Promoting Digital Literacy through Digishalas in government schools of Hoshangabad, Madhya Pradesh	Cl.(ii) promoting education
4.	Program on strengthening and improving quality of life in Indian cities and towns	Cl.(ii) promoting education; Cl.(ii) livelihood enhancement projects
Total		
5.	Program on improving access to water and sanitation in Odisha	Cl.(i) Sanitation & Safe Drinking water
Total		
6.	Shwetdhara-Cattle Care Program to improve the productivity of milch animals and increase the income of small and marginal dairy farmers	Cl.(ii) livelihood enhancement projects
7.	Promoting Financial Inclusion by deploying interoperable Financial Inclusion Devices and organising Financial Literacy Programs	Cl.(ii) livelihood enhancement projects; Cl. (x) rural development projects.
Total		
8.	Research & studies on various social and economic issues directly impacting welfare of people	Various clauses of Schedule VII
Total		
Total Direct Expense of Project & Programmes (A)		
Overhead Expense (B)		
Total (A) + (B)		

*IDFC Foundation, a wholly owned subsidiary of the IDFC Limited, is an implementing agency of IDFC Limited and its group Companies and engaging Corporate Social Responsibility ('CSR') activities as per the CSR policy adopted by IDFC & its group companies in line with the Schedule VII of the Act. The Company is primarily focusing on CSR activities as well defined projects or programmes that would include promoting and development of (a) livelihoods, (b) rural development projects, (c) promoting healthcare including preventive health care, (d) education, (e) community engagement / development, (f) environmental sustainability, (g) disaster relief, (h) research and studies in all or any of the activities mentioned in Schedule VII and (i) Others, with the help of various partners.

(₹ in crore)

PROJECTS OR PROGRAMS (1) LOCAL AREA OR OTHER (2) SPECIFY THE STATE AND DISTRICT WHERE PROJECTS OR PROGRAMS WERE UNDERTAKEN	AMOUNT OUTLAY (BUDGET)	AMOUNT SPENT ON THE PROJECTS OR PROGRAMS SUB HEADS: (1) DIRECT EXPENDITURE ON PROJECTS OR PROGRAMS (2) OVER HEADS	CUMULATIVE EXPENDITURE UP TO THE REPORTING PERIOD	AMOUNT SPENT : DIRECT OR THROUGH IMPLEMENTING AGENCY
Maharashtra-Mumbai		0.15	0.20	Implementing Agency - IDFC Foundation *
Rajasthan - Alwar		0.11	0.18	
Madhya Pradesh - Hoshangabad		0.12	0.15	
Gujarat - Ahmedabad & Surat, Karnataka - Bangalore, Madhya Pradesh - Bhopal, Odisha - Bhubaneswar, Chandigarh, Tamil Nadu - Chennai, Kerala - Thiruvananthapuram, Uttarakhand - Dehradun, Delhi, Andhra Pradesh - Hyderabad, Rajasthan - Jaipur, Uttar Pradesh - Kanpur & Lucknow, West Bengal - Kolkata, Punjab - Ludhiana, Maharashtra - Mumbai, Bihar - Patna, Chhattisgarh - Raipur, Jharkhand - Ranchi	1.68	0.14	0.18	
	1.68	0.52	0.71	
Odisha	0.23	0.06	0.08	
	0.23	0.06	0.08	
Madhya Pradesh - Hoshangabad, Harda, Khandwa, Khargone, Dhar, Bhopal, Raisen, Dewas and Indore Karnataka - Hubballi (Dharwad), Haveri, Koppal, Bagalkot, Belgaavi	7.61	0.72	0.88	
PAN India		6.24	6.36	
	7.61	6.96	7.24	
PAN India	4.71	1.56	2.05	
	4.71	1.56	2.05	
		9.10	10.08	
		0.10	0.13	
	14.23	9.20	10.21	

ANNEXURE 4

Secretarial Audit Report

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2018

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To
The Members,
IDFC BANK LIMITED
CIN: L65110TN2014PLC097792

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **IDFC BANK LIMITED** (hereinafter called "the Bank"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing our opinion thereon.

Based on our verification of the Bank's books, papers, minute books, forms and returns filed and other records maintained by the Bank and also the information provided by the Bank, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Bank has, during the audit period covering the financial year ended on March 31, 2018 complied with the statutory provisions listed hereunder and also that the Bank has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Bank for the financial year ended on March 31, 2018 according to the provisions of:

- i. The The Companies Act, 2013 (the Act) and the rules made thereunder;
- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment and External Commercial Borrowings. The Bank does not have any Overseas Direct Investment during the financial year.
- v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
 - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - d. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulation, 2014;
 - e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009*;
 - h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998*;
 - i. The Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992;

- j. The Securities and Exchange Board of India (Bankers to an Issue) Regulations, 1994;
- k. The Securities and Exchange Board of India (Stock Brokers & Sub-Brokers) Regulations, 1992.

The Regulations or Guidelines, as the case may be were not applicable for the period under review.

The list of Acts, Laws and Regulations specifically applicable to the Bank are given below:

- vi. The Banking Regulation Act, 1949.

We have also examined compliance with the applicable clauses of the following:

- i. Secretarial Standards issued by the Institute of Company Secretaries of India.;
- ii. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ["Listing Regulations"].

During the period under review, the Bank has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above, to the extent applicable.

We further report that The Board of Directors of the Bank is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice was given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance for meetings other than those held at shorter notice, and a system exists for seeking and obtaining further information and clarifications on the agenda items

before the meeting and for meaningful participation at the meeting.

During the period under review, decisions were carried through unanimously and no dissenting views were observed, while reviewing the minutes.

We further report that there are adequate systems and processes in the Bank commensurate with the size and operations of the Bank to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period, the Bank has undertaken following events / actions:

- i. Member's approval has been obtained at the 3rd Annual General Meeting held on July 28, 2017 for borrowing / raising funds, from time to time, in Indian currency / Foreign currency, by issue of debt securities including but not limited to Non-Convertible Debentures and Bonds on private placement basis upto an amount not exceeding ₹ 10,000 crore, outstanding at any point of time, within the overall borrowing limits of ₹ 1,50,000 crore
- ii. Board of Directors of the Bank at its meeting held on January 13, 2018, subject to requisite approval of the members and regulatory authorities has approved the Composite Scheme of Amalgamation between the Bank (Amalgamated Company) and Capital

First Limited, Capital First Home Finance Limited and Capital First Securities Limited (Amalgamating Companies).

**For Bhandari & Associates
Company Secretaries**

S. N. BHANDARI

Partner

FCS NO.: 761; CP NO.: 366

MUMBAI | APRIL 21, 2018

This report is to be read with our letter of even date which is annexed as **Annexure 'A'** and forms an integral part of this report.

ANNEXURE A

To
The Members,
IDFC BANK LIMITED
CIN: L65110TN2014PLC097792

Our Secretarial Audit Report for the Financial Year ended on March 31, 2018 of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Bank. Our responsibility is to express an opinion on these secretarial records based on our audit.

2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.

3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Bank.

4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.

5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of Management. Our examination was limited to the verification of procedures on test basis.

6. The Secretarial Audit report is neither an assurance as to the future viability of the Bank nor of the efficacy or effectiveness with which the Management has conducted the affairs of the Bank.

**For Bhandari & Associates
Company Secretaries**

S.N.BHANDARI

Partner

FCS No.: 761; CP. No.: 366

MUMBAI | APRIL 21, 2018

ANNEXURE 5

Form No. MGT-9

Extract of Annual Return as on the Financial Year ended on March 31, 2018

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

01 Registration and Other Details		
1.	CIN	L65110TN2014PLC097792
2.	Registration Date	October 21, 2014
3.	Name of the Company	IDFC BANK LIMITED
4.	Category / Sub-Category of the Company	Company Limited by shares Indian Non-Government Company
5.	Address of the Registered Office and contact details	KRM Towers, 7 th Floor, No. 1 Harrington Road, Chetpet, Chennai - 600 031, Tamil Nadu, India. Tel: +91 44 4564 4000, Fax: +91 44 4564 4022
6.	Whether listed company Yes / No	Yes
7.	Name, Address and Contact details of Registrar and Transfer Agent, if any	Karvy Computershare Private Limited (Unit: IDFC Bank Limited) Karvy Selenium Tower B, Plot 31 & 32, Financial District, Gachibowli, Nanakramguda, Serilingampally, Hyderabad - 500 032, Telangana, India. Contact Person: M R V Subrahmanyam Tel: +91 40 6716 2222 Fax: +91 40 2342 0814 Toll Free: 1800 345 4001 E-mail: einward.ris@karvy.com Website: www.karvycomputershare.com

02 Principal Business Activities of the Company			
All the business activities contributing 10% or more of the total turnover of the Bank shall be stated			
SR. NO.	NAME AND DESCRIPTION OF MAIN PRODUCTS / SERVICES	NIC CODE OF THE PRODUCT / SERVICE	% TO TOTAL TURNOVER OF THE BANK
1.	Banking Services	64191	100

03 Particulars of Holding, Subsidiary and Associate Companies					
SR. NO.	NAME AND ADDRESS OF THE COMPANY	CIN / GLN	HOLDING / SUBSIDIARY / ASSOCIATE	% OF SHARES HELD	APPLICABLE SECTION
1.	IDFC Financial Holding Company Limited KRM Towers, 7 th Floor, No.1 Harrington Road, Chetpet, Chennai - 600 031, Tamil Nadu, India	U65900TN2014PLC097942	Holding Company	52.80	Section 2(46)
2.	IDFC Limited KRM Towers, 7 th Floor, No.1 Harrington Road, Chetpet, Chennai - 600 031, Tamil Nadu, India	L65191TN1997PLC037415	Ultimate Holding Company	Indirectly 52.80	Section 2(46)
3.	IDFC Bharat Limited No.9, Paripoorna Towers, Manoranjitham Street Annamalai Nagar, Tiruchirappalli - 620 018, Tamil Nadu, India	U65929TN2003PLC050856	Subsidiary Company	100.00	Section 2(87)
4.	Millennium City Expressways Private Limited IGI Toll Plaza Building, Opp. Radisson Hotel, Mahipalpur, New Delhi - 110 037, India	U45204DL2014PTC266306	Associate Company	29.98	Section 2(6)

4A Shareholding Pattern (Equity Share Capital breakup as Percentage of Total Equity)

CATEGORY OF SHAREHOLDERS	NO. OF SHARES HELD AS AT MARCH 31, 2017				NO. OF SHARES HELD AS AT MARCH 31, 2018				% CHANGE DURING THE YEAR	
	DEMAT	PHYSICAL	TOTAL	% OF TOTAL SHARES	DEMAT	PHYSICAL	TOTAL	% OF TOTAL SHARES		
A. PROMOTERS										
1. Indian										
a.	Individual / HUF	-	-	-	-	-	-	-	-	-
b.	Central Govt.	-	-	-	-	-	-	-	-	-
c.	State Govt(s)	-	-	-	-	-	-	-	-	-
d.	Bodies Corp.	1,797,512,668	-	1,797,512,668	52.88	1,797,512,668	-	1,797,512,668	52.80	(0.08)
e.	Banks / FI	-	-	-	-	-	-	-	-	-
f.	Any Other	-	-	-	-	-	-	-	-	-
	Sub-total A. 1.	1,797,512,668	-	1,797,512,668	52.88	1,797,512,668	-	1,797,512,668	52.80	(0.08)
2. Foreign										
a.	NRIs-Individuals	-	-	-	-	-	-	-	-	-
b.	Other-Individuals	-	-	-	-	-	-	-	-	-
c.	Bodies Corp.	-	-	-	-	-	-	-	-	-
d.	Banks / FI	-	-	-	-	-	-	-	-	-
e.	Any Other	-	-	-	-	-	-	-	-	-
	Sub-total A. 2.	-	-	-	-	-	-	-	-	-
	Total Shareholding of Promoter A. = A. 1.+ A. 2.	1,797,512,668	-	1,797,512,668	52.88	1,797,512,668	-	1,797,512,668	52.80	(0.08)
B. PUBLIC SHAREHOLDING										
1. Institutions										
a.	Mutual Funds	43,045,076	-	43,045,076	1.26	130,178,584	-	130,178,584	3.82	2.56
b.	Banks / FI	7,548,072	-	7,548,072	0.22	10,336,715	-	10,336,715	0.30	0.08
c.	Central Govt.	261,400,000	-	261,400,000	7.69	261,400,000	-	261,400,000	7.68	(0.01)
d.	State Govt(s)	-	-	-	-	-	-	-	-	-
e.	Venture Capital Funds	-	-	-	-	-	-	-	-	-
f.	Insurance Companies	48,519,913	-	48,519,913	1.43	47,541,155	-	47,541,155	1.40	(0.03)
g.	FPIs	686,120,704	-	686,120,704	20.19	500,303,429	-	500,303,429	14.70	(5.49)
h.	Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i.	Others (specify)									
	Foreign Corporate Bodies	4,651,271	-	4,651,271	0.14	4,601,271	-	4,601,271	0.14	-
	Bodies Corporate	92,968,981	-	92,968,981	2.73	83,659,139	-	83,659,139	2.46	(0.27)
	Overseas Corporate Bodies	5,000	-	5,000	β	-	-	-	-	-
	Sub-total B. 1.	1,144,259,017	-	1,144,259,017	33.66	1,038,020,293	-	1,038,020,293	30.50	(3.16)

β denotes negligible value

4A Shareholding Pattern (Equity Share Capital breakup as Percentage of Total Equity) (Continued)

CATEGORY OF SHAREHOLDERS	NO. OF SHARES HELD AS AT MARCH 31, 2016				NO. OF SHARES HELD AS AT MARCH 31, 2017				% CHANGE DURING THE YEAR
	DEMAT	PHYSICAL	TOTAL	% OF TOTAL SHARES	DEMAT	PHYSICAL	TOTAL	% OF TOTAL SHARES	
2. Non-Institutions									
a. Bodies Corp.									
i. Indian	-	-	-	-	-	-	-	-	-
ii. Overseas	-	-	-	-	-	-	-	-	-
b. Individuals									
i. Individual shareholders holding nominal share capital upto ₹1 lakh	252,276,130	61,385	252,337,515	7.42	297,837,538	61,165	297,898,703	8.75	1.33
ii. Individual shareholders holding nominal share capital in excess of ₹1 lakh	169,251,935	-	169,251,935	4.98	225,229,383	-	225,229,383	6.62	1.64
c. Others (specify)									
Clearing members	9,391,722	-	9,391,722	0.28	7,680,002	-	7,680,002	0.22	(0.06)
Non Resident Indians	18,275,517	1,527	18,277,044	0.54	25,838,593	1,527	25,840,120	0.76	0.22
Trusts	7,426,184	-	7,426,184	0.22	11,168,458	-	11,168,458	0.33	0.11
NBFC registered with RBI	550,099	-	550,099	0.02	725,278	-	725,278	0.02	-
Sub-total B. 2.	457,171,587	62,912	457,234,499	13.46	568,479,252	62,692	568,541,944	16.70	3.24
Total Public Shareholding B. = B.1. + B.2.	1,601,430,604	62,912	1,601,493,516	47.12	1,606,499,545	62,692	1,606,562,237	47.20	0.08
C. SHARES HELD BY CUSTODIAN FOR GDRS & ADRS	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	3,398,943,272	62,912	3,399,006,184	100.00	3,404,012,213	62,692	3,404,074,905	100.00	-

4B Shareholding of Promoters

SHAREHOLDING AS AT MARCH 31, 2017					SHAREHOLDING AS AT MARCH 31, 2018			% CHANGE IN SHAREHOLDING DURING THE YEAR
SR. NO.	SHAREHOLDER'S NAME	NO. OF SHARES	% OF TOTAL SHARES OF THE COMPANY	% OF SHARES PLEDGED / ENCUMBERED TO TOTAL SHARES	SHAREHOLDER'S NAME	NO. OF SHARES	% OF TOTAL SHARES OF THE COMPANY	% OF SHARES PLEDGED / ENCUMBERED TO TOTAL SHARES
1.	IDFC Financial Holding Company Limited	1,797,512,668	52.88	-	IDFC Financial Holding Company Limited	1,797,512,668	52.80	-
	Total	1,797,512,668	52.88	-		1,797,512,668	52.80	-

4C Change in Promoters' Shareholding

SHAREHOLDING AT THE BEGINNING OF THE YEAR AS ON APRIL 01, 2017					INCREASE / DECREASE IN SHAREHOLDING		CUMULATIVE SHAREHOLDING AT THE END OF THE YEAR AS ON MARCH 31, 2018		
SR. NO.	NAME OF THE SHAREHOLDER	NO. OF SHARES	% OF TOTAL SHARES OF THE BANK	DATE	REASON	NO. OF SHARES	% OF TOTAL SHARES OF THE BANK	NO. OF SHARES	% OF TOTAL SHARES OF THE BANK
NO CHANGE									

4D Shareholding Pattern of Top Ten Shareholders

(Other than Directors, Promoters and Holders of GDRs and ADRs)

		SHAREHOLDING AT THE BEGINNING OF THE YEAR APRIL 01, 2017**		CHANGES IN THE SHAREHOLDING DURING THE YEAR		CUMULATIVE SHAREHOLDING AT THE END OF THE YEAR MARCH 31, 2018***	
SR. NO.	NAME OF THE SHAREHOLDER*	NO. OF SHARES	% OF TOTAL SHARES OF THE BANK	INCREASE	DECREASE	NO. OF SHARES	% OF TOTAL SHARES OF THE BANK
1.	President of India	261,400,000	7.69	-	-	261,400,000	7.68
2.	Platinum International Fund	49,281,536	1.45	193,886	-	49,475,422	1.45
3.	Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	19,562,769	0.58	3,889,572	-	23,452,344	0.69
4.	Platinum Asia Fund	19,253,783	0.57	3,220,830	-	22,474,613	0.66
5.	Wellington Trust Company, National Association Multiple Common Trust Funds Trust, Emerging Markets Opportunities Portfolio	16,868,209	0.50	3,161,035	-	20,029,244	0.59
6.	Vanguard Total International Stock Index Fund	16,476,696	0.48	2,022,042	-	18,498,738	0.54
7.	Ishares India Index Mauritius Company	16,439,692	0.48	-	(654,834)	15,784,858	0.46
8.	Reliance Capital Trustee Co. Ltd - A/C Reliance Arbitrage Advantage Fund	5,640,000	0.17	9,948,000	-	15,588,000	0.46
9.	Ishares Core Emerging Markets Mauritius Co	7,825,829	0.23	6,337,597	-	14,163,426	0.42
10.	Matthews India Fund	13,650,467	0.40	-	-	13,650,467	0.40

* Top Ten Shareholders of the Bank as on March 31, 2018 have been considered on the basis of Folio No. / DP ID / Client ID for the above disclosure.

** Shareholding at the beginning of the year is given on the basis of shareholding pattern as on March 31, 2017.

*** The shares of the Bank are listed on NSE & BSE and are being traded on daily basis hence, the date wise increase / decrease in shareholding is not indicated.

4E Shareholding of Directors and Key Managerial Personnel

SR. NO.	NAME OF THE SHAREHOLDER	SHAREHOLDING AT THE BEGINNING OF THE YEAR APRIL 01, 2017		CHANGES IN THE SHAREHOLDING DURING THE YEAR		SHAREHOLDING AT THE END OF THE YEAR MARCH 31, 2018	
		NO. OF SHARES	% OF TOTAL SHARES OF THE BANK	INCREASE	DECREASE	NO. OF SHARES	% OF TOTAL SHARES OF THE BANK
1.	Dr. Rajiv B. Lall (Founder Managing Director & CEO)	2,444,984	0.07	179,702	-	2,624,686	0.08
2.	Mr. Sunil Kakar (Nominee Director)	20,000	β	-	-	20,000	β
3.	Mr. Mahendra N. Shah (Group Company Secretary & Group Compliance Officer)	100	β	-	-	100	β
4.	Mr. Bipin Gemani* (Chief Financial Officer)	N.A.	N.A.	-	-	94,514	β

β denotes negligible value

*Mr. Bipin Gemani was appointed as the Chief Financial Officer of the Bank w.e.f. January 13, 2018.

05 Indebtedness

(₹ in crore)

(Indebtedness of the Bank including interest outstanding / accrued but not due for payment)

	SECURED LOANS EXCLUDING DEPOSITS*	UNSECURED LOANS	DEPOSITS**	TOTAL INDEBTEDNESS
Indebtedness at the beginning of the financial year				
i) Principal Amount	7,776.46	42,485.73	-	50,262.19
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	1.33	2,869.56	-	2,870.89
Total (i+ii+iii)	7,777.79	45,355.29	-	53,133.08
Change in Indebtedness during the financial year				
Addition***	2,699,936.10	236,678.37	-	2,936,614.47
Reduction	2,687,151.85	242,328.41	-	2,929,480.26
Net Change	12,784.25	(5,650.04)	-	7,134.21
Indebtedness at the end of the financial year				
i) Principal Amount	20,533.57	36,753.50	-	57,287.07
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	28.47	2,951.75	-	2,980.22
Total (i+ii+iii)	20,562.04	39,705.25	-	60,267.29

*Includes Borrowings under Collateralised Borrowing and Lending Obligations, Market Repurchase Transactions with banks and financial institutions, transactions under Liquidity Adjustment Facility and Marginal Standing Facility secured against Government Securities.

**Deposits accepted by the Bank are in normal course of banking business and an operating activity of the Bank and hence not included in the Indebtedness Disclosure.

***Additions also include the effect of exchange rate fluctuation and net change in interest accrued but not due between the beginning of financial year and the end of financial year.

06 Remuneration of Directors and Key Managerial Personnel

6A Remuneration to Founder Managing Director & CEO

(in ₹)

SR.NO.	PARTICULARS OF REMUNERATION	MD / WTD / MANAGER FOUNDER MANAGING DIRECTOR & CEO
1.	Gross salary	
(a)	Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	33,378,000
(b)	Value of perquisites u/s 17(2) of the Income-tax Act, 1961	4,545,958
(c)	Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	-
2.	Stock Option	-
3.	Sweat Equity	-
4.	Commission	-
(a)	as % of profit	-
(b)	others, specify	-
5.	Others - Contribution to Provident and Other Funds	1,152,000
	Total (A)	39,075,958
	Ceiling as per the Act	Refer Notes

Notes: 1. During FY18, an amount of ₹ 13.33 lakh was paid to Dr. Lall towards deferred payment of Bonus for FY16, as per RBI approval.
2. The remuneration paid / payable to Dr. Lall is within the limits prescribed under the Companies Act, 2013 and has been approved by RBI.

6B Remuneration to Other Directors

(in ₹)

SR. NO.	PARTICULARS OF REMUNERATION	NAME OF THE DIRECTORS							TOTAL AMOUNT
		VEENA MANKAR	AJAY SONDHI	ABHIJIT SEN	ANAND SINHA	RAJAN ANANDAN	ANIL BAIJAL*	ASHOK GULATI**	
1.	Independent Directors								
	Fee for attending board & committee meetings	2,100,000	2,500,000	2,600,000	2,150,000	400,000	-	-	9,750,000
	Commission / Remuneration (Note 5)	1,000,000	1,000,000	1,000,000	665,754	1,000,000	687,672	863,014	6,216,440
	Others, please specify								
	Total (1)	3,100,000	3,500,000	3,600,000	2,815,754	1,400,000	687,672	863,014	15,966,440
2.	Other Non-Executive Directors	-	-	-	-	-	-	-	-
	Fee for attending board committee meetings	-	-	-	-	-	-	-	-
	Commission	-	-	-	-	-	-	-	-
	Others, please specify	-	-	-	-	-	-	-	-
	Total (2)	-	-	-	-	-	-	-	-
	Total (B) = (1 + 2)	3,100,000	3,500,000	3,600,000	2,815,754	1,400,000	687,672	863,014	15,966,440
	Total Managerial Remuneration								56,375,731
	Overall Ceiling as per the Act								Refer Notes

Notes: 1. * Mr. Anil Bajjal resigned from the Board w.e.f December 08, 2016, hence commission for FY17 was paid to him in FY18
2. ** Mr. Ashok Gulati resigned from the Board w.e.f February 10, 2017, hence commission for FY17 was paid to him in FY18
3. Mr. Vikram Limaye resigned from the Board w.e.f July 15, 2017
4. Mr. Sunil Kakar, Ms. Anindita Sinharay and Mr. Vikram Limaye, Non-Executive Nominee Directors, have not been paid any remuneration from IDFC Bank during FY18.
5. Commission / Remuneration is for the year FY17 which has been paid in FY18. Commission is paid as per the limits approved by the Shareholders of the Bank at the 2nd AGM held on July 27, 2016 at a rate not exceeding 1% of the net profits of the Bank in accordance with the Companies Act, 2013 or maximum limit of ₹ 10 lakh as prescribed by RBI to each of such Directors, whichever is lower. The remuneration paid to all the Directors is well within the said limits.

6C Remuneration to Key Managerial Personnel other than MD
(in ₹)

SR. NO.	PARTICULARS OF REMUNERATION	KEY MANAGERIAL PERSONNEL			
		MR. MAHENDRA N. SHAH (GROUP COMPANY SECRETARY & GROUP COMPLIANCE OFFICER)	MR. SUNIL KAKAR (CHIEF FINANCIAL OFFICER) (FROM APRIL 01, 2017 TO JULY 15, 2017)	MR. BIPIN GEMANI (CHIEF FINANCIAL OFFICER) (FROM JANUARY 13, 2018 TO MARCH 31, 2018)	TOTAL
1.	Gross salary				
(a)	Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	12,174,337	5,377,494	2,093,034	19,644,865
(b)	Value of perquisites u/s 17(2) of the Income-tax Act, 1961	32,400	117,716	6,924	157,040
(c)	Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	-	-	-	-
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission				
(a)	as % of profit	-	-	-	-
(b)	Others, specify.	-	-	-	-
5.	Others, Contribution to Provident and Other Funds	2,113,239	726,235	256,778	3,096,252
	Total	14,319,976	6,221,445	2,356,736	22,898,157

Notes: 1. During FY18, Mr. Shah and Mr. Kakar were paid Bonus of ₹ 108 lakh and ₹ 127 lakh, respectively for FY17.

2. During FY18, Mr. Shah and Mr. Kakar were granted 222,000 and 360,000 stock options respectively under IDFC Bank ESOS - 2015 for FY17. The stock options granted would vest in a graded manner over a period of 3 years from the date of grant of options and are exercisable over a period of 4 years from the date of vesting. Options were granted at 'fair value' as defined under the SEBI (Share Based Employee Benefits) Regulations, 2014.

07 Penalties / Punishment / Compounding of Offences

TYPE	SECTION OF THE COMPANIES ACT	BRIEF DESCRIPTION	DETAILS OF PENALTY / PUNISHMENT / COMPOUNDING FEES IMPOSED	AUTHORITY [RD / NCLT / COURT]	APPEAL MADE, IF ANY (GIVE DETAILS)
A. BANK			NIL		
Penalty					
Punishment					
Compounding					
B. DIRECTORS			NIL		
Penalty					
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT			NIL		
Penalty					
Punishment					
Compounding					

06



INDEPENDENT AUDITORS' CERTIFICATE

To the Members of IDFC Bank Limited

1. This certificate is issued in accordance with the terms of our engagement letter reference no. PG/4348 dated 22 August 2017.

2. We, Deloitte Haskins & Sells, Chartered Accountants, the Statutory Auditors of IDFC BANK LIMITED ("the Bank"), have examined the compliance of conditions of Corporate Governance by the Bank, for the year ended on 31 March 2018, as stipulated in regulations 17 to 27 and clauses (b) to (i) of regulation 46(2) and paras C and D of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Listing Regulations).

MANAGEMENT'S RESPONSIBILITY

3. The compliance of conditions of Corporate Governance is the responsibility of the Management. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure compliance with the conditions of the Corporate Governance stipulated in the Listing Regulations.

AUDITORS' RESPONSIBILITY

4. Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Bank for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Bank.

5. We have examined the books of account and other relevant records and documents maintained by the Bank for the purposes of providing reasonable assurance on the compliance with Corporate Governance requirements by the Bank.

6. We have carried out an examination of the relevant records of the Bank in accordance with the Guidance Note on Certification of Corporate Governance issued by the Institute of the Chartered Accountants of India (the ICAI), the Standards on Auditing specified under Section 143(10) of the Companies Act 2013, in so far as applicable for the purpose of this certificate and as per the Guidance

Note on Reports or Certificates for Special Purposes (Revised 2016) issued by the ICAI which requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.

7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

OPINION

8. Based on our examination of the relevant records and according to the information and explanations provided to us and the representations provided by the Management, we certify that the Bank has complied with the conditions of Corporate Governance as stipulated in regulations 17 to 27 and clauses (b) to (i) of regulation 46(2) and paras C and D of Schedule V of the Listing Regulations during the year ended 31 March 2018.

9. We state that such compliance is neither an assurance as to the future viability of the Bank nor the efficiency or effectiveness with which the Management has conducted the affairs of the Bank.

For Deloitte Haskins & Sells
Chartered Accountants
(FIRM'S REGISTRATION NO. 117365W)

KALPESH J. MEHTA
(Membership No. 48791)

MUMBAI | JUNE 29, 2018

07



CORPORATE GOVERNANCE REPORT

IDFC Bank Limited ('IDFC Bank' or the 'Bank'), since its inception is committed to adopting the highest standards of Corporate Governance through its commitment to values and ethical business conduct. IDFC Bank strongly believes that sound Corporate Governance is an essential ingredient for corporate success and sustainable economic growth. IDFC Bank, through its stringent adherence to compliances aims to enhance and retain investor trust and social acceptability.

IDFC Bank endeavours to conduct its operations with transparency and honesty towards all its stakeholders including customers, shareholders, regulators, employees and the general public at large.

IDFC BANK'S PHILOSOPHY ON CORPORATE GOVERNANCE

IDFC Bank Limited ('IDFC Bank' or the 'Bank'), since its inception is committed to adopting the highest standards of Corporate Governance

through its commitment to values and ethical business conduct. IDFC Bank strongly believes that sound Corporate Governance is an essential ingredient for corporate success and sustainable economic growth. IDFC Bank, through its stringent adherence to compliances aims to enhance and retain investor trust and social acceptability.

IDFC Bank endeavours to conduct its operations with transparency and honesty towards all its stakeholders including customers, shareholders, regulators, employees and the general public at large. IDFC Bank's businesses focus on maximising return on assets while managing inherent risks, thus ensuring that the Bank's performance goals are met

with integrity. The Bank's systems, policies and frameworks are regularly upgraded to meet the challenges of rapid growth in a dynamic external business environment. Governance practices not only deal with the growing size of the business, but also deal with the increase in complexities of the organisational structure that supports such growth.

In India, Corporate Governance standards for listed companies are regulated by the Securities and Exchange Board of India ('SEBI') through SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'). As a Bank, which believes in implementing Corporate Governance practices that go beyond just meeting the letter of law, IDFC Bank not only complies with the requirements of Companies Act, 2013, Banking Regulations Act, 1949 and mandated elements of Listing Regulations, but also incorporates most of the non-mandatory recommendations.

This Chapter, read with the chapters on Management Discussion and Analysis and Board's Report confirms IDFC Bank's compliance with the Listing Regulations.

BOARD OF DIRECTORS

The Board of Directors of the Bank bring with them, a wide range of significant professional expertise and rich experience across a wide spectrum of functional areas such as Management and Administration, Economics, Banking, Commercial Banking, Investment Banking, Financial Inclusion, Finance, Accounting, Audit, Technology etc.

The Bank encourages board diversity and balance of skills at the same time, to ensure effective decision making.

The Board has been constituted in compliance with the Banking Regulation Act, 1949, the Companies Act, 2013, Listing Regulations and in accordance with the best practices in Corporate Governance across the Industry. The Board of the Bank has an optimum combination of Executive and Non-Executive Directors ('NEDs')

including two (2) Woman Directors, of which one (1) is an Independent Director.

Listing Regulations mandate that for a company with a Non-Executive Chairperson, at least one-third of the Board shall comprise Independent Directors ('IDs').

The Board of the Bank consists of eight (8) Directors, out of which five (5) are IDs, two (2) Nominee Directors and one (1) Executive Director. Ms. Veena Mankar is the Independent Non-Executive Chairperson. In addition to Ms. Mankar, Mr. Anand Sinha, Mr. Abhijit Sen, Mr. Ajay Sondhi and Mr. Rajan Anandan are IDs. Dr. Rajiv B. Lall is serving as the Founder Managing Director & CEO of the Bank. Mr. Sunil Kakar and Ms. Anindita Sinharay are Nominee Directors representing IDFC Limited (Ultimate Holding Company) and the Government of India ('GOI') respectively. As on March 31, 2018, IDFC Financial Holding Company Limited (subsidiary company of IDFC Limited) and Government of India held 52.80% and 7.68% equity shares respectively, in IDFC Bank.

Brief Profile of all the Directors is available on the Bank's website: www.idfcbank.com.

Changes In Board Composition

IDFC Limited (Ultimate Holding Company) nominated Mr. Sunil Kakar (DIN: 03055561) on the Board of IDFC Bank w.e.f. July 16, 2017 in place of Mr. Vikram Limaye (DIN: 00488534) who resigned from the Board of the Bank w.e.f. July 15, 2017 consequent to his appointment as the Managing Director & CEO of National Stock Exchange of India Limited.

Based on the recommendations of the Nomination & Remuneration Committee ('NRC'), the Board of IDFC Bank had at its meeting held on April 25, 2017, recommended the appointment of Mr. Avtar Monga (DIN: 00418477) as the Executive Director, subject to approvals of the Reserve Bank of India ('RBI') and of the Shareholders of the Bank. In terms of Section 35B of the Banking Regulation Act, 1949, an application was made to the RBI seeking its approval for the appointment of Mr. Monga as the Executive Director.

Since, the proposed merger of Capital First Limited with IDFC Bank, will require the Board of the Bank to be reconstituted, the application under Section 35B of the Banking Regulation Act, 1949 was withdrawn from RBI.

All the new NEDs inducted on the Board are introduced to the culture and vision of the Bank through special induction programmes.

The Board has complete access to all the information about the Bank. The Board is frequently provided with necessary documents, reports and internal policies to enable them to get familiarised with the Bank's procedures and practices. The details of familiarisation programmes imparted to Directors are disclosed on the Bank's website: www.idfcbank.com under 'Investor Relations' section.

CODE OF CONDUCT

The Bank has in place a Code of Conduct for Board of Directors and designated Senior Management Personnel ('SMP') of the Bank. The Code is available on the Bank's website: www.idfcbank.com under 'Investor Relations' section.

All Directors and designated SMP have affirmed their compliance with the Code. A declaration to this effect duly signed by the Founder Managing Director & CEO is enclosed at the end of this Chapter.

Further, all the IDs have confirmed that they meet the criteria mentioned under Regulation 16(1)(b) of the Listing Regulations read with Section 149(6) of the Companies Act, 2013. Also, they have given a declaration of independence pursuant to Section 149(7) of the Companies Act, 2013, read with Rule 5 of Companies (Appointment and Qualification of Directors) Rules, 2014 along with their affirmation to the Code of Independent Directors as prescribed under Schedule IV of the Companies Act, 2013.

The terms and conditions of appointment of IDs are also disclosed on the Bank's website: www.idfcbank.com under 'Investor Relations' section.

01 Composition of Board of Directors for FY18

NAME OF THE DIRECTOR	DIN	AGE	POSITION ON THE BOARD	NO. OF BOARD MEETINGS HELD IN FY18
Ms. Veena Mankar [^]	00004168	65	Independent Non-Executive Chairperson	9
Mr. Anand Sinha	00682433	67	Independent Director	9
Ms. Anindita Sinharay [§]	07724555	42	Nominee Director (Representing Ministry of Finance, GOI-equity investor)	9
Mr. Abhijit Sen [^]	00002593	67	Independent Director	9
Mr. Ajay Sondhi [^]	01657614	57	Independent Director	9
Mr. Rajan Anandan	02395272	49	Independent Director	9
Dr. Rajiv B. Lall	00131782	60	Founder Managing Director & CEO	9
Mr. Sunil Kakar [*]	03055561	60	Nominee Director (Representing IDFC Limited-equity investor)	6
Mr. Vikram Limaye ^{**}	00488534	50	Nominee Director (Representing IDFC Limited-equity investor)	3

Notes:

^{*}Appointed w.e.f. July 16, 2017

^{**}Resigned w.e.f. July 15, 2017

[^]Chairpersons of the Audit Committee, the Nomination and Remuneration Committee, and the Stakeholders' Relationship and Customer Service Committee were present at the 3rd AGM held on July 28, 2017.

[§] Ms. Anindita Sinharay could not attend the 3rd AGM held on July 28, 2017 due to other official commitments.

¹ Includes directorship held in Foreign Companies, Private Limited Companies and Section 8 Companies in India.

² Includes memberships of Audit Committee and Stakeholders' Relationship Committee of all Indian Public Limited Companies including IDFC Bank Limited; figures in brackets indicate number of Committee Chairmanships as per Regulation 26 of the Listing Regulations.

BOARD MEETINGS

The Board meets at least once a quarter to review the quarterly results along with other agenda items and also on the occasion of the Annual General Meeting ('AGM'). Additional meetings to conduct special businesses are held whenever required. The dates of Board meetings for the next financial year are decided well in advance and are informed to the Directors so as to enable them to manage their schedule effectively and prepare for the meetings well in advance.

Also, the Bank makes available video conferencing facility or other audio visual means, to enable larger participation of Directors in the meetings.

In consultation with the Chairperson and the Founder Managing Director & CEO, the Company Secretary prepares the agenda along with the explanatory notes thereon and circulates it to the Directors and invitees. Members of the Board are free to recommend inclusion of any matter in the agenda for discussion.

SMP are also invited to attend the Board meetings, make presentations and provide

additional inputs to the agenda items under discussion.

With a view to leverage technology and reduce paper consumption, the Bank has adopted a web-based application for transmitting Board / Committee meeting agenda. The Directors of the Bank receive the agenda in electronic form through this application, which can be accessed through iPad or web browser. The application meets high standards of security and integrity that is required for storage and transmission of Board / Committee meeting agenda in electronic form.

The responsibilities of the Board *inter alia* include formulating and monitoring plans, business strategies, budgets, information security methods, reviewing financial results, appointment / cessation and remuneration of SMP and Key Managerial Personnel ('KMP'), perusing of policies and procedures, etc. The Board reviews on a quarterly basis the compliance reports of all laws applicable to the Bank, including the Corporate Governance reports submitted to the Stock Exchanges.

The RBI prescribes seven comprehensive critical themes in board deliberation, to be placed before the

Board of Directors, *vide* its Calendar of Reviews. These themes include Business Strategy, Risk, Financial Reports and their integrity, Compliance, Customer Protection, Financial Inclusion and Human Resources. Agenda items within the scope of these themes are primarily presented to the relevant committees of the Board, report of which is then placed at the Board meetings.

During FY18, nine (9) Board meetings were held on the following dates:

- ◆ April 25, 2017
- ◆ June 30, 2017
- ◆ July 08, 2017
- ◆ July 27, 2017
- ◆ October 25, 2017
- ◆ January 03, 2018
- ◆ January 13, 2018
- ◆ January 19, 2018
- ◆ March 27, 2018

The maximum gap between any two consecutive meetings was less than 120 days. The necessary quorum was present for all the meetings.

Periodic presentations are made at the Board / Committee meetings on business strategy, performance updates, financial statements etc. Minimum Information to

NO. OF BOARD MEETINGS ATTENDED IN FY18	PERCENTAGE OF ATTENDANCE	WHETHER ATTENDED THIRD AGM HELD ON JULY 28, 2017	NUMBER OF DIRECTORSHIPS		NO. OF COMMITTEE MEMBERSHIP (CHAIRMANSHIP) OF COMPANIES ² (INCLUDING IDFC BANK)
			OF INDIAN PUBLIC LIMITED COMPANIES (INCLUDING IDFC BANK)	OF OTHER COMPANIES ¹	
9	100%	Yes	2	2	3(2)
9	100%	Yes	2	2	2(0)
3	33.33%	No	1	0	0(0)
9	100%	Yes	5	2	3(3)
9	100%	Yes	2	3	2(0)
3	33.33%	Yes	1	4	0(0)
9	100%	Yes	1	2	1(0)
6	100%	Yes	8	2	8(0)
3	100%	N.A.	N.A.	N.A.	N.A.

Notes: a. None of the Directors of the Bank was Member of more than 10 committees or acted as Chairperson of more than 5 committees across all Public Limited Companies in which they were Directors in terms of Regulation 26 of the Listing Regulations.

b. None of the Directors held directorship in more than 10 Public Limited Companies.

c. None of the Directors were related to each other.

d. None of the Independent Directors of the Bank served as Independent Director in more than 7 listed companies.

e. Dr. Rajiv B. Lall, Founder Managing Director & CEO, was not an Independent Director of any other listed company.

be placed before the Board of Directors as mentioned in Schedule II Part A of the Listing Regulations is placed before the Board for its consideration, as and when applicable.

The Board / Committees also pass resolutions by circulation on need basis. The resolutions passed by circulation are placed for noting at the next Board / Committee meetings, as applicable. During FY18, four (4) circular resolutions were passed by the Board.

The minutes of each Board / Committee meeting are circulated to the respective members and invitees for their inputs. The minutes are then recorded in the minutes book after its confirmation at the respective meetings.

The names and age of the Directors along with their attendance at the Board meetings held during FY18 and the last AGM, their directorships, memberships and chairmanships in committees of companies (including IDFC Bank) are given in **Table No.1.**

MEETING OF INDEPENDENT DIRECTORS

As per Schedule IV of the Companies Act, 2013 and the rules made thereunder, the IDs of a company shall hold at least one (1) meeting in a year, without the attendance of Non-Independent Directors and members of the Management. This meeting is expected to review the performance of Non-Independent Directors and the Board as a whole; review the performance of the Chairperson of the Board and assess the quality, quantity and timeliness of the flow of information between the Management and the Board that is necessary for the Board to effectively and reasonably perform their duties. Accordingly, a separate meeting of IDs of the Bank was held on April 25, 2017 without the presence of the Founder Managing Director & CEO, Nominee Directors and SMP. The meeting was attended by four (4) IDs.

BOARD COMMITTEES

The Board has constituted various Board-level Committees to delegate particular matters that require greater and more focused attention. These Committees take

informed decisions in the best interest of the Bank. Also, these Committees monitor the activities falling within their terms of reference and recommend their views to the Board.

Also, the Bank has put in place, a Management Committee framework to ensure that various submissions to the Board and its Committees are first reviewed, approved and recommended by the Management Committees. This would enhance governance and help strengthen the compliances within the Bank.

As on March 31, 2018, Bank had the following Management Committees:

- ◆ Credit & Market Risk Committee
- ◆ Operational and Information Security Risk Committee
- ◆ Business Planning / Strategic Initiatives Committee
- ◆ Asset Liability Management Committee
- ◆ Product & Process Approval Committee
- ◆ Internal Audit & Controls Committee
- ◆ IT Strategy Committee
- ◆ Premises & Outsourcing Committee
- ◆ Brand and Public Relations Committee
- ◆ HR and Culture Committee

As on March 31, 2018, the Bank had the following Board-level Committees:

- Audit Committee
- Nomination and Remuneration Committee
- Stakeholders' Relationship & Customer Service Committee
- Corporate Social Responsibility Committee
- Risk Management Committee
- Credit Committee
- Ethics and Culture Committee
- Allotment and Share Transfer Committee

A sub-committee of the Board namely sub-committee for corporate restructuring was also constituted to explore potential transactions and hold explanatory discussions with the Shriram Group.

Similarly, another sub-committee of the Board was constituted to deliberate and advise the Board on a potential combination with the Capital First Group.

During the period under review, few meetings of the aforesaid sub-committees were held.

Majority of the members of most of the Board-level Committees are IDs and most of these Committees are chaired by IDs.

Mr. Mahendra N. Shah, Group Company Secretary & Group Compliance Officer officiates as the Secretary for all the Board-level Committees and ensures adherence to all laws and regulations for conducting Committee meetings.

Details on composition of the Board-level Committees, terms of reference and number of meetings held during FY18, are given hereinafter:

11 Audit Committee

As on March 31, 2018, the Audit Committee comprised five (5) members, four (4) of whom were IDs and one (1) Nominee Director.

All members of the Audit Committee are financially literate and have accounting and related financial management expertise. The Committee met six (6) times during FY18 on April 25, 2017; July 26, 2017; October 24, 2017; January 13, 2018, January 18, 2018 and

March 08, 2018. The time gap between two consecutive meetings was less than 120 days. The quorum of the meeting is two (2) IDs. All the meetings were held during the year with requisite quorum. The Chief Financial Officer, Statutory Auditors and the Internal Auditors are permanent invitees to the meetings of the Audit Committee. During FY18, twelve (12) circular resolutions were passed by the Audit Committee.

The composition, names of members and chairperson and their attendance at the Audit Committee meetings held during FY18 are given in **Table No.2**.

The Audit Committee was reconstituted at the Board meeting held on April 24, 2018 and it now comprises three (3) members, two (2) of whom are IDs and one (1) Nominee Director viz. Mr. Abhijit Sen - Chairman, Mr. Anand Sinha and Mr. Sunil Kakar.

The Terms of Reference of the Audit Committee *inter alia* includes the following:

A. Financial Statements

1. Oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

2. Reviewing, with the management, the annual financial statements and draft auditors report thereon before submission to the Board for approval, with particular reference to:

a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act, 2013.

b. Changes, if any, in accounting policies and practices and reasons for the same.

c. Major accounting entries involving estimates based on the exercise of judgment by management.

d. Significant adjustments made in the financial statements arising out of audit findings.

02 Attendance Details of Audit Committee Meetings held during FY18

NAME OF THE MEMBER	POSITION ON THE BOARD	STATUS	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED	% OF ATTENDANCE
Mr. Abhijit Sen	Independent Director	Chairman	6	6	100%
Mr. Ajay Sondhi	Independent Director	Member	6	6	100%
Mr. Anand Sinha	Independent Director	Member	6	6	100%
Ms. Veena Mankar	Independent Non-Executive Chairperson	Member	6	6	100%
Mr. Sunil Kakar*	Nominee Director	Member	5	5	100%
Mr. Vikram Limaye**	Nominee Director	Member	1	1	100%

Notes:

*Mr. Sunil Kakar was appointed on the Board and the Committee w.e.f. July 16, 2017.

** Mr. Vikram Limaye resigned from the Board w.e.f. July 15, 2017

e. Compliance with listing and other legal requirements relating to financial statements.

f. Disclosure of any related party transactions.

g. Modified Opinion(s) in the draft Audit report.

3. Reviewing, with the management, the quarterly financial statements and results before submission to the Board for approval.

4. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.

5. Approval or any subsequent modification of transactions of the Bank with related parties.

6. To scrutinise inter-corporate loans and investments.

7. To review report on valuation of undertakings or assets of the Bank, wherever it is necessary.

8. Evaluation of internal financial controls and risk management systems.

9. Pre-approval, approval or any subsequent modification of transactions of the Bank with related parties.

10. Audit Committee may grant omnibus approval for related party transactions in accordance with applicable regulations.

11. Review of housekeeping—particularly balancing and reconciliation of long outstanding entries Suspense / Sundries / Drafts payable / paid / Funds in Transit / Clearing / SGL / CSGl accounts.

12. Suggest change in accounting policy and practices which may have significant bearing on financial statements. A confirmation that accounting policies are in compliance with accounting standards and RBI guidelines (Annual).

13. Review of accounting policies / systems of the Bank with a view to ensuring greater transparency in the Bank's accounts and adequacy of accounting standards (Annual).

14. Investigate any activity within its terms of reference, seek information from any employee, have full access to information contained in the records of the Bank and obtain outside legal or professional advice.

B. Statutory Audit

1. Recommending to the Board, the appointment, re-appointment, remuneration, terms of appointment and, if required, the replacement or removal of

the statutory auditor and the fixation of audit fees.

2. Reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process.

3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.

4. Reviewing, with the management, performance of statutory auditors & internal auditors and adequacy of the internal control systems.

5. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

6. Review the Long Form Audit Report ('LFAR') issued by the statutory auditors.

7. Review of the management letters / letters of internal control weaknesses issued by the statutory auditors.

C. Internal Audit

1. Discussing with internal auditors any significant findings and follow up there on.

2. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

3. Review of the internal audit reports relating to internal control weaknesses.

4. Review of Audit plan and status of achievement thereof.

5. Review of significant Audit Findings of the following audits along with the compliance thereof— (i) Concurrent Audit (ii) Internal Inspection (iii) I.S. Audit of Data Centre (iv) Treasury and Derivatives (v) Management Audit at Controlling Offices / Head Offices (vi) Audit of Service Branches (vii) Currency Chest (viii) FEMA Audit of branches authorised to deal in foreign exchange, etc.

6. Review of Systems and Procedures adopted by the Bank.

7. Review of Information Security Audit Policy (Annual).

8. Review of adequacy of the internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit (Annual).

9. Review of report on Revenue leakage detected by Internal / External Auditors and status of recovery thereof—reasons for undercharges and steps taken to prevent revenue leakage (Annual).

D. Compliance with RBI Guidelines

1. Review of exposure to sensitive sectors i.e. capital market & real estate.

2. KYC / AML Guidelines—(i) Review of implementation (ii) Periodic AML Update (iii) Review of compliance of concurrent audit reports with respect to adherence to KYC / AML guidelines at branches.

3. Review compliance report on directives issued by ACB / Board / RBI.

4. Review status of implementation of Ghosh and Jilani Committee reports (Half Yearly).

5. Review penalties imposed / penal action taken against Bank under various laws and statutes and action taken for corrective measures (Annual).

6. Review the Anti-Money Laundering ('AML') / Counter-Financing of Terrorism ('CFT') policy annually and review the implementation of the Companies AML / CFT programme.

7. Review the application of KYC procedures at the branches and comment on the lapses observed in this regard.

8. Report on compliance of regulatory requirements of regulators in host countries in respect of overseas branches.

E. Compliance with Companies Act, 2013 / Other Statutes / Regulations

1. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

2. Approval of appointment of Chief Financial Officer after assessing the qualifications, experience, background etc.

3. Recommending to the Board, the appointment, re-appointment, remuneration, terms of appointment and, if required, the replacement or removal of auditors of the Bank.

4. Review of housekeeping—particularly balancing and reconciliation of long outstanding entries Suspense / Sundries / Drafts payable / paid / Funds in Transit / Clearing / SGL / CSDL accounts.

5. Review of Frauds (frauds of ₹ 1 crore and above to be reviewed as and when reported).

6. Review of information on violations by various functionaries in the exercise of discretionary powers.

7. Review detailed report on fraudulent transactions relating to Internet Banking through phishing attacks pointing out in particular the deficiencies in the existing systems and steps taken by the IT department to prevent such cases (Half Yearly).

8. Review of the Bank's results and risk management policies (Annual).

9. Review of the management discussion and analysis of financial condition and results of operations.

10. Review the statement of significant related party transactions (as defined by the audit committee), submitted by management.

11. Review of Statement of deviations.
a. Quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1) of the Listing Regulations.
b. Annual statement of funds utilised for purposes other than those stated in the offer document / prospectus / notice in terms of Regulation 32(7) of Listing Regulations.

12. The Auditors of the Bank and the Key Managerial Personnel shall have a right to be heard in the meetings of the Audit Committee when it considers the auditors' report but shall not have the right to vote.

13. The Audit Committee of the listed entity shall review the financial statements, in particular, the investments made by the unlisted subsidiary, whenever applicable.

F. RBI Inspection

Review of compliance in respect of the Annual Financial Inspection conducted by RBI (to review this on on-going basis till the Bank furnishes full compliance). To closely monitor persisting deficiencies pointed out in RBI Inspection Reports.

G. Whistle Blower

To review the functioning of the Whistle Blower / Vigil Mechanism. To ensure that the procedures ensure adequate safeguards against victimisation of persons using such mechanism and make provision for direct access to the chairperson of the Audit Committee in appropriate or exceptional cases.

H. IT Governance

To review IT Governance & Infrastructure and Information Security Risk related aspects of the Bank.

I. Other requirements

Any other requirement in accordance with the applicable provisions of the Listing Agreement with the Stock Exchanges and /or the Companies Act, 2013 or any re-enactment, amendment or modification thereto from time to time.

IT STRATEGY COMMITTEE

The IT Governance & Infrastructure Committee, a Management-level Committee of IDFC Bank, was renamed as the IT Strategy Committee. During FY18, IT Governance and Infrastructure, and IS Risk related aspects of the Bank were reviewed by the Audit Committee of the Bank. Accordingly, IT Strategy Committee was also monitored by the Audit Committee of the Bank. As on March 31, 2018, the IT Strategy Committee comprised five (5) members, one (1) of whom was the Founder Managing Director & CEO and four (4) were Officers of the Bank. The Officers of the Bank consisted of Chief Operating Officer, Chief Financial Officer, Chief Risk

Officer and General Counsel & Head-Legal & Audit.

The Committee met ten (10) times during FY18 on April 05, 2017, May 19, 2017, June 22, 2017, July 24, 2017, August 24, 2017, November 03, 2017, November 28, 2017, January 31, 2018, February 28, 2018 and March 28, 2018. The quorum of the meeting is fifty percent (50%) members. During the year, all meetings were held with the requisite quorum.

The Terms of Reference of IT Governance & Infrastructure Committee includes the following:

1. Approving IT strategy and policy documents of the Bank.
2. Ensuring IT investments represent a balance of risks and benefits for sustaining Bank's growth and that budgets are acceptable.
3. Monitoring the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources.
4. Reviewing IT performance measurement and contribution of IT to businesses (i.e., delivering the promised value).
5. Ensuring that all critical projects have a component for 'project risk management' from IT perspective (by defining project success measures and following up progress on IT projects).
6. Defining and ensuring effective implementation of standards of IT Governance, Business Continuity and Data Governance.

7. Ensure that there is an appropriate framework of information security risk assessment within the Bank.

8. Provide direction to IT architecture design and ensure that the IT architecture reflects the need for legislative and regulatory compliance, the ethical use of information and business continuity.

2 I Nomination and Remuneration Committee

As on March 31, 2018, the Nomination and Remuneration Committee ('NRC') comprised three (3) members, all three (3) being IDs. The Committee met six (6) times during FY18 on April 25, 2017, June 30, 2017, September 19, 2017, October 25, 2017, January 19, 2018 and March 27, 2018. The quorum of the meeting is two (2) members. All the meetings were held during the year with requisite quorum. During FY18, four (4) circular resolutions were passed by the NRC.

The composition, names of members and chairperson and their attendance at the NRC meetings held during FY18 are given in **Table No.3**.

There has been no change in the composition of the NRC Committee from March 31, 2018 till the date of this report.

The Terms of Reference of the NRC *inter alia* includes the following:

1. Formulation of the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board of Directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees.

03 Attendance Details of Nomination & Remuneration Committee Meetings held during FY18

NAME OF THE MEMBER	POSITION ON THE BOARD	STATUS	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED	% OF ATTENDANCE
Mr. Ajay Sondhi	Independent Director	Chairman	6	6	100%
Ms. Veena Mankar	Independent Non-Executive Chairperson	Member	6	6	100%
Mr. Anand Sinha	Independent Director	Member	6	6	100%

2. Formulation of criteria for evaluation of performance of IDs and the Board of Directors.

3. Devising a policy on diversity of Board of Directors.

4. Identifying persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board of Directors their appointment and removal and shall carry out evaluation of every Director's performance.

5. Determine whether to extend or continue the term of appointment of the Independent Director, on the basis of the report of performance evaluation of IDs.

6. Determine the Bank's policy on specific remuneration packages for Whole-time Directors / Executive Directors including pension rights and any compensation payment.

7. Decide the Salary, Salary Grades, Perquisites, Retirals and Increment of Whole-time Directors.

8. Define and implement the performance linked incentive scheme and evaluate the performance and determine the amount of incentive of the Whole-time Directors for that purpose.

9. Periodically review and suggest revision of the total remuneration package of the Whole-time Directors keeping in view performance of the Bank, standards prevailing in the industry, norms specified by RBI, statutory guidelines, etc.

10. Abide by any other requirement in accordance with the applicable provisions of the Listing Agreement with the Stock Exchanges, Companies Act, 2013 and / or applicable RBI Guidelines / Regulations, or any re-enactment, amendment or modification thereto from time to time.

11. The Committee shall plan for CEO / Senior Management succession including plans for interim succession in the event of an unexpected occurrence and submit a report to the Board to nominate potential successors to CEO / Senior Management personnel.

12. Oversee the Director's succession planning process for ensuring the right mix of Directors on the Board.

13. In cases where Director provides any services to the Bank in any other capacity, evaluating whether the Director possesses the requisite qualification for the practice of such profession.

14. Keep abreast of external remuneration trends and market conditions.

15. Develop an Orientation (new Directors) and Continuing Education Programme ('CEP') for the Board and individual Directors so as to keep abreast of changes in the Bank and the environment in which it operates.

16. To co-ordinate and oversee the annual self-review of the performance of the Board, its Committees and of the Individual Directors (including IDs) in the governance of the Bank.

17. To review the performance of each existing Director and consider the results of such review when determining whether or not to recommend the nomination of such Director for the next year.

18. To ensure that a Deed of Covenant and a declaration and undertaking in Bank's favor, as may be specified by RBI is obtained from every Director.

19. To scrutinise Deed of Covenant and declaration and undertaking submitted by each of its Directors and on a continuing basis perform due diligence in respect of each of its Directors and shall report to the RBI if any of its Directors fails to fulfil the 'fit and proper' criteria as specified by RBI

from time to time. The Committee shall review and assess its performance as and when required.

20. To seek and obtain external legal and professional advice and assistance, if considered necessary, at the cost of the Bank.

21. Guide, mentor and help the management team in the build out of IDFC Bank's internal culture and customer facing practices and matters connected therewith.

PERFORMANCE EVALUATION CRITERIA

The Companies Act, 2013 and Listing Regulations contain broad provisions on Board evaluation i.e. evaluation of the performance of a. Board as a Whole, b. Individual Directors (including Independent Directors and Chairperson) and c. Various Committees of the Board.

SEBI *vide* its circular no SEBI/HO/CFD/CMD/CIR/P/2017/004 dated January 05, 2017 issued a guidance note on Board evaluation in order to guide listed entities by elaborating various aspects of board evaluation that may help them to improve the evaluation process, derive the best possible benefit and achieve the objective of the entire process.

Accordingly, on April 25, 2017, all-inclusive three (3) questionnaires for the above categories were circulated to all the Directors of the Bank for Evaluation Process FY17.

Duly filled in questionnaires pertaining to the evaluation of the Board as a Whole and Various Committees of the Board were received from all the Directors. However, the Directors were of the view that, process for evaluation of Individual Directors should be completed after seeking assistance from external consultants.

Accordingly, a software named "Diligent" was used to carry out evaluation process for "Individual Directors (including Independent Directors and Chairperson)" wherein the Software kept all the submissions "Anonymous".

Questionnaire for evaluation of Chairperson was sent to all the Directors of

the Bank (except the Chairperson herself) and the results thereon were sent directly to Mr. Ajay Sondhi, Chairperson of the NRC.

Further, Questionnaire for evaluation of other Individual Directors (i.e. excluding the Chairperson) was sent to all the Directors and the results thereon were sent directly to Ms. Veena Mankar, Chairperson of the Board.

Mr. Sondhi and Ms. Mankar informed the Company Secretary that the performance evaluation results for evaluation of "Individual Directors (including Independent Directors and Chairperson)" were communicated to each Individual Director and accordingly, the entire Evaluation Process for FY17 had been completed satisfactorily.

The Independent Directors at their meeting held on April 24, 2018 approved commencement of the Evaluation Process for FY18 in the same manner.

REMUNERATION OF DIRECTORS

Based on the recommendation of the NRC, the Board at its meeting held on October 25, 2017, approved the following revised remuneration policies:

I. Remuneration Policy for Whole Time / Executive Directors, Non-Executive / Independent Directors, Key Managerial Personnel and Senior Management Personnel

II. Remuneration Policy for Employees (including risk-takers) except for the Whole Time / Executive Directors, Non-Executive/ Independent Directors, Key Managerial Personnel and Senior Management Personnel

These policies are in line with the provisions of the Companies Act, 2013 and RBI guidelines issued in this regard, from time to time.

Salient features of both the remuneration policies are produced in the Board's Report, which forms part of this Annual Report.

Both the policies are available on the Bank's website: www.idfcbank.com.

The NRC, after taking into consideration the Remuneration Policy for the Whole Time / Executive Directors, Non-Executive/

Independent Directors, Key Managerial Personnel and Senior Management Personnel, recommends their remuneration to the Board for its approval.

IDFC Bank pays remuneration to the Executive Director by way of salary, allowance, perquisites including retirement benefits (fixed component), stock options and a variable component based on the recommendation of the NRC and approvals of the RBI, Board of Directors and Members of the Bank.

The detailed break-up of the remuneration paid to Dr. Rajiv B. Lall in FY18 has been disclosed in the Board's Report.

The IDs are paid by way of commission / remuneration and sitting fees. Based on the recommendation of the NRC, the Board approved sitting fees to be paid to NEDs @ ₹ 100,000 per Board meeting and ₹ 50,000 per Committee meeting.

Further, the members at their meeting held on July 27, 2016 approved payment of remuneration by way of commission to the NEDs of the Bank (i.e. Directors other than Managing Director and Whole-time Directors), not exceeding in aggregate, 1% of the net profits of the Bank as computed in the manner laid down in Section 198 of the Companies Act, 2013 or maximum of ₹ 10 lakh to each of such Directors, whichever is lower.

The criteria for making payments to NEDs has been disseminated on the Bank's website: www.idfcbank.com under 'Investor Relations' section. For FY18, the Bank will pay a sum of ₹ 50,00,000 to its IDs towards Commission / Remuneration.

During FY18, the Bank has not granted any Stock Options to NEDs of the Bank. The Bank did not advance loans to any of its Directors during FY18. None of the Directors are entitled to severance fee. The notice period for Executive Director is three months. None of the employees of the Bank are related to any of the Directors. There is no *inter se* relationship between the members of the Board. None of the Directors of the Bank are related to each other. None of the NEDs hold any shares or convertible instruments of IDFC

Bank except Mr. Sunil Kakar who held 20,000 equity shares of the Bank as on March 31, 2018.

The remuneration paid to the Directors is well within the limits prescribed under the Companies Act, 2013 and is in line with the guidelines issued by RBI, from time to time.

Details of remuneration paid to the Directors during FY18 are given in **Table No.4.**

3 | Stakeholders' Relationship and Customer Service Committee

As on March 31, 2018, the Stakeholders' Relationship and Customer Service Committee comprised four (4) members, two (2) of whom were IDs, one (1) Nominee Director and one (1) Executive Director. The Committee met four (4) times during FY18 on April 25, 2017, July 26, 2017, October 24, 2017 and January 18, 2018. The quorum of the meeting is two (2) members. All the meetings were held during the year with requisite quorum. The Committee looks into the various aspects of interests of the Bank's Shareholders and Debenture holders. The composition, names of members and chairperson and their attendance at the Stakeholders' Relationship and Customer Service

Committee meetings held during FY18 is given in **Table No.5.**

There has been no change in the composition of the Stakeholders' Relationship and Customer Service Committee from March 31, 2018 till the date of this report.

Mr. Mahendra N. Shah, Group Company Secretary & Group Compliance Officer is the designated person responsible for handling Investor Grievances. The Bank has a dedicated team of professionals to respond to queries and grievances received from the investors, customers, shareholders and bond holders. The designated e-mail address for lodging equity and bond complaints is ig@idfcbank.com.

Details of Complaints received and attended by the Bank during FY18 for Equity Shares and 80CCF Infrastructure Bonds are given in **Table Nos. 6A and 6B** respectively.

During FY18, no Complaints were received in respect of the bonds issued by the Bank on private placement basis.

During FY18, 634 complaints were received from the customers of the Bank. All of these complaints have been resolved as on the date of this report.

The Terms of Reference of the Stakeholders' Relationship & Customer Service Committee *inter alia* include the following:

For Security and Other Stakeholders

1. To consider and resolve the grievances of security holders of the Bank relating to transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend and complaints etc.
2. Review the existing 'Stakeholder Redressal System' and suggest measures for improvement.
3. Receive the report of the Registrar and Share Transfer Agent about investor's grievances and follow up for necessary action taken for redressal thereof.
4. Take measures to enhance operational transparency to Stakeholders and suggest measures for improvement in Stakeholder relations.
5. Consider and take on record the certificate from a practicing Company Secretary under Regulation 40 of Listing Regulations.

04	Details of the Remuneration paid to the Directors						(in ₹)
NAME OF THE DIRECTOR		DIN	SITTING FEES	SALARY AND PERQUISITES	CONTRIBUTION TO PROVIDENT AND OTHER FUNDS	COMMISSION / REMUNERATION FOR FY17 (PAID DURING FY18)	TOTAL (PAID DURING FY18)
Mr. Abhijit Sen		00002593	2,600,000	-	-	1,000,000	3,600,000
Mr. Ajay Sondhi		01657614	2,500,000	-	-	1,000,000	3,500,000
Mr. Anand Sinha ¹		00682433	2,150,000	-	-	665,754	2,815,754
Mr. Rajan Anandan		02395272	400,000	-	-	1,000,000	1,400,000
Ms. Anindita Sinharay		07724555	-	-	-	-	-
Dr. Rajiv B. Lall [^]		00131782	-	37,923,958	1,152,000	-	39,075,958
Ms. Veena Mankar		00004168	2,100,000	-	-	1,000,000	3,100,000
Mr. Vikram Limaye*		00488534	-	-	-	-	-
Mr. Sunil Kakar**		03055561	-	-	-	-	-
Mr. Ashok Gulati ²		07062601	N.A.	-	-	863,014	863,014
Mr. Anil Baijal ³		01608892	N.A.	-	-	687,672	687,672

Notes:

^{*}Mr. Vikram Limaye resigned from the Board w.e.f. July 15, 2017

^{**}Mr. Sunil Kakar was appointed on the Board w.e.f. July 16, 2017

[^] During FY18, Dr. Rajiv B. Lall was paid an amount of ₹ 13.33 lakh towards deferred payment of Bonus for FY16, in accordance with the RBI approval

¹ Commission for the period from August 01, 2016 (date of appointment) to March 31, 2017

² Commission for the period from April 01, 2016 to February 10, 2017 (date of resignation)

³ Commission for the period from April 01, 2016 to December 08, 2016 (date of resignation)

6. Propose to the Board of Directors, the appointment / re-appointment of the Registrar and Share Transfer Agent, including the terms and conditions, remuneration, service charge / fees.

7. Decide the frequency of audit of Registrar and Share Transfer Agent and consider the Auditors' Report thereon.

8. Develop mechanism to provide access to Stakeholders to relevant, sufficient and reliable information on a timely and regular basis to enable them to participate in Corporate Governance process.

9. Any other requirement in accordance with the applicable provisions of the

Companies Act, 2013, Listing Regulations and RBI Guidelines, including any amendment or modification thereto from time to time.

For Customers

1. To oversee the functioning of the Bank's internal committee set-up for customer service.

05 Attendance Details of Stakeholders' Relationship and Customer Service Committee Meetings held during FY18

NAME OF THE MEMBER	POSITION ON THE BOARD	STATUS	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED	% OF ATTENDANCE
Ms. Veena Mankar	Independent Non-Executive Chairperson	Chairperson	4	4	100%
Mr. Anand Sinha	Independent Director	Member	4	4	100%
Dr. Rajiv B. Lall	Founder Managing Director & CEO	Member	4	4	100%
Mr. Sunil Kakar**	Nominee Director	Member	3	3	100%
Mr. Vikram Limaye*	Nominee Director	Member	1	1	100%

Notes:

*Mr. Vikram Limaye resigned from the Board w.e.f. July 15, 2017

**Mr. Sunil Kakar was appointed on the Board and the Committee w.e.f. July 16, 2017

6A Nature of Complaints received and attended during FY18 for Equity Shares

NATURE OF COMPLAINT	PENDING AS ON APRIL 01, 2017	RECEIVED DURING THE YEAR	ANSWERED DURING THE YEAR	PENDING AS ON MARCH 31, 2018
Non-receipt of Refund	NIL	NIL	NIL	NIL
Non-receipt of Electronic Credit	NIL	NIL	NIL	NIL
Non-receipt of Annual Report	NIL	123	123	NIL
Non-receipt of Securities	NIL	NIL	NIL	NIL
Non-receipt of Dividend Warrants	NIL	505	505	NIL
SEBI	NIL	5	5	NIL
Stock Exchange	NIL	7	7	NIL
TOTAL	NIL	640	640	NIL

6B Nature of Complaints received and attended during FY18 for Infrastructure Bonds issued under Section 80CCF of Income Tax Act, 1961

NATURE OF COMPLAINT	PENDING AS ON APRIL 01, 2017	RECEIVED DURING THE YEAR	ANSWERED DURING THE YEAR	PENDING AS ON MARCH 31, 2018
Non-receipt of Bond Certificates	NIL	1,863	1,863	NIL
Non-receipt of Securities after Transfer	NIL	31	31	NIL
Non-receipt of Electronic Credit	NIL	70	70	NIL
Non-receipt of Refund	NIL	118	118	NIL
Non-receipt of Interest Warrant	NIL	4,826	4,826	NIL
SEBI	NIL	118	118	NIL
Stock Exchange / Depositories	NIL	6	6	NIL
ROC	NIL	NIL	NIL	NIL
TOTAL	NIL	7,032	7,032	NIL

07 Attendance Details of the Corporate Social Responsibility Committee Meetings held during FY18

NAME OF THE MEMBER	POSITION ON THE BOARD	STATUS	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED	% OF ATTENDANCE
Dr. Rajiv B. Lall	Founder Managing Director & CEO	Chairman	1	1	100%
Ms. Veena Mankar	Independent Non-Executive Chairperson	Member	1	1	100%
Mr. Abhijit Sen	Independent Director	Member	1	1	100%

2. To review the level of customer service in the Bank including customer complaints and the nature of their resolution.

3. To provide guidance in improving the customer service level.

4. To ensure that the Bank provides and continues to provide, best-in-class service across all its category of customers which will help the Bank in protecting and growing its brand equity.

5. To ensure customers are treated fairly all the times and complaints raised by them is dealt with courtesy and in time.

6. To examine any other issues having a bearing on the quality of customer service rendered.

7. To formulate comprehensive deposit policy incorporating the issues arising out of the demise of a depositor for operation of his account, the product approval process, the annual survey of depositor satisfaction and the triennial audit of such services.

8. To monitor implementation of awards under the Banking Ombudsman Scheme.

9. To evaluate feedback on quality of customer service and to oversee implementation of commitments towards customers as per the directions received from Banking Codes and Standards Board of India ('BCSBI').

10. To ensure implementation of directives received from RBI with respect to rendering services to customers of the Bank.

4 I Corporate Social Responsibility Committee

The Board of Directors have constituted the Corporate Social Responsibility ('CSR') Committee pursuant to Section 135 of the Companies Act, 2013 and corresponding rules thereunder.

As on March 31, 2018, the CSR Committee comprised three (3) members, two (2) of whom were IDs and one (1) Executive Director. The Committee met one (1) time during FY18 on April 25, 2017. The quorum of the meeting is two (2) members. The meeting was held with requisite quorum. The composition, names of members and chairperson and their attendance at the CSR Committee meeting held during FY18 are given in **Table No.7.**

There has been no change in the composition of the CSR Committee from March 31, 2018 till the date of this report.

The Bank continued to partner with IDFC Foundation (a not-for-profit company registered under Section 8 of the Companies Act, 2013, and a wholly owned subsidiary of IDFC Limited) to support the cause of sustainable livelihood and education to achieve the CSR objectives of the Bank. The Bank's primary focus areas for CSR activities are financial inclusion, sustainable livelihoods, rural development, education and other related areas.

The Board approved CSR Policy is placed on the Bank's website: www.idfcbank.com under 'Investor Relations' section.

The Terms of Reference of the CSR Committee *inter alia* include the following:

1. Formulate and recommend to the Board, a CSR Policy which shall indicate the activities to be undertaken by the Bank as

specified in Schedule VII of the Companies Act, 2013 and applicable rules as amended from time to time.

2. Recommend the amount of expenditure to be incurred on the activities referred to in Point No. 1 above.

3. Monitor the CSR Policy of the Bank from time to time.

4. Review and monitor the CSR activities of the Bank on behalf of the Board to ensure that the Bank is in compliance with appropriate laws and legislations.

5. Formulate a transparent monitoring mechanism for implementation of CSR Projects or programs or activities undertaken by the Bank.

6. Regularly report to the Board on the CSR initiatives and status and also provide reasons to the Board if the amount earmarked for CSR initiatives has not been spent and action steps for the same.

7. Review management's position on key stakeholder expectations involving CSR and provide perspectives for Board's consideration.

8. Review on a continuous basis the Bank's communication strategies relating to CSR.

9. Review the Bank's annual CSR report prior to its issuance.

10. Review and assess the remit and reports of any audit process to gain assurance over the CSR activities.

11. Review management-identified opportunities to optimise the use of technology for the use of CSR activities.

5 | Risk Management Committee

IDFC Bank has in place robust mechanisms to inform the Board about its risk assessment and minimisation procedures with periodic reviews to ensure that the Management controls risk through a Board-approved well defined framework. The Board is responsible for framing, implementing and monitoring the Risk Management Plan for the Bank. This is done through its Board-level Risk Management Committee ('RMC') and it monitors and reviews risks of the Bank on a regular basis. The RMC reviews and monitors mainly four types of risks across the organisation viz. credit risk, market risk, liquidity risk and operational risk. This is done under the overall framework of the Enterprise Risk Management System.

As on March 31, 2018, the RMC comprised five (5) members, three (3) of whom were IDs, one (1) Nominee Director and one (1) Executive Director. The Committee met four (4) times during FY18 on April 25, 2017, July 27, 2017, October 25, 2017 and January 19, 2018. The quorum of the meeting is two (2) members. All the meetings were held during the year with requisite quorum. During FY18, one (1) circular resolution was passed by the RMC. The composition, names of members and chairperson and their attendance at the RMC meetings held during FY18 are given in **Table No.8**.

There has been no change in the composition of the RMC from March 31, 2018 till the date of this report.

The Terms of Reference of the RMC Committee *inter alia* include the following:

1. To identify, monitor and measure the risk profile of the Bank (including market risk, liquidity risk, operational risk, reputational risk, fraud management and credit risk).
2. To review and monitor the activities of 'ALCO committee'.
3. To review and monitor the activities of the 'Credit Risk and Market Risk Management Committee'.
4. To review and monitor the activities of the 'Operational Risk, Information Security Risk and Fraud Risk Management Committee'.
5. To approve the annual Risk Appetite Framework for the Bank.
6. To oversee the risk management policy for approval by the Board.
7. To develop Bank's credit risk, operational risk, fraud management, liquidity risk, information security risk and market risk policies for approval by the Board.
8. To oversee promotion of awareness of a risk-based culture and achieving a balance between risk minimisation and reward for risks accepted.

9. To review the returns and reports to the RBI pertaining the Risk Monitoring Function.

10. To monitor and review the risk management plan of the Bank.

11. To oversee the Bank's integrated risk measurement system.

12. To review management's formulation of procedures, action plans and strategies to mitigate risks on short term as well as long term basis.

13. To liaise, as necessary, with other Board Committees, especially where there is a perceived or actual overlapping of responsibilities regarding particular risk and compliance issues.

14. To oversee the Bank's Basel (Standardised and Advance Approaches) preparedness and RBI Application.

15. To review and recommend to the Board the Bank's ICAAP proposal.

16. To monitor compliance of various risk parameters by operating departments.

17. Design stress scenarios to measure the impact of unusual market conditions and monitor variance between actual volatility of portfolio value and that predicted by risk measures.

18. To ensure that the Bank's credit exposure to any one group or industry

08 Attendance Details of the Risk Management Committee Meetings held during FY18

NAME OF THE MEMBER	POSITION ON THE BOARD	STATUS	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED	% OF ATTENDANCE
Mr. Anand Sinha	Independent Director	Chairman	4	4	100%
Mr. Abhijit Sen	Independent Director	Member	4	4	100%
Mr. Ajay Sondhi	Independent Director	Member	4	4	100%
Dr. Rajiv B. Lall	Founder Managing Director & CEO	Member	4	4	100%
Mr. Sunil Kakar**	Nominee Director	Member	3	3	100%
Mr. Vikram Limaye*	Nominee Director	Member	1	1	100%

Notes:

*Mr. Vikram Limaye resigned from the Board w.e.f. July 15, 2017

**Mr. Sunil Kakar was appointed on the Board and the Committee w.e.f. July 16, 2017

09 Attendance Details of the Credit Committee Meetings held during FY18

NAME OF THE MEMBER	POSITION ON THE BOARD	STATUS	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED	% OF ATTENDANCE
Dr. Rajiv B. Lall	Founder Managing Director & CEO	Chairman	16	10	62.5%
Mr. Abhijit Sen	Independent Director	Member	16	16	100%
Mr. Ajay Sondhi***	Independent Director	Member	9	9	100%
Mr. Sunil Kakar**	Nominee Director	Member	12	12	100%
Mr. Vikram Limaye*	Nominee Director	Member	4	3	75%

Notes:

*Mr. Vikram Limaye resigned from the Board w.e.f. July 15, 2017

**Mr. Sunil Kakar was appointed on the Board and the Committee w.e.f. July 16, 2017

***Mr. Ajay Sondhi was appointed on the Committee w.e.f. October 25, 2017

does not exceed the internally set limits and that the risk is prudently diversified.

19. The Committee shall have direct access to, and complete and open communication with the Bank's management and may obtain advice and assistance from legal, risk or other advisors.

20. The Bank shall provide for appropriate funding, as determined by the Committee, for the payment of (i) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties and responsibilities and (ii) compensation to independent legal, risk and other advisors retained by the Committee.

21. Reviewing adequacy of insurance policies taken by Management to cover risks / transfer risk exposures.

22. To carry out any other function as is referred by the Board from time to time or enforced by any statutory notification / amendment or modification as may be applicable.

6 I Credit Committee

As on March 31, 2018, the Credit Committee comprised four (4) members, two (2) of whom were IDs, one (1) Executive Director and one (1) Nominee Director. The Committee met sixteen (16) times during FY18 on April 20, 2017, May 10, 2017, June 14, 2017, July 7, 2017, August 18, 2017, October 3, 2017, October 6, 2017, November 20, 2017, November

28, 2017, December 18, 2017, January 5, 2018, January 19, 2018, February 2, 2018, February 21, 2018, March 5, 2018 and March 16, 2018. The quorum of the meeting is two (2) members. All the meetings were held during the year with requisite quorum. During FY18, twenty six (26) circular resolutions were passed by the Credit Committee. The composition, names of members and chairperson and their attendance at the Credit Committee meetings held during FY18 are given in **Table No.9**.

There has been no change in the composition of the Credit Committee from March 31, 2018 till the date of this report.

The Terms of Reference of the Credit Committee *inter alia* includes the following:

1. To formulate clear policies on standards for presentation of credit proposals, financial covenants, rating standards and benchmarks, delegation of credit approving powers, prudential limits on large credit exposures, asset concentrations, standards for loan collateral, portfolio management, loan review mechanism, risk concentrations, risk monitoring and evaluation, pricing of loans, provisioning, norms for write-off and compromise / settlement proposals, recovery procedures, sale of NPAs, regulatory / legal compliance, etc.

2. To approve credit exposures which are beyond the powers delegated to executives of the Bank as per the Delegation of Authority.

3. To control the risk through effective loan review mechanism and portfolio management.

7 I Ethics and Culture Committee

As on March 31, 2018, the Ethics and Culture Committee comprised four (4) members, three (3) of whom were IDs and one (1) Executive Director.

The Terms of Reference of the Ethics and Culture Committee *inter alia* included the following:

1. Guide, mentor and help the management team in the build out of IDFC Bank's internal culture and customer facing practices (aka the Customer Charter).

2. Adopt the Code of Conduct of the Bank, the Customer Charter and the Ombudsman policy of the Bank. Review and update these periodically, taking into consideration advice from the regulator, supervisory board, the management.

3. Help develop an organisation that adopts ethical practices and standards. Ensure that these are applied and coded into processes and practices governing the supervisory board, management and employees.

4. Ensure that the Bank's culture is based on the articulated values of the Bank and in line with policies and principles for ethical behaviour laid out under the RBI guidelines.

5. Mentor and support management to clearly articulate and embed policies,

processes and systems that promote attraction and retention of women in the Bank's workforce.

6. Provide guidance and help shape management's efforts in embedding ethical practices in the organisation.

7. In furtherance of these responsibilities, the Committee may, from time to time, review and / or provide inputs to management on:

a. The implementation and effectiveness of IDFC Bank's values and culture initiatives.

b. The quality and effectiveness of the Bank's program on gender neutrality and attracting and retaining women in the Bank's work force.

c. Evaluate learning and training interventions on ethical decision-making, quality of service standards and the processes for the reporting and resolution of such issues. The Committee may obtain from the Head - HR and any other individual with operational responsibility for IDFC Bank's ethics and culture initiatives - reports on these initiatives.

d. IDFC Bank's Code of Conduct at least annually and make recommendations. Assess whether the Code of Conduct and other internal policies and guidelines instil the expected behaviour among employees and in business practices. Approve any waivers to the Code of Conduct.

e. The Committee may advise management on IDFC Bank's response to behavioural issues and its communications with employees on these issues.

However, the Ethics and Culture Committee was discontinued w.e.f. April 24, 2018 and its role was subsumed into the terms of reference of the NRC.

8 | Allotment & Share Transfer Committee

As on March 31, 2018, the Allotment & Share Transfer Committee comprised four (4) members, two (2) of whom are

Directors viz. Dr. Rajiv B. Lall and Mr. Sunil Kakar and two (2) are officers of the Bank viz. Mr. Mahendra N. Shah and Ms. Uma Ramani.

The Committee met Twenty-Six (26) times during FY18 on April 10, 2017, April 17, 2017, May 03, 2017, May 16, 2017, June 15, 2017, June 30, 2017, July 14, 2017, July 31, 2017, August 16, 2017, August 31, 2017, September 14, 2017, September 20, 2017, October 16, 2017, November 15, 2017, November 27, 2017, December 07, 2017, December 14, 2017, December 20, 2017, January 15, 2018, January 25, 2018, February 08, 2018, February 15, 2018, February 26, 2018, March 05, 2018, March 16, 2018 and March 23, 2018.

The quorum of the meeting is two (2) members. All the meetings were held during the year with requisite quorum. These meetings were held mainly for dematerialisation / rematerialisation of Infrastructure Bonds issued under Section 80CCF of the Income Tax Act, 1961 and also for allotment of equity shares and share transfer requests.

The Terms of Reference of the Allotment & Share Transfer Committee *inter alia* included the following:

1. To address, approve and monitor all matters related with the allotment, transfer, transmission, transposition, name deletion, consolidation, rematerialisation, dematerialisation and splitting of share and debenture certificates of the Bank.

2. To issue duplicate share / debenture certificates.

3. To authorise persons to sign on behalf of the Bank Share Certificates, Share Allotment Letters and Deposit Receipts.

4. To authorise officials of the Bank to execute transfer deeds on behalf of the Bank.

The Board at its meeting held on April 24, 2018, combined Allotment & Share Transfer Committee and Finance & Operations Committee (an internal

committee of the Bank) and accordingly renamed the Allotment & Share Transfer Committee to “Allotment, Transfer & Routine Matters Committee”.

In line with the RBI guidelines and as a step towards a stronger Governance Framework, the Board at its meeting held on April 24, 2018 approved certain modifications to the Bank’s Board and Management Committee structure, as follows:

1. Addition of three (3) new Board-level Committees namely:

- IT Strategy Committee
- Wilful Defaulter or Non-Cooperative Borrower Review Committee
- Fraud Monitoring Committee

2. Modification of the terms of reference of the Allotment & Share Transfer Committee and renaming it as the “Allotment, Transfer & Routine Matters Committee”, so as to combine functions of both, the Allotment and Share Transfer Committee as well as the Finance and Operations Committee (an internal committee of the Bank).

3. Modification to the Management Committee framework was made as follows:

- Addition of “Executive Committee”
- Removal of:
 - Business Planning / Strategic Initiatives Committee
 - Product & Process Approval Committee
 - Internal Audit & Controls Committee
 - IT Strategy Committee
 - Premises & Outsourcing Committee
 - Brand and Public Relations Committee
 - HR and Culture Committee

The composition and terms of reference of the new / modified Board-level Committees of the Bank, are given hereinafter:

IT Strategy Committee

The IT Strategy Committee which was constituted w.e.f. April 24, 2018, in compliance with the applicable RBI Guidelines, comprises three (3) members, two (2) of whom are IDs and one (1)

Executive Director viz. Mr. Rajan Anandan, Mr. Ajay Sondhi and Dr. Rajiv B. Lall.

The Terms of Reference of the IT Strategy Committee *inter alia* include the following:

1. Approving IT strategy and policy documents.
2. Ensuring that the management has put an effective strategic planning process in place.
3. Ratifying the business strategy in order to align it with the IT strategy.
4. Ensuring that the IT organizational structure complements the business model and its direction.
5. Ascertaining that the management implements processes and practices to ensure that the IT delivers value to business.
6. Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable.
7. Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources.
8. Ensuring proper balance of IT investments for sustaining Bank’s growth.
9. Becoming aware of exposure towards IT risks and controls.
10. Evaluating effectiveness of management’s monitoring of IT risks.
11. Assessing Senior Management’s performance in implementing IT strategies.
12. Issuing high-level policy guidance (e.g. related to risk, funding, or sourcing tasks).

13. Confirming whether IT or business architecture is to be designed, so as to derive the maximum business value from IT.

14. Overseeing the aggregate funding of IT at Bank level, and ascertaining if the management has resources to ensure the proper management of IT risks.

15. Reviewing IT performance measurement and contribution of IT to businesses (i.e., delivering the promised value).

16. Performing such functions as may be required under applicable laws or as prescribed by the Government of India, Reserve Bank of India, Securities and Exchange Board of India, Stock Exchanges and other regulatory authorities.

Fraud Monitoring Committee

The Fraud Monitoring Committee which was constituted w.e.f. April 24, 2018, in compliance with the applicable RBI Guidelines, comprises five (5) members viz. Mr. Abhijit Sen, Mr. Ajay Sondhi, Mr. Anand Sinha, Ms Veena Mankar and Dr. Rajiv B. Lall, four (4) of whom are IDs and one (1) Executive Director.

The Terms of Reference of the Fraud Monitoring Committee *inter alia* include the following:

The major function of the Fraud Monitoring Committee would be to monitor and review all the frauds of ₹ 10 million and above so as to;

1. Identify the systemic lacunae, if any, that facilitated perpetration of the fraud, and put in place measures to plug the same;

2. Identify the reasons for delay in detection, if any, reporting to top management of the bank and RBI;

3. Monitor progress of CBI / Police Investigation, and recovery position;

4. Ensure that staff accountability is examined at all levels in all the cases of

frauds and staff side action, if required, is completed quickly without loss of time;

5. Review the efficacy of the remedial action taken to prevent recurrence of frauds, such as strengthening of internal controls;

6. Put in place other measures as may be considered relevant to strengthen preventive measures against frauds.

Wilful Defaulter or Non-Cooperative Borrower Review Committee

The Wilful Defaulter or Non-Cooperative Borrower Review Committee which was constituted w.e.f. April 24, 2018, in compliance with the applicable RBI Guidelines, comprises three (3) members viz. Dr. Rajiv B. Lall, Mr. Anand Sinha and Mr. Abhijit Sen, two (2) of whom are IDs and one (1) Executive Director.

The Terms of Reference of the Wilful Defaulter or Non-Cooperative Borrower Review Committee *inter alia* include the following:

1. To review the order passed by the Identification Committee which concludes that an event of wilful default or non-cooperation has occurred and issues a Show Cause Notice to the concerned borrower (and the promoter / whole-time director) and call for their submissions and after considering their submissions issue an order recording the fact of wilful default or non-cooperation and the reasons for the same.

2. To review the matters relating to Non-Cooperative Borrowers.

3. Any other matters which the Committee may deem fit in this connection.

Allotment, Transfer & Routine Matters Committee

The Allotment, Transfer & Routine Matters Committee comprises four (4) members, two (2) of whom are Directors viz. Dr. Rajiv B. Lall and Mr. Sunil Kakar

and two (2) are officers of the Bank viz. Mr. Mahendra N. Shah and Ms. Uma Ramani.

The Terms of Reference of the Allotment, Transfer & Routine Matters Committee *inter alia* include the following:

1. To address, approve and monitor all matters related with the allotment, transfer, transmission, transposition, name deletion, consolidation, rematerialization, dematerialization and splitting of share and debenture certificates of the Bank.

2. To issue duplicate share / debenture certificates.

3. To authorize persons to sign, on behalf of the Bank, Share Certificates, Share Allotment Letters and Deposit Receipts.

4. To authorize officials of the Bank to execute transfer deeds on behalf of the Bank.

5. To open, operate and close different types of bank accounts of the Bank as may be necessary, from time to time and update the operating instructions of existing bank accounts of the Bank.

6. To avail different types of services from the banks as may be required, from time to time for operational convenience including credit cards, corporate cards etc.

7. To authorize the opening of Securities General Ledger Account or any other account with any scheduled bank or with any department of the Reserve Bank of India.

8. To open, operate and close for accounts of swaps, derivatives, FX settlement documents etc.

9. To authorize persons to execute Loan Agreements, Demand Promissory Notes and any other documents as may be necessary for lending out of any line of credit sanctioned to the Bank.

10. To apply for registration of the Bank with various authorities of any State or Centre including sales tax authorities, professional tax authorities, income tax authorities, shops & establishment authorities and to do or perform all acts relating to such matters.

11. To authorize employee(s) or others to represent the Bank before any Court, Tribunal, Consumer Redressal Forum or any Statutory or other Authority on any matter relating to the operations of the Bank or with which the Bank is in any way connected or to represent the Bank generally or for any specific purpose or purposes and, if required, issue Power of Attorney in favour of such persons for the purpose.

12. To authorize employee(s) or others to execute, for and on behalf of the Bank, agreements, applications, deeds, documents and any other writings in connection with the business of the Bank and, if required, to issue Power of Attorney in favour of such persons for the purpose.

13. To grant authorization for labour & HR operations matter including signing of leave & license agreement(s).

14. To authorize officials of the Bank to sign documents for registration of motor vehicles and to do all acts and things for the transfer of any such motor vehicles.

15. To apply, in the name of and for the Bank for telephone, telex, fax, telecommunication and electrical / electronic connections and other utility services and to do all matters relating to such applications.

16. To authorize application to Department of Telecommunications for OSP (Other Service providers) license.

17. To appoint / empanel such intermediaries and consultants, as may be required from time to time.

18. To appoint or change nominees to hold shares for and on behalf of the Bank in any subsidiary / associate companies.

19. To authorize persons to represent the Bank at General Meetings of any company or cooperative society of which the Bank is a shareholder / member.

20. To approve investment of surplus funds.

21. To open / operate / close demat account(s)

22. To open / close dividend account

23. To open / close G Sec account

24. To open / close / update signatories for current accounts, exchange facility, account for dealing with IRF, Nostro accounts.

25. To grant authorization for signing ECB / ISDA execution agreement for derivative transactions.

26. To give authority for signing documents for treasury transactions.

27. To fix the dates for Closure of the Bank's Register of Members and Debenture holders and Transfer Books of Shares or Debentures and / or fixing Record Dates, in consultation with the Stock Exchanges.

28. To authorize the use of the Common Seal of the Bank and to appoint persons to sign / countersign documents, etc. on which the Common Seal is to be affixed.

29. To authorize application to NPCI (National Payment Corporation of India), UIDAI (Unique Identification Authority of India) for various purposes, as may be required from time to time.

30. To grant authorization for obtaining digital signature for filing charge forms with ROC, CERSAI etc.

31. To open, close, update signatories for Accounts with NSDL / CDSL.

32. To do such other things as may be delegated by the Board / any other Committee of the Bank.

Composition of all the Board-level Committees is available on the Bank's website: www.idfcbank.com under 'Investor Relations' section.

RELATED PARTY TRANSACTIONS

During FY18, all transactions entered into with related parties as defined under the Companies Act, 2013 and the Listing Regulations, were in the ordinary course of business and on arm's length basis and did not attract the provisions of Section 188 of the Companies Act, 2013. There were no materially significant transactions with related parties during the financial year which were in conflict with the interest of the Bank. Suitable disclosures as required by the Accounting Standards (AS18) have been made in the notes to the Financial Statements. The details of the transactions with related parties are placed before the Audit Committee, from time to time. The Board has approved a policy for related party transactions in compliance with the provisions of the Companies Act, 2013 and the Listing Regulations which is available on the Bank's website: www.idfcbank.com under 'Investor Relations' section.

FOUNDER MD & CEO AND CFO CERTIFICATION

In Compliance with Regulation 17 of the Listing Regulations, the Founder Managing Director & CEO and Chief Financial Officer certification on the financial statements and internal controls relating to financial reporting for FY18 is enclosed at the end of this Chapter.

POLICY FOR DETERMINING 'MATERIAL' SUBSIDIARIES

In accordance with the provisions of Listing Regulations, every listed entity

shall formulate a policy for determining its 'material' subsidiaries. IDFC Bank has one subsidiary company namely IDFC Bharat Limited (formerly known as Grama Vidiyal Micro Finance Limited) and it does not fall under the definition of material subsidiary as per Regulation 16(1)(c) of the Listing Regulations. The policy for determining 'material' subsidiaries is available on the Bank's website: www.idfcbank.com under 'Investor Relations' section.

CODE OF CONDUCT FOR PROHIBITION OF INSIDER TRADING

The Bank has adopted a Code of Conduct for Prohibition of Insider Trading (the 'Code') in accordance with the requirements of the SEBI (Prohibition of Insider Trading) Regulations, 2015, with a view to regulate trading in securities by the Board of Directors and Employees of IDFC Bank, their immediate relatives and other insiders as defined in the Code. When the trading window is open, 'Designated Persons' as defined in the Code are required to obtain pre-clearance from the Compliance Officer before trading (buy / sell) in securities of any listed company. Also, during the period of closure of the trading window, no Employee / Designated Person is permitted to trade with or without pre-clearance in securities of restricted companies as informed by the Compliance Department, from time to time. Timely disclosures are made to the Stock Exchanges by the Bank where transactions over any calendar quarter, aggregates to a traded value (buy / sell) in excess of ₹ 10 lakh.

No Employee / Designated Person is permitted to communicate, provide, or allow access to any Unpublished Price Sensitive Information relating to IDFC Bank, its securities or any other company (listed or proposed to be listed), to any person except where such communication is in furtherance of legitimate purpose, performance of duties or discharge of legal obligations.

The Bank periodically monitors and facilitates compliance with the SEBI (Prohibition of Insider Trading) Regulations, 2015.

VIGIL MECHANISM / WHISTLE BLOWER POLICY

Pursuant to provisions of Section 177(9) of the Companies Act, 2013 and Listing Regulations and other applicable laws, the Bank has established a Vigil Mechanism, as part of the Whistle Blower Policy, for the Directors and Employees to report concerns about unethical behaviour, actual or suspected fraud or violation of the Bank's Code of Conduct or ethics policy. It also provides adequate safeguards against the victimisation of employees who avail this mechanism and allows direct access to the Chairperson of the Audit Committee in exceptional cases. No employee has been denied access to the Audit Committee. The Audit Committee oversees the Vigil Mechanism of the Bank. All employees of the Bank are informed about the Whistle Blower Policy which is posted on the Bank's intranet. Also, the Whistle Blower Policy has been posted on the Bank's website: www.idfcbank.com under 'Investor Relations' section.

In addition to the above, IDFC Bank has formulated a Vigilance Policy for effectively managing the risks faced by the Bank on account of corruption, malpractices and frauds. Ms. Susmita Ghosh is the Chief Vigilance Officer of the Bank.

PENALTIES AND STRICTURES

There were no instances of non-compliance by the Bank or any penalties and / or strictures imposed on the Bank by the stock exchange(s) or SEBI or any other statutory authority, on any matter relating to capital markets, from the time of incorporation of the Bank.

However, the RBI vide its letter dated October 23, 2017 imposed a monetary penalty of ₹ 2 crore on the Bank for non-

compliance with para 2.2.1.2 of Master Circular DBR.No.Dir.BC.10 / 13.03.00 / 2015-16 dated July 01, 2015 on Loans and Advances - Statutory and Other Restrictions w.r.t. appropriate approving authority for granting of loans to any company in which any of the directors of other banks holds substantial interest or is interested as a director or as a guarantor.

This penalty was imposed in exercise of the powers vested in the RBI under the provisions of Section 47A(1)(c) read with Section 46(4)(i) of the Banking Regulation Act, 1949.

ANNUAL GENERAL MEETINGS HELD IN LAST THREE YEARS

Details of the Annual General Meetings held in the last three (3) years have been given in **Table No.10**.

POSTAL BALLOT

No Resolution was passed during FY18 through postal ballot. However, the Bank may seek to pass Resolution(s) in FY19 through Postal Ballot, as and when required.

MEANS OF COMMUNICATION

As per Regulation 46 of Listing Regulations, IDFC Bank maintains a website viz. www.idfcbank.com containing basic information about the Bank, such as details of its business, financial results, shareholding pattern, compliance with the corporate governance requirements and contact details of the designated officials who are responsible for assisting and handling investor grievances.

The Bank also displays all official press releases and presentations to institutional investors or analysts made by the Bank. This information is regularly updated on the Bank's website.

The National Stock Exchange of India Limited ('NSE') and BSE Limited

10 Details of Annual General Meetings held in last three years

FINANCIAL YEAR	LOCATION OF THE MEETING	DATE	TIME	SPECIAL RESOLUTIONS PASSED WITH REQUISITE MAJORITY
FY15	KRM Towers, 8 th Floor, No. 1 Harrington Road, Chetpet, Chennai - 600 031, Tamil Nadu, India.	September 29, 2015	10.00 a.m.	<ol style="list-style-type: none"> 1. Approval of the Borrowing Limits of the Bank; 2. Offer and Issue of Debt instruments under Private Placement; 3. Setting up of aggregate non-resident / foreign shareholding limit upto an aggregate of 49% of the paid-up voting equity capital of the Bank; 4. Issuance of shares under ESOS upto 7% of the issued equity shares of the Bank
FY16	Music Academy, T.T.K Auditorium (Main Hall), Near Acropolis Building, New No. 168 (Old No. 306), T.T.K. Road, Royapettah, Chennai - 600 014, Tamil Nadu, India	July 27, 2016	10.00 a.m.	<ol style="list-style-type: none"> 1. Offer and Issue of Debt Securities on Private Placement Basis; 2. Reduction in ESOP pool from 7% to 6% of the paid up share capital of the Bank and Ratification of IDFC Bank Limited Employee Stock Option Scheme 2015 ('IDFC BANK ESOS-2015' or the 'Scheme'); 3. Ratification of IDFC Bank Limited Employee Stock Option Scheme 2015 ('IDFC Bank ESOS- 2015' or the 'Scheme') and grant of Options to the Eligible Employees / Directors of the Subsidiary Company (ies) of the Bank under the Scheme.
FY17	Music Academy, T.T.K Auditorium (Main Hall), Near Acropolis Building, New No. 168 (Old No. 306), T.T.K. Road, Royapettah, Chennai - 600 014, Tamil Nadu, India	July 28, 2017	10.30 a.m.	<ol style="list-style-type: none"> 1. Offer and Issue of Debt Securities on Private Placement basis

('BSE') have introduced their respective electronic platforms namely NSE Electronic Application Processing System ('NEAPS') and BSE Listing Centre Online Portal for submission of various filings by listed companies. IDFC Bank ensures that the requisite compliances are done / filed through these platforms on time.

The financial and other information filed by the Bank from time to time is also available on the website of the Stock Exchanges i.e. NSE & BSE.

The quarterly, half-yearly and annual results of IDFC Bank's performance and other news articles are published in leading newspapers like the Hindu Business Line (All India) & Makkalkural in Chennai and are also displayed on the Bank's website: www.idfcbank.com under 'Investor Relations' section.

COMPLIANCE WITH MANDATORY AND NON-MANDATORY REQUIREMENTS

IDFC Bank has duly complied with all the mandatory Corporate Governance requirements as given under Regulations 17 to 27 and clauses (b) to (i) of Regulation 46(2) of the Listing Regulations, to the extent applicable.

The Bank has also adopted and complied with the non-mandatory requirements as follows:

Separate Posts of Chairperson and CEO

The Bank has complied with the requirement of having separate persons to the post of Chairperson and Managing Director & CEO. Ms. Veena Mankar is the Independent Non-Executive Chairperson and Dr. Rajiv B. Lall is the Founder Managing Director & CEO of the Bank.

Audit Qualification

For the year under review, there were no audit qualifications in the Bank's financial statements. IDFC Bank strives to adopt the best practices to ensure a regime of financial statements with unmodified audit opinion.

Reporting of Internal Auditor

The Internal Audit team presents its reports directly to the Audit Committee of IDFC Bank.

Shareholder Rights

Quarterly financial results along with Investor Presentations are put up on the Bank's website: www.idfcbank.com

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

As required under Schedule V of Listing Regulations, the Auditors' Certificate on Corporate Governance is affixed at the beginning of this chapter.

GENERAL SHAREHOLDER INFORMATION

Special Resolutions sought to be passed at the ensuing AGM

IDFC Bank seeks the approval of Members of the Bank by way of Special Resolution in respect of the following proposals:

1. Offer and Issue of Debt Securities on Private Placement basis
2. Re-appointment of Ms. Veena Mankar as an Independent Director for a period of 5 years w.e.f July 27, 2018
3. Re-appointment of Mr. Abhijit Sen as an Independent Director for a period of 5 years w.e.f July 27, 2018
4. Re-appointment of Mr. Ajay Sondhi as an Independent Director for a period of 5 years w.e.f July 27, 2018
5. Re-appointment of Mr. Rajan Anandan as an Independent Director for a period of 5 years w.e.f December 1, 2018
6. Alteration of Articles of Association of the Bank

Detailed explanatory statements pursuant to Section 102 of the Companies Act, 2013 in respect of the above items form part of the Notice of the 4th AGM.

Dividend Payment Date

The dates of book closure for the purpose of payment of dividend shall be from **Wednesday, July 25, 2018 to Tuesday, July 31, 2018** (inclusive of both days).

A final dividend @ 7.5% i.e. ₹ 0.75 per equity share of ₹ 10 each, will be paid after July 31, 2018, subject to approval by Shareholders at the ensuing AGM.

Financial Calendar

Financial year: April 01, 2017 to March 31, 2018.

For the year ended March 31, 2018, results were announced on:

- ◆ July 27, 2017 for first quarter
- ◆ October 25, 2017 for second quarter and half year
- ◆ January 19, 2018 for third quarter and nine months

- ◆ April 24, 2018 for fourth quarter and annual

For the year ending March 31, 2019, results will be announced latest by:

- ◆ Second week of August 2018 for the first quarter
- ◆ Second week of November 2018 for the second quarter and half year
- ◆ Second week of February 2019 for the third quarter and nine months
- ◆ Last week of May 2019 for the fourth quarter and annual

Stock Exchanges where IDFC Bank Securities are listed

EQUITY SHARES

The Equity Shares of IDFC Bank got listed on November 06, 2015 on BSE and NSE.

BSE LIMITED

Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001

NATIONAL STOCK EXCHANGE OF INDIA LIMITED

Exchange Plaza, C / 1, G Block, Bandra-Kurla Complex, Bandra (E) Mumbai - 400 051.

The Stock Exchange Codes and ISIN for equity shares of the Bank are as follows:

BSE: 539437

NSE: IDFCBANK

ISIN: INE092T01019

The annual listing fees for equity shares for FY19 have been paid.

80CCF INFRASTRUCTURE BONDS & PRIVATE PLACEMENT BONDS

Infrastructure Bonds issued by IDFC Limited under Section 80CCF of the Income Tax Act, 1961 and the Bonds issued by IDFC Limited on private placement basis were transferred to IDFC Bank on October 01, 2015 pursuant to the Demerger Scheme. The 80CCF Infrastructure Bonds of IDFC Bank are listed and traded on NSE & BSE. The trading details for the 80CCF Infrastructure Bonds are mentioned in **Table No.11.**

4th Annual General Meeting

DATE
July 31, 2018
Tuesday at 10.30 a.m.

VENUE
**Sir Mutha Venkatasubba Rao
Concert Hall**
(Inside Lady Andal School Premises)
Shenstone Park,
13/1 Harrington Road,
Chetpet, Chennai - 600 031,
Tamil Nadu, India

11	Trading details of 80CCF Infrastructure Bonds				BSE		NSE	
SR NO	FOLIO CODE	TRANCHE	SERIES	ISIN	SCRIP CODE	SCRIP ID	SYMBOL	SERIES
1	IDA	TRANCHE 1 / FY11	SERIES 1 - ANNUAL	INE092T08CC6	961694	IDFCBKBD1A	IDFCBANK	N1 / H1
2	IDA	TRANCHE 1 / FY11	SERIES 2 - CUMULATIVE	INE092T08CD4	961695	IDFCBKBD1B	IDFCBANK	N2 / H2
3	IDA	TRANCHE 1 / FY11	SERIES 3 - ANNUAL	INE092T08CE2	961696	IDFCBKBD1C	IDFCBANK	N3 / H3
4	IDA	TRANCHE 1 / FY11	SERIES 4 - CUMULATIVE	INE092T08CF9	961697	IDFCBKBD1D	IDFCBANK	N4 / H4
5	IDB	TRANCHE 2 / FY11	SERIES 1 - ANNUAL	INE092T08CG7	961699	IDFCBKBD1E	IDFCBANK	N5 / H5
6	IDB	TRANCHE 2 / FY11	SERIES 2 - CUMULATIVE	INE092T08CH5	961700	IDFCBKBD1F	IDFCBANK	N6 / H6
7	IDC	TRANCHE 3 / FY11	SERIES 1 - ANNUAL	INE092T08CI3	961709	IDFCBKBD1G	IDFCBANK	N7 / H7
8	IDC	TRANCHE 3 / FY11	SERIES 2 - CUMULATIVE	INE092T08CJ1	961710	IDFCBKBD1H	IDFCBANK	N8 / H8
9	IDD	TRANCHE 1 / FY12	SERIES 1 - ANNUAL	INE092T08CK9	961719	IDFCBKBD1I	IDFCBANK	N9 / H9
10	IDD	TRANCHE 1 / FY12	SERIES 2 - CUMULATIVE	INE092T08CL7	961720	IDFCBKBD1J	IDFCBANK	NA / HA
11	IDE	TRANCHE 2 / FY12	SERIES 1 - ANNUAL	INE092T08CM5	961735	870IDFCBKA	IDFCBANK	NB / HB
12	IDE	TRANCHE 2 / FY12	SERIES 2 - CUMULATIVE	INE092T08CN3	961736	870IDFCBKB	IDFCBANK	NC / HC
13	IDF	TRANCHE 3 / FY12	SERIES 1 - ANNUAL	INE092T08CO1	961745	843IDFCBKA	IDFCBANK	ND / HD
14	IDF	TRANCHE 3 / FY12	SERIES 2 - CUMULATIVE	INE092T08CP8	961746	843IDFCBKB	IDFCBANK	NE / HE

Private Placement bonds of IDFC Bank are listed and traded on NSE. The trading details for Private Placement bonds can be obtained by sending an e-mail at bank.info@idfcbank.com.

The annual listing fees for FY19 for both the aforesaid bonds have been paid.

MARKET PRICE DATA

Table No.12 gives details of the stock market prices of IDFC Bank's equity shares. A comparison of the share price of the Bank at NSE and BSE with their respective indices are given in **Charts A and B**.

Unclaimed Shares lying in the Escrow Account

Pursuant to SEBI's Circular No. CIR / CFD / DIL / 10 / 2010 dated December 16, 2010, IDFC Limited had credited the unclaimed shares lying in the Escrow Account, allotted in the Initial Public Offer of the company during July – August 2005, into a Demat Suspense Account opened specifically for this purpose. Pursuant to the Demerger Scheme, the shareholders of IDFC Limited as on the record date i.e. October 05, 2015 were allotted one equity share of IDFC Bank for every one equity share held by them in IDFC Limited. Therefore, 100 Members who were holders

of 28,453 shares lying in the Escrow Account of IDFC Limited were eligible and allotted equity shares of IDFC Bank.

Accordingly, as on April 01, 2017, the Escrow Account of IDFC Bank held 28,453 equity shares of ₹10 each belonging to 100 shareholders. During FY18, 1 shareholder holding 200 shares approached the Registrar and Share Transfer Agent for transfer of shares from the Escrow Account. As on March 31, 2018, the Escrow Account of IDFC Bank held 28,253 equity shares of ₹10 each belonging to 99 shareholders.

The voting rights on the shares outstanding shall remain frozen till the rightful owner claims their shares. The details of the Shareholders whose equity shares are lying in the Escrow Account are available on the Bank's website: www.idfcbank.com under 'Investor Relations' section.

Unclaimed / Unpaid Interest

Pursuant to the provisions of Sections 124 and 125 of the Companies Act, 2013, any dividend / refund which remains unclaimed / unpaid for a period of seven years from the date of transfer to the unpaid dividend / refund account is required to be transferred to the Investor Education and

Protection Fund ('IEPF') established by the Central Government. After such a transfer, no claim shall lie against the Bank. However, the investor can claim the unpaid dividend from the IEPF Authority.

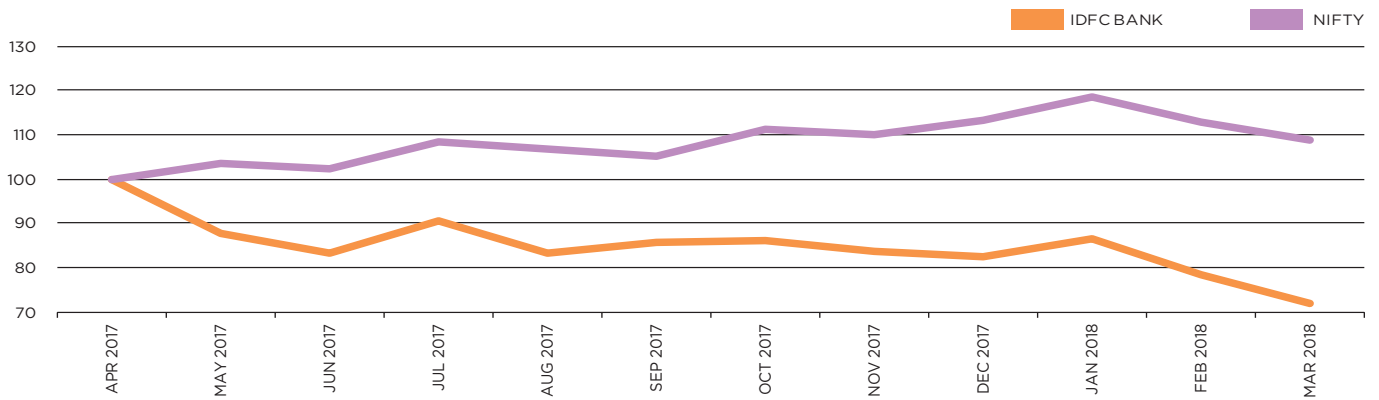
As on March 31, 2018, the amount lying in the unclaimed dividend account with respect to the final dividend that was declared at 2nd AGM was ₹1,084,149.00 and 3rd AGM was ₹3,574,999.50. Members who have either not received or have not encashed their dividend warrant(s) for the last year, are requested to write to Karvy Computershare Private Limited ('Karvy'), mentioning the relevant Folio number(s) / DP ID and Client ID, for issuance of duplicate / revalidated dividend warrant(s). Last date for claiming dividend declared at the 2nd AGM, from the Bank, is August 26, 2023 and the last date for claiming dividend declared at the 3rd AGM, from the Bank, is August 27, 2024.

In terms of the provisions of Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, the Bank would upload the details of unpaid and unclaimed amounts lying with the Bank on the website of the Bank (www.idfcbank.com) and also on the website of the Ministry of Corporate

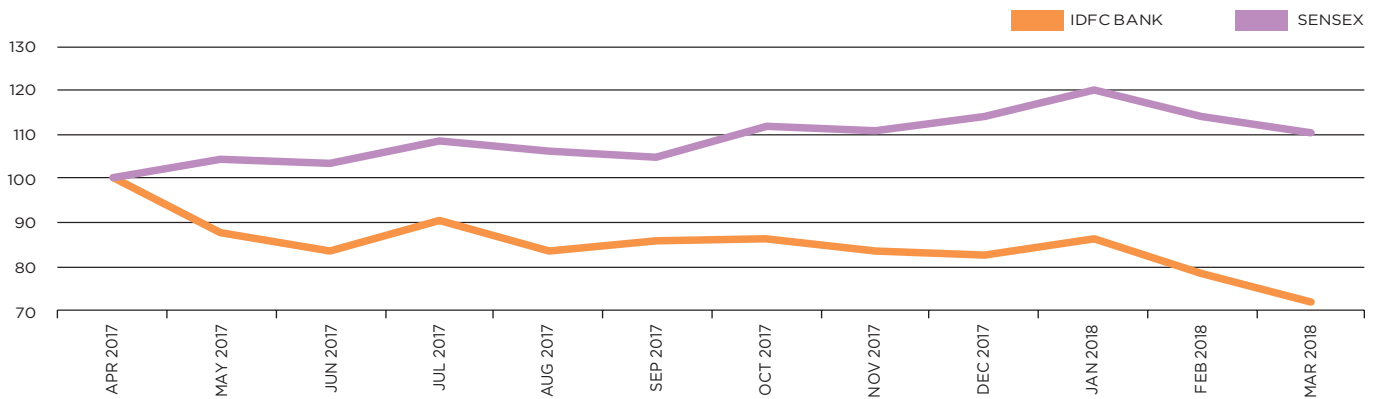
12 Monthly High & Low Prices of IDFC Bank's Equity Shares during FY18 along with Traded Volumes

MONTH	BSE			NSE		
	HIGH	LOW	VOLUME	HIGH	LOW	VOLUME
APR 2017	66.90	58.00	27,249,900	66.95	57.95	275,733,836
MAY 2017	67.00	56.30	26,447,756	67.00	56.30	239,635,968
JUN 2017	59.55	54.55	13,873,357	59.60	54.55	136,392,661
JUL 2017	68.90	54.55	57,852,533	71.15	54.55	333,784,404
AUG 2017	60.10	52.70	19,148,329	60.10	52.55	113,243,435
SEP 2017	61.50	55.05	14,928,601	61.35	55.00	144,903,576
OCT 2017	60.50	54.50	14,420,584	60.50	54.50	162,011,261
NOV 2017	62.80	54.05	21,542,451	63.80	54.00	192,146,810
DEC 2017	56.00	51.10	12,780,090	56.00	51.20	97,587,419
JAN 2018	70.35	53.50	57,123,629	70.40	53.75	501,230,659
FEB 2018	57.10	49.35	14,564,780	57.10	49.50	146,180,263
MAR 2018	52.70	46.20	13,653,342	52.75	47.15	165,509,606

A IDFC Bank vs Nifty



B IDFC Bank vs Sensex



13 Status of Unclaimed Interest / Buyback amount on 80CCF Infrastructure Bonds as on March 31, 2018

YEAR	PARTICULARS	UNCLAIMED INTEREST / BUYBACK AMOUNT (₹)	DATE OF PAYMENT OF INTEREST / BUYBACK	LAST DATE FOR CLAIMING INTEREST
2011-2012	Interest Payment- Tranche 1-Series 1 / 2010-11	755,960	November 12, 2011	November 11, 2018
2011-2012	Interest Payment- Tranche 1-Series 3 / 2010-11	1,489,050	November 12, 2011	November 11, 2018
2011-2012	Interest Payment- Tranche 2-Series 1 / 2010-11	6,295,240	February 21, 2012	February 20, 2019
2011-2012	Interest Payment- Tranche 3-Series 1 / 2010-11	2,989,024	March 30, 2012	March 29, 2019
2011-2012	Interest Payment- Tranche 1-Series 1 / 2011-12	4,054,500	December 30, 2012	December 29, 2019
2012-2013	Interest Payment- Tranche 1-Series 1 / 2011-12	3,961,800	December 30, 2013	December 29, 2020
2012-2013	Interest Payment- Tranche 1-Series 1 / 2010-11	1,602,375	November 12, 2012	November 11, 2019
2012-2013	Interest Payment- Tranche 1-Series 3 / 2010-11	695,200	November 12, 2012	November 11, 2019
2012-2013	Interest Payment- Tranche 2-Series 1 / 2010-11	7,228,400	February 21, 2013	February 20, 2020
2012-2013	Interest Payment- Tranche 2-Series 1 / 2011-12	10,772,862	March 21, 2013	March 20, 2020
2012-2013	Interest Payment- Tranche 3-Series 1 / 2010-11	3,206,784	March 30, 2013	March 29, 2020
2012-2013	Interest Payment- Tranche 3-Series 1 / 2011-12	4,073,386	March 31, 2013	March 30, 2020
2013-2014	Interest Payment- Tranche 2-Series 1 / 2010-11	7,636,400	February 21, 2014	February 20, 2021
2013-2014	Interest Payment- Tranche 2-Series 1 / 2011-12	10,006,740	March 21, 2014	March 20, 2021
2013-2014	Interest Payment- Tranche 3-Series 1 / 2010-11	3,068,599	March 30, 2014	March 29, 2021
2013-2014	Interest Payment- Tranche 3-Series 1 / 2011-12	3,769,482	March 31, 2014	March 30, 2021
2013-2014	Interest Payment- Tranche 1-Series 1 / 2011-12	4,461,120	December 30, 2014	December 29, 2021
2013-2014	Interest Payment- Tranche 1-Series 1 / 2010-11	845,050	November 12, 2013	November 11, 2020
2013-2014	Interest Payment- Tranche 1-Series 3 / 2010-11	1,640,250	November 12, 2013	November 11, 2020
2014-2015	Interest Payment- Tranche 1-Series 1 / 2010-11	979,200	November 12, 2014	November 11, 2021
2014-2015	Interest Payment- Tranche 1-Series 3 / 2010-11	2,049,000	November 12, 2014	November 11, 2021
2014-2015	Interest Payment- Tranche 2-Series 1 / 2010-11	8,763,360	February 21, 2015	February 20, 2022
2014-2015	Interest Payment- Tranche 2-Series 1 / 2011-12	10,257,561	March 21, 2015	March 20, 2022
2014-2015	Interest Payment- Tranche 3-Series 1 / 2010-11	3,413,122	March 30, 2015	March 29, 2022
2014-2015	Interest Payment- Tranche 3-Series 1 / 2011-12	3,831,452	March 31, 2015	March 30, 2022
2014-2015	Interest Payment- Tranche 1-Series 1 / 2011-12	4,852,350	December 30, 2015	December 29, 2022
2015-2016	Interest Payment- Tranche 3-Series 1 / 2010-11	1,650	March 30, 2016	March 29, 2023
2015-2016	Interest Payment- Tranche 3-Series 1 / 2011-12	3,372	March 31, 2016	March 30, 2023

Affairs, from time to time. Pursuant to the Demerger Scheme, the Financing Undertaking of IDFC Limited was transferred to IDFC Bank w.e.f. October 01, 2015 (Effective Date of Demerger Scheme).

Accordingly, Infra Bonds issued by IDFC Limited under Section 80CCF of the Income Tax Act, 1961 and the Bonds issued by IDFC Limited on private placement basis were transferred to IDFC Bank on October 01, 2015. The status of unclaimed interest / buyback amount on 80CCF Infrastructure Bonds is given in **Table No.13** and is also uploaded on the Bank's website:

www.idfcbank.com under 'Investor Relations' section.

Share Transfer System

IDFC Bank has appointed Karvy as its Registrar and Share Transfer Agent. All share transfers and related operations are conducted by Karvy, which is registered with SEBI as a Category 1 Registrar. The shares sent for physical transfer are effected after giving a 15 days' notice to the seller for confirmation of the sale.

IDFC Bank has a Stakeholders' Relationship & Customer Service

Committee for redressing complaints and queries raised by Shareholders, Investors and Customers, from time to time.

IDFC Bank's shares are compulsorily traded in dematerialised mode. A half-yearly certificate of compliance with the share transfer formalities as required under Regulation 40(9) of the Listing Regulations is obtained from the Company Secretary in practice and a copy of the certificate is filed with the Stock Exchanges.

As required by SEBI, Reconciliation of Share Capital Audit is conducted by a Practising Company Secretary on a

13 Status of Unclaimed Interest / Buyback amount on 80CCF Infrastructure Bonds... (Continued)				
YEAR	PARTICULARS	UNCLAIMED INTEREST / BUYBACK AMOUNT (₹)	DATE OF PAYMENT OF INTEREST / BUYBACK	LAST DATE FOR CLAIMING INTEREST
2015-2016	Buyback Payment- Tranche 3-Series 2 / 2010-11	1,263,950	March 31, 2016	NA
2015-2016	Buyback Payment- Tranche 1-Series 3 / 2010-11	7,325,436	November 12, 2015	NA
2015-2016	Buyback Payment- Tranche 1-Series 4 / 2010-11	27,304,023	November 12, 2015	NA
2015-2016	Buyback Payment- Tranche 2-Series 2 / 2010-11	35,463,750	February 21, 2016	NA
2015-2016	Buyback Payment- Tranche 2-Series 1 / 2010-11	5,790,000	February 21, 2016	NA
2015-2016	Interest Payment- Tranche 2-Series 1 / 2010-11	9,479,080	February 21, 2016	February 20, 2023
2015-2016	Interest Payment- Tranche 2-Series 1 / 2011-12	11,399,523	March 21, 2016	March 20, 2023
2015-2016	Buyback Payment- Tranche 3-Series 1 / 2010-11	130,000	March 31, 2016	NA
2015-2016	Interest Payment- Tranche 1-Series 1 / 2010-11	985,360	November 12, 2016	November 11, 2023
2015-2016	Interest Payment- Tranche 1-Series 3 / 2010-11	1,638,975	November 12, 2016	November 11, 2023
2015-2016	Interest Payment- Tranche 1-Series 1 / 2011-12	6,449,580	December 30, 2016	December 29, 2023
2015-2016	Buyback Payment- Tranche 1-Series 2 / 2011-12	8,384,219	December 31, 2016	NA
2015-2016	Interest Payment- Tranche 1-Series 3 / 2010-11	1,901,700	November 12, 2015	November 11, 2022
2015-2016	Interest Payment- Tranche 1-Series 1 / 2010-11	981,200	November 12, 2015	November 11, 2022
2016-2017	Buyback Payment- Tranche 1-Series 1 / 2011-12	1,480,000	December 31, 2016	NA
2016-2017	Interest Payment- Tranche 2-Series 1 / 2010-11	9,687,960	February 21, 2017	February 20, 2024
2016-2017	Interest Payment- Tranche 2-Series 1 / 2011-12	14,216,322	March 21, 2017	March 20, 2024
2016-2017	Buyback Payment- Tranche 2-Series 1 / 2011-12	3,080,000	March 21, 2017	NA
2016-2017	Buyback Payment- Tranche 2-Series 2 / 2011-12	21,434,160	March 21, 2017	NA
2016-2017	Interest Payment- Tranche 3-Series 1 / 2010-11	4,045,238	March 30, 2017	March 29, 2024
2016-2017	Interest Payment- Tranche 3-Series 1 / 2011-12	5,048,072	March 31, 2017	March 30, 2024
2016-2017	Buyback Payment- Tranche 3-Series 1 / 2011-12	995,000	March 31, 2017	NA
2016-2017	Buyback Payment- Tranche 3-Series 2 / 2011-12	4,984,175	March 31, 2017	NA
2016-2017	Interest Payment- Tranche 1-Series 1 / 2010-11	1,600	November 12, 2017	November 11, 2024
2016-2017	Interest Payment- Tranche 1-Series 1 / 2011-12	4,546,710	December 30, 2017	December 29, 2024
2017-2018	Interest Payment- Tranche 2-Series 1 / 2010-11	9,225,560	February 21, 2018	February 20, 2025
2017-2018	Interest Payment- Tranche 2-Series 1 / 2011-12	21,278,982	March 21, 2018	March 20, 2025
2017-2018	Interest Payment- Tranche 3-Series 1 / 2010-11	9,167,384	March 30, 2018	March 29, 2025
2017-2018	Interest Payment- Tranche 3-Series 1 / 2011-12	9,167,039	March 31, 2018	March 30, 2025

14 Distribution of Shareholding as on March 31, 2018 (Total) (By Size)					
SR. NO.	CATEGORY (SHARES)	NO. OF HOLDERS	% TO HOLDERS	NO. OF EQUITY SHARES (FACE VALUE OF ₹ 10 EACH)	% TO EQUITY
1	1 - 5,000	5,97,956	97.63	255,145,456	7.50
2	5,001 - 10,000	7,913	1.29	58,813,320	1.73
3	10,001 - 20,000	3,492	0.57	50,294,502	1.48
4	20,001 - 30,000	1,056	0.17	26,456,164	0.78
5	30,001 - 40,000	459	0.07	16,147,432	0.47
6	40,001 - 50,000	320	0.05	14,920,050	0.44
7	50,001 - 100,000	636	0.10	46,136,442	1.35
8	100,001 and above	733	0.12	2,936,161,539	86.25
TOTAL:		612,565	100.00	3,404,074,905	100.00

quarterly basis, for the purpose, *inter alia*, of reconciliation of the total admitted equity share capital with the depositories and in the physical form with the total issued / paid-up equity capital of the Bank.

Certificates issued in this regard are forwarded to BSE and NSE on quarterly basis.

Distribution of Shareholding

The distribution of the shareholding of IDFC Bank's equity shares by size and by ownership as on March 31, 2018 are given in **Table No.14** and **Table No.15** respectively. Top ten equity shareholders of IDFC Bank as on March 31, 2018 are given in **Table No.16**.

Dematerialisation of Shares and Liquidity

The Bank's shares are compulsorily traded in dematerialised form on NSE and BSE and are available for trading on both the depositories in India i.e. NSDL and CDSL. As on March 31, 2018, over 99.99% equity shares of IDFC Bank were held in

dematerialised form. Details on the same are given in **Table No.17**.

Outstanding GDRs / ADRs / Warrants or any Convertible Instruments, Conversion Date and likely impact on Equity

The Bank does not have any Outstanding GDRs / ADRs / Warrants or any other convertible instruments as on date.

Commodity Price Risk or Foreign Exchange Risk and Commodity Hedging Activities

The Bank is not exposed to any Commodity Price Risk. The Bank has a Board approved Market Risk Management Policy, Limit Management Framework and Foreign Exchange and Derivatives Policy which defines the risk control framework for undertaking foreign exchange transactions and for managing the risks associated with it. The Board of the Bank has defined Net Overnight Open Position ('NOOP') Limit, Aggregate

Gap limit ('AGL'), Stop Loss Limit, Value at Risk ('VaR') limit to control the Foreign exchange risk within the approved framework. The Bank uses derivatives including forwards and swaps for hedging its currency risk in its balance sheet and offers these products to customers and proprietary trading in due compliance with overall risk limits, control framework and applicable regulatory guidelines. The management of these products is governed by the policies mentioned above. The Bank did not exceed any of the Board approved risk limits during the period under review.

Plant Location

As the Bank is engaged in the business of banking / financial services, the Bank does not have any plant location.

Branches

As on March 31, 2018, IDFC Bank had a total of 150 branches.

15	Distribution of Shareholding as on March 31, 2018 (Total) (By Ownership)			
SR. NO.	DESCRIPTION	NO. OF HOLDERS	NO. OF EQUITY SHARES (FACE VALUE OF ₹ 10 EACH)	% TO EQUITY
1	BANKS	18	35,04,370	0.10
2	CLEARING MEMBERS	289	7,680,002	0.23
3	FOREIGN CORPORATE BODIES	1	4,601,271	0.13
4	FOREIGN INSTITUTIONAL INVESTORS	3	8,698,072	0.26
5	FOREIGN NATIONALS	3	12,400	β
6	FOREIGN PORTFOLIO INVESTORS	384	491,605,357	14.44
7	H U F	14,845	21,407,519	0.63
8	INDIAN FINANCIAL INSTITUTIONS	6	6,832,345	0.20
9	INSURANCE COMPANIES	26	47,541,155	1.40
10	BODIES CORPORATES	3,493	83,659,139	2.46
11	MUTUAL FUNDS	41	130,178,584	3.82
12	NBFC	29	725,278	0.02
13	NON RESIDENT INDIANS	5,262	18,267,127	0.54
14	NON RESIDENT INDIAN NON REPATRIABLE	2,584	7,572,993	0.22
15	PROMOTERS BODIES CORPORATE	1	1,797,512,668	52.80
16	PRESIDENT OF INDIA	1	261,400,000	7.68
17	RESIDENT INDIVIDUALS	585,538	501,708,167	14.74
18	TRUSTS	41	11,168,458	0.33
	TOTAL:	612,565	3,404,074,905	100.00

β denotes negligible value.

16 Top Ten Equity Shareholders of IDFC Bank as on March 31, 2018

SR. NO.	NAME	NO. OF EQUITY SHARES (FACE VALUE OF ₹ 10 EACH)	% TO EQUITY
1	IDFC Financial Holding Company Limited	1,797,512,668	52.80
2	President of India	261,400,000	7.68
3	Platinum International Fund	49,475,422	1.45
4	Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	23,452,344	0.69
5	Platinum Asia Fund	22,474,613	0.66
6	Wellington Trust Company, National Association Multiple Common Trust Funds Trust, Emerging Markets Opportunities Portfolio	20,029,244	0.59
7	Vanguard Total International Stock Index Fund	18,498,738	0.54
8	Ishares India Index Mauritius Company	15,784,858	0.46
9	Reliance Capital Trustee Co. Ltd - A / C Reliance Arbitrage Advantage Fund	15,588,000	0.46
10	Ishares Core Emerging Markets Mauritius Co.	14,163,426	0.41

17 Statement of Dematerialisation of Shares as on March 31, 2018

CATEGORY	NO. OF EQUITY SHARES	% TO EQUITY
PHYSICAL	62,692	β
NSDL	3,231,343,235	94.93
CDSL	172,668,978	5.07
TOTAL:	3,404,074,905	100.00

β denotes negligible value.

INVESTOR CORRESPONDENCE SHOULD BE ADDRESSED TO

Registrar and Share Transfer Agent

(For Equity Shares and 80CCF Long Term Infrastructure Bonds)

Karvy Computershare Private Limited
(Unit: IDFC Bank Limited)

Karvy Selenium Tower B, Plot 31 & 32,
Gachibowli, Financial District,
Nanakramguda, Serilingampally,
Hyderabad - 500 032, Telangana, India.

Tel: +91 40 6716 2222

Fax: +91 40 2342 0814

Toll Free: 1800 345 4001

E-mail: einward.ris@karvy.com

Website: www.karvycomputershare.com

Registrar and Share Transfer Agent

(For Certificate of Deposits, Bonds and Debentures issued on Private Placement basis)

NSDL Database Management Limited
4th Floor, Trade World, A Wing,
Kamala Mills Compound,
Senapati Bapat Marg, Lower Parel,
Mumbai - 400 013, Maharashtra, India

Tel: +91 22 4914 2700

Fax: +91 22 4914 2503

Email: nehap@nsdl.co.in

Website: https://ndml.in

Mr. Mahendra N. Shah

Group Company Secretary &
Group Compliance Officer
IDFC Bank Limited
Naman Chambers, C-32, G Block,
Bandra-Kurla Complex, Bandra (East),
Mumbai - 400 051, Maharashtra, India.

Tel: +91 22 7132 6816

Fax: +91 22 2654 0354

E-mail: mahendra.shah@idfcbank.com

Website: www.idfcbank.com

Registered Office Address

IDFC Bank Limited
KRM Towers, 7th Floor,
No. 1 Harrington Road, Chetpet,
Chennai - 600 031, Tamil Nadu, India.

Tel: +91 44 4564 4000

Fax: +91 44 4564 4022

Details of the Debenture Trustee

IDBI Trusteeship Services Limited
Ms. Anjalee Athalye
Vice President (Operations)
Asian Building, Ground Floor,
17, R. Kamani Marg, Ballard Estate,
Mumbai - 400 001, Maharashtra, India.

Tel: +91 22 4080 7018

Fax: +91 22 6631 1776

Website: www.idbitrustee.com

08



CERTIFICATION BY CEO AND CFO

We, Rajiv B. Lall, Founder Managing Director & Chief Executive Officer and Bipin Gemani, Chief Financial Officer of IDFC Bank Limited ('the Bank') hereby certify to the Board that:

- a. We have reviewed financial statements and the cash flow statement for the year ended March 31, 2018 and that to the best of our knowledge and belief:
 - these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - these statements together present a true and fair view of the Bank's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Bank during the year which are fraudulent, illegal or violative of the Bank's Code of Conduct.
- c. We are responsible for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Bank pertaining to financial reporting. We have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

- d. We have indicated to the Auditors and the Audit committee
 - significant changes in internal control over financial reporting during the year;
 - significant changes in accounting policies during the year and the same have been disclosed in the notes to the financial statements; and
 - instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the listed entity's internal control system over financial reporting.
- e. We affirm that no personnel has been denied access to the Audit Committee of the Bank (in respect of matters involving alleged misconduct, if any).
- f. We further declare that all Board members and Senior Management Personnel have affirmed compliance with the 'Code of Conduct for Board of Directors & Senior Management Personnel' for the current year.

Rajiv B. Lall

Founder Managing Director & CEO

Bipin Gemani

Chief Financial Officer

MUMBAI | APRIL 24, 2018

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF IDFC BANK LIMITED

Report on the Standalone Financial Statements

We have audited the accompanying Standalone Financial Statements of **IDFC BANK LIMITED** ("the Bank"), which comprise the Balance Sheet as at 31 March, 2018, the Profit and Loss Account and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

The Bank's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Standalone Financial Statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, the Accounting Standards prescribed under Section 133 of the Act read with the Companies (Accounting Standards) Rules, 2006 as amended, in so far as applicable to banks ("Accounting Standards"), accounting principles generally accepted in India, and the guidelines issued by the Reserve Bank of India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Standalone Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these Standalone Financial Statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the Standalone Financial Statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Standalone Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Standalone Financial Statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the Standalone Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Bank's preparation of the Standalone Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Bank's Directors, as well as evaluating the overall presentation of the Standalone Financial Statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the Standalone Financial Statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone Financial Statements give the information required by the Banking Regulation Act, 1949 and the Act in the manner so required and give a true and fair view in conformity with the Accounting Standards and other accounting principles generally accepted in India, of the state of affairs of the Bank as at 31 March, 2018, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143 (3) of the Act and Section 30 of the Banking Regulation Act, 1949, based on our audit, we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and found them to be satisfactory.
 - b) In our opinion, the transactions of the Bank which have come to our notice have been within the powers of the Bank.
 - c) As explained in paragraph 2 below, the financial accounting systems of the Bank are centralised and, therefore, accounting returns are not required to be submitted by the Branches.
 - d) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books.
 - e) The Balance Sheet, the Profit and Loss Account, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

INDEPENDENT AUDITORS' REPORT

- f) In our opinion, the aforesaid Standalone Financial Statements comply with the Accounting Standards specified under Section 133 of the Act, as applicable to banks.
- g) On the basis of the written representations received from the directors as at 31 March 2018 taken on record by the Board of Directors, none of the directors is disqualified as at 31 March 2018 from being appointed as a director in terms of Section 164 (2) of the Act.
- h) With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Bank's internal financial controls over financial reporting.
- i) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Bank has disclosed the impact of pending litigations on its financial position in its Standalone Financial Statements;
 - ii. The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;
 - iii. There were no amounts which were required to be transferred, by the Bank to the Investor Education and Protection Fund.
- 2. We report that during the course of our audit we have visited and performed select relevant procedures at 20 branches. Since the Bank considers its key operations to be automated, with the key applications largely integrated to the core banking systems, it does not require its branches to submit any financial returns. Accordingly, our audit is carried out centrally at the Head Office and Central Processing Units based on the necessary records and data required for the purposes of the audit being made available to us.

For **DELOITTE HASKINS & SELLS**

Chartered Accountants

(Firm's Registration No.117365W)

Kalpesh J. Mehta

Partner

(Membership No. 48791)

Place : Mumbai

Date : April 24, 2018

ANNEXURE “A” TO THE INDEPENDENT AUDITORS’ REPORT

(Referred to in paragraph 1 (h) under ‘Report on Other Legal and Regulatory Requirements’ section of the auditors’ report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (the “Act”)

We have audited the internal financial controls over financial reporting of **IDFC BANK LIMITED** (the “Bank”) as at 31 March, 2018 in conjunction with our audit of the Standalone Financial Statements of the Bank for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Bank’s Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Bank’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013, the Banking Regulation Act, 1949 and the guidelines issued by the Reserve Bank of India.

Auditors’ Responsibility

Our responsibility is to express an opinion on the Bank’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal controls based on the assessed risk. The procedures selected depend on the auditors’ judgement, including the assessment of the risks of material misstatement of the Standalone Financial Statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank’s internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A Bank’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Standalone Financial Statements for external purposes in accordance with generally accepted accounting principles and other applicable regulations. A Bank’s internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Standalone Financial Statements in accordance with generally accepted accounting principles and that receipts and expenditures of the Bank are being made only in accordance with authorisations of Management and Directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Bank’s assets that could have a material effect on the Standalone Financial Statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March, 2018, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note issued by the Institute of Chartered Accountants of India.

For **DELOITTE HASKINS & SELLS**

Chartered Accountants
(Firm’s Registration No.117365W)

Kalpesh J. Mehta

Partner
(Membership No. 48791)

Place : Mumbai

Date : April 24, 2018

BALANCE SHEET

AS AT MARCH 31, 2018

	SCHEDULE NO.	AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
CAPITAL AND LIABILITIES			
Capital	1	34,040,749	33,990,062
Employees' stock options outstanding	1a	-	10,714
Reserves and surplus	2	118,524,635	112,779,714
Deposits	3	481,982,025	402,082,246
Borrowings	4	572,870,654	502,621,857
Other liabilities and provisions	5	57,783,725	70,111,988
TOTAL		1,265,201,788	1,121,596,581
ASSETS			
Cash and balances with Reserve Bank of India	6	30,508,556	30,362,908
Balances with banks and money at call and short notice	7	18,409,418	20,657,063
Investments	8	612,015,342	504,716,961
Advances	9	521,648,881	494,016,832
Fixed assets	10	7,841,307	7,865,515
Other assets	11	74,778,284	63,977,302
TOTAL		1,265,201,788	1,121,596,581
Contingent liabilities	12	2,156,898,781	2,036,112,298
Bills for collection		-	-
Significant accounting policies and notes to accounts	17 & 18		
The schedules referred to above form an integral part of the Balance Sheet.			

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Kalpesh J. Mehta
Partner
(Membership No. 48791)

Mumbai | April 24, 2018

For and on behalf of the Board of Directors of
IDFC Bank Limited

Veena Mankar
Chairperson

Abhijit Sen
Director

Bipin Gemani
Chief Financial Officer

Rajiv B. Lall
Founder Managing Director & CEO

Sunil Kakar
Director

Mahendra N. Shah
Company Secretary & Chief Compliance Officer

PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2018

	SCHEDULE NO.	YEAR ENDED MARCH 31, 2018 (₹ IN THOUSANDS)	YEAR ENDED MARCH 31, 2017 (₹ IN THOUSANDS)
I INCOME			
Interest earned	13	89,300,046	85,327,145
Other income	14	11,178,927	10,131,156
TOTAL		100,478,973	95,458,301
II EXPENDITURE			
Interest expended	15	71,319,074	65,153,943
Operating expenses	16	16,525,943	12,769,764
Provisions and contingencies	18.30	4,040,923	7,337,216
TOTAL		91,885,940	85,260,923
III NET PROFIT FOR THE YEAR (I-II)		8,593,033	10,197,378
Balance in profit and loss account brought forward from previous year		16,465,871	12,129,256
IV AMOUNT AVAILABLE FOR APPROPRIATION		25,058,904	22,326,634
V APPROPRIATIONS :			
Transfer to statutory reserve	18.32	2,150,000	2,550,000
Transfer (from) / to investment reserve	18.32	(5,500)	5,500
Transfer to capital reserve	18.32	2,020,000	55,000
Transfer to special reserve	18.32	750,000	3,250,000
Dividend paid (includes tax on dividend)	18.54	3,047,753	263
Balance in profit and loss account carried forward		17,096,651	16,465,871
TOTAL		25,058,904	22,326,634
VI EARNINGS PER EQUITY SHARE (FACE VALUE ₹ 10 PER SHARE)	18.47		
Basic (₹)		2.53	3.00
Diluted (₹)		2.52	2.98
Significant accounting policies and notes to accounts	17 & 18		
The schedules referred to above form an integral part of the Profit and Loss Account			

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Kalpesh J. Mehta
Partner
(Membership No. 48791)

Mumbai | April 24, 2018

For and on behalf of the Board of Directors of
IDFC Bank Limited

Veena Mankar
Chairperson

Abhijit Sen
Director

Bipin Gemani
Chief Financial Officer

Rajiv B. Lall
Founder Managing Director & CEO

Sunil Kakar
Director

Mahendra N. Shah
Company Secretary & Chief Compliance Officer

CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2018

	SCHEDULE NO.	YEAR ENDED MARCH 31, 2018 (₹ IN THOUSANDS)	YEAR ENDED MARCH 31, 2017 (₹ IN THOUSANDS)
A. CASH FLOW FROM OPERATING ACTIVITIES			
Net profit before taxes		10,272,999	14,709,555
Adjustments for :			
Depreciation on fixed assets	16 (V)	1,634,849	1,343,442
Provision for / (release of) depreciation in value of investments	18.30	(956,000)	1,569,048
Amortisation of premium on held to maturity investments		1,135,794	293,121
Write back of provision for non performing advances	18.30	(5,796,120)	(10,623,023)
Additional / (write back) of specific provisions	18.30	(1,085,200)	220,565
Provision on unhedged foreign currency exposure	18.30	53,000	12,094
Loss on sale of fixed assets (net)	14 (IV)	10,875	53,527
Write back of provision for restructured assets	18.30	(400)	(5,175,600)
Bad-debts including technical / prudential write off	18.30	9,978,783	18,405
Provision for standard assets	18.30	42,824	(309,240)
Loss on sale of loans to ARC	18.30	-	17,111,999
Other provisions and contingencies	18.30	123,971	719
Adjustments for :			
(Increase) / decrease in investments (excluding held to maturity investment and investment in subsidiary)		(99,023,449)	(160,941,192)
(Increase) / decrease in advances		(30,729,113)	(38,110,458)
Increase / (decrease) in deposits		79,899,779	319,891,793
(Increase) / decrease in other assets		(9,205,478)	(24,005,125)
Increase / (decrease) in other liabilities and provisions		(12,424,087)	28,780,093
Direct taxes paid (net of refunds)		(3,399,440)	(2,374,383)
Net cash flow generated from / (used in) operating activities (A)		(59,466,413)	142,465,340
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(1,650,451)	(2,557,638)
Proceeds from sale of fixed assets		28,935	23,703
(Increase) / decrease in held to maturity investments		(8,566,326)	(45,246,618)
Purchase of subsidiary		-	(2,963,644)
Dividend from subsidiary		111,600	-
Net cash flow generated from / (used in) investing activities (B)		(10,076,242)	(50,744,197)
C. CASH FLOW FROM FINANCING ACTIVITIES			
Increase / (decrease) in borrowings		70,248,797	(68,976,450)
Proceeds from issue of share capital		239,614	257,853
Payment of dividend including dividend distribution tax (net off dividend distribution tax paid by subsidiary)		(3,047,753)	(1,021,644)
Net cash flow generated from / (used in) financing activities (C)		67,440,658	(69,740,241)
Net increase / (decrease) in cash and cash equivalents (A+B+C)		(2,101,997)	21,980,902
Cash and cash equivalents at the beginning of the year		51,019,971	29,039,069
Cash and cash equivalents at the end of the year		48,917,974	51,019,971
Represented by :			
Cash and Balances with Reserve Bank of India	6	30,508,556	30,362,908
Balances with Banks and Money at Call and Short Notice	7	18,409,418	20,657,063
Cash and cash equivalents at the end of the year		48,917,974	51,019,971

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Kalpesh J. Mehta
Partner
(Membership No. 48791)

Mumbai | April 24, 2018

For and on behalf of the Board of Directors of
IDFC Bank Limited

Veena Mankar
Chairperson

Abhijit Sen
Director

Bipin Gemani
Chief Financial Officer

Rajiv B. Lall
Founder Managing Director & CEO

Sunil Kakar
Director

Mahendra N. Shah
Company Secretary & Chief Compliance Officer

SCHEDULES FORMING PART OF THE BALANCE SHEET

AS AT MARCH 31, 2018

SCHEDULE 1 CAPITAL

	AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
AUTHORISED CAPITAL		
5,000,000,000 (Previous Year - 5,000,000,000) equity shares of ₹ 10 each	50,000,000	50,000,000
EQUITY SHARE CAPITAL		
Issued, subscribed and paid-up capital ^		
3,404,074,905 (Previous Year - 3,399,006,184) equity shares of ₹ 10 each, fully paid up	34,040,749	33,990,062
TOTAL	34,040,749	33,990,062

^ Includes 5,068,721 equity shares (Previous Year 6,382,848 equity shares) allotted pursuant to the exercise of options under the Employee Stock Option Scheme.

SCHEDULE 1a EMPLOYEES' STOCK OPTIONS OUTSTANDING

	AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
Employees' stock option outstanding	-	10,714
TOTAL	-	10,714

SCHEDULE 2 RESERVES AND SURPLUS

	AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I STATUTORY RESERVES		
Opening balance	3,730,000	1,180,000
Additions during the year (refer note 18.32)	2,150,000	2,550,000
Deduction during the year	-	-
Closing balance	5,880,000	3,730,000
II CAPITAL RESERVES		
Opening balance	880,000	825,000
Additions during the year (refer note 18.32)	2,020,000	55,000
Deduction during the year	-	-
Closing balance	2,900,000	880,000
III SHARE PREMIUM		
Opening balance	80,116,191	79,912,414
Additions during the year	199,632	203,777
Deduction during the year	-	-
Closing balance	80,315,823	80,116,191
IV GENERAL RESERVE		
Opening balance	6,882,152	6,869,384
Additions during the year (refer note 18.32)	9	12,768
Deduction during the year	-	-
Closing balance	6,882,161	6,882,152

SCHEDULES FORMING PART OF THE BALANCE SHEET

AS AT MARCH 31, 2018

	AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
V SPECIAL RESERVE		
Opening balance	4,700,000	1,450,000
Additions during the year (refer note 18.32)	750,000	3,250,000
Deduction during the year	-	-
Closing balance	5,450,000	4,700,000
VI INVESTMENT RESERVE ACCOUNT (IRA)		
Opening balance	5,500	-
Additions during the year (refer note 18.32)	-	5,500
Deduction during the year (refer note 18.32)	(5,500)	-
Closing balance	-	5,500
VII BALANCE IN PROFIT AND LOSS ACCOUNT	17,096,651	16,465,871
TOTAL (I+II+III+IV+V+VI+VII)	118,524,635	112,779,714

SCHEDULE 3 DEPOSITS

	AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
A I DEMAND DEPOSITS		
(i) From banks	1,520,653	481,593
(ii) From others	20,248,849	13,203,462
II SAVINGS BANK DEPOSITS	35,326,606	7,258,776
III TERM DEPOSITS		
(i) From banks	34,033,515	56,975,808
(ii) From others	390,852,402	324,162,607
TOTAL (I+II+III)	481,982,025	402,082,246
B I Deposits of branches in India	481,982,025	402,082,246
II Deposits of branches outside India	-	-
TOTAL	481,982,025	402,082,246

SCHEDULE 4 BORROWINGS

	AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I BORROWINGS IN INDIA		
(i) Reserve Bank of India	94,810,000	-
(ii) Other banks ^	38,451,964	37,308,231
(iii) Other institutions and agencies \$	419,929,623	449,191,140
II BORROWINGS OUTSIDE INDIA*	19,679,067	16,122,486
TOTAL (I+II)	572,870,654	502,621,857
Secured borrowings included in I and II above **	205,335,651	77,764,611

^ Borrowings from banks include long term infrastructure bonds of ₹ 281.50 crore (Previous Year ₹ 281.50 crore).

\$ Borrowings from other institutions and agencies include long term infrastructure bonds of ₹ 10,152.50 crore (Previous Year ₹ 10,152.50 crore) and Bonds under section 80CCF of the Income tax Act, 1961 of ₹ 1,690.05 crore (Previous Year ₹ 1,757.75 crore).

* Borrowings outside India include External Commercial Borrowings (ECB) of ₹ 623.45 crore (Previous Year ₹ 1,330.96 crore).

** Secured borrowings includes borrowings under Collateralised Borrowing and Lending Obligation, market repurchase transactions with banks & financial institutions, transactions under Liquidity Adjustment Facility and Marginal Standing Facility secured against Government Securities.

SCHEDULES FORMING PART OF THE BALANCE SHEET

AS AT MARCH 31, 2018

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

	AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I Bills payable	1,646,260	1,099,957
II Inter-office adjustments (net)	-	-
III Interest accrued	32,468,619	30,598,776
IV Proposed dividend (includes tax on dividend) (refer note 18.54)	-	-
V Contingent provision against standard assets	2,716,876	2,818,296
VI Others (including provisions)	20,951,970	35,594,959
TOTAL (I + II + III + IV + V + VI)	57,783,725	70,111,988

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

	AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I Cash in hand (including foreign currency notes)	1,026,803	777,141
II Balances with Reserve Bank of India:		
(i) In current accounts	29,481,753	29,585,767
(ii) In other accounts	-	-
TOTAL (I+II)	30,508,556	30,362,908

SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

	AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I IN INDIA		
(i) Balance with banks		
(a) In current accounts	64,319	168,679
(b) In other deposit accounts	-	-
(ii) Money at call and short notice		
(a) With banks	1,850,000	7,000,000
(b) With other institutions	194,091	10,783,453
TOTAL	2,108,410	17,952,132
II OUTSIDE INDIA		
(i) In current accounts	76,148	56,133
(ii) In other deposit accounts	11,405,625	-
(iii) Money at call and short notice	4,819,235	2,648,798
TOTAL	16,301,008	2,704,931
GRAND TOTAL (I+II)	18,409,418	20,657,063

SCHEDULES FORMING PART OF THE BALANCE SHEET

AS AT MARCH 31, 2018

SCHEDULE 8 INVESTMENTS (NET OF PROVISIONS)

	AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I INVESTMENTS IN INDIA IN :		
(i) Government securities	387,985,608	248,556,534
(ii) Other approved securities	-	-
(iii) Shares (includes equity and preference shares) #	3,709,044	4,879,419
(iv) Debentures and bonds	122,080,787	130,673,982
(v) Investment in subsidiaries / joint ventures *	2,993,621	3,105,221
(vi) Others (venture capital funds, mutual funds, commercial papers, certificate of deposits, security receipts, PTC etc.)	95,246,282	117,501,805
TOTAL INVESTMENTS IN INDIA	612,015,342	504,716,961
II INVESTMENTS OUTSIDE INDIA IN :		
(i) Government securities (including local authorities)	-	-
(ii) Subsidiaries and/or joint ventures abroad	-	-
(iii) Others	-	-
TOTAL INVESTMENTS OUTSIDE INDIA	-	-
GRAND TOTAL (I+II)	612,015,342	504,716,961

Includes investments in associates

* Dividend received from pre-acquisition profits of ₹ 11.16 crore is reduced from cost of investments as per AS - 13 - Accounting for Investments.

SCHEDULE 9 ADVANCES (NET OF PROVISIONS)

	AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
A (i) Bills purchased and discounted	31,530,753	14,200,826
(ii) Cash credits, overdrafts and loans repayable on demand	58,030,428	22,625,098
(iii) Term loans	432,087,700	457,190,908
TOTAL	521,648,881	494,016,832
B (i) Secured by tangible assets *	274,120,792	292,239,177
(ii) Covered by bank / government guarantees \$	1,908,640	-
(iii) Unsecured	245,619,449	201,777,655
TOTAL	521,648,881	494,016,832
C I Advances in India		
(i) Priority sector	64,179,608	71,519,365
(ii) Public sector	35,199,879	33,856,070
(iii) Banks	2,415,366	1,559,667
(iv) Others	419,854,028	387,081,730
TOTAL	521,648,881	494,016,832
C II Advances Outside India		
(i) Due from banks	-	-
(ii) Due from others :		
(a) Bills purchased and discounted	-	-
(b) Syndicated loans	-	-
(c) Others	-	-
TOTAL	-	-
GRAND TOTAL (C I+C II)	521,648,881	494,016,832

The above advances are net of provisions of ₹ 1,587.93 crore (Previous Year ₹ 2,229.19 crore).

* Includes advances against book debts

\$ Includes advances against LCs issued by banks

SCHEDULES FORMING PART OF THE BALANCE SHEET

AS AT MARCH 31, 2018

SCHEDULE 10 FIXED ASSETS

	AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I PREMISES		
Gross block		
At cost at the beginning of the year	2,968,068	2,921,594
Additions during the year	1,074	104,843
Deductions during the year	-	(58,369)
TOTAL	2,969,142	2,968,068
Depreciation		
As at the beginning of the year	439,925	402,720
Charge for the year	52,351	51,621
Deductions during the year	-	(14,416)
Depreciation to date	492,276	439,925
Net block of premises	2,476,866	2,528,143
II OTHER FIXED ASSETS (INCLUDING FURNITURE AND FIXTURES) (REFER NOTE 18.51)		
Gross block		
At cost at the beginning of the year	7,276,553	4,671,670
Additions during the year	1,669,206	2,691,234
Deductions during the year	(79,499)	(86,351)
TOTAL	8,866,260	7,276,553
Depreciation		
As at the beginning of the year	1,992,884	754,137
Charge for the year	1,582,498	1,291,821
Deductions during the year	(39,689)	(53,074)
Depreciation to date	3,535,693	1,992,884
Net block of other fixed assets (including furniture and fixtures)	5,330,567	5,283,669
III CAPITAL WORK-IN-PROGRESS (INCLUDING CAPITAL ADVANCES)	33,874	53,703
GRAND TOTAL (I+II+III)	7,841,307	7,865,515

SCHEDULE 11 OTHER ASSETS

	AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I Inter-office adjustments (net)	-	-
II Interest accrued	13,959,207	11,742,051
III Tax paid in advance / tax deducted at source (net of provisions)	10,068,993	6,543,812
IV Stationery and stamps	567	45
V Non banking assets acquired in satisfaction of claims	-	-
VI Others	50,749,517	45,691,394
TOTAL (I+II+III+IV+V+VI)	74,778,284	63,977,302

SCHEDULES FORMING PART OF THE BALANCE SHEET

AS AT MARCH 31, 2018

SCHEDULE 12 CONTINGENT LIABILITIES

	AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
i Claims against the bank not acknowledged as debts	1,658,574	1,425,877
ii Liability for partly paid investments	1,162,778	2,452,917
iii Liability on account of outstanding forward exchange and derivative contracts :		
(a) Forward Contracts	642,282,198	979,287,494
(b) Interest rate swaps, currency swaps, forward rate agreement and interest rate futures	1,035,446,452	757,121,514
(c) Foreign currency options	196,553,003	108,788,055
TOTAL (a+b+c)	1,874,281,653	1,845,197,063
IV Guarantees given on behalf of constituents		
In India	226,081,876	136,747,944
Outside India	-	-
V Acceptances, endorsements and other obligations	52,970,776	49,299,568
VI Other items for which the bank is contingently liable (capital commitments)	743,124	988,929
GRAND TOTAL (I+II+III+IV+V+VI)	2,156,898,781	2,036,112,298

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2018

SCHEDULE 13 INTEREST EARNED

	YEAR ENDED MARCH 31, 2018	YEAR ENDED MARCH 31, 2017
	(₹ IN THOUSANDS)	(₹ IN THOUSANDS)
I Interest / discount on advances / bills	47,229,452	50,884,182
II Income on investments	40,413,069	32,887,822
III Interest on balances with Reserve Bank of India and other inter-bank funds	82,741	572,137
IV Others *	1,574,784	983,004
TOTAL	89,300,046	85,327,145

* Includes interest on income tax refunds amounting to ₹ 41.23 crore (Previous Year ₹ 6.83 crore).

SCHEDULE 14 OTHER INCOME

	YEAR ENDED MARCH 31, 2018	YEAR ENDED MARCH 31, 2017
	(₹ IN THOUSANDS)	(₹ IN THOUSANDS)
I Commission, exchange and brokerage	4,305,836	2,992,769
II Profit / (loss) on sale of investments (net)	3,948,810	5,646,116
III Profit / (loss) on revaluation of investments (net)	-	-
IV Profit / (loss) on sale of premises and other fixed assets (net)	(10,875)	(53,527)
V Profit / (loss) on exchange/derivative transactions (net)	2,911,473	1,526,983
VI Income earned by way of dividends etc. from subsidiaries / companies and / or joint venture abroad / in India *	-	-
VII Miscellaneous Income	23,683	18,815
TOTAL	11,178,927	10,131,156

* Dividend from subsidiary of ₹ 11.16 crore, out of pre-acquisition profits is reduced from cost of investments in subsidiary, as per AS-13-Accounting for Investments.

SCHEDULE 15 INTEREST EXPENDED

	YEAR ENDED MARCH 31, 2018	YEAR ENDED MARCH 31, 2017
	(₹ IN THOUSANDS)	(₹ IN THOUSANDS)
I Interest on deposits	26,370,528	13,141,603
II Interest on borrowings from Reserve Bank of India / inter-bank borrowings	3,299,528	5,201,972
III Others	41,649,018	46,810,368
TOTAL	71,319,074	65,153,943

SCHEDULE 16 OPERATING EXPENSES

	YEAR ENDED MARCH 31, 2018	YEAR ENDED MARCH 31, 2017
	(₹ IN THOUSANDS)	(₹ IN THOUSANDS)
I Payments to and provisions for employees	6,759,749	5,736,220
II Rent, taxes and lighting	1,026,471	1,123,178
III Printing and stationery	148,828	84,487
IV Advertisement and publicity	244,234	143,055
V Depreciation on bank's property	1,634,849	1,343,442
VI Directors' fees, allowance and expenses	13,800	11,544
VII Auditors' fees and expenses	17,900	18,090
VIII Law charges	73,301	33,763
IX Postage, telegrams, telephones etc.	307,498	171,446
X Repairs and maintenance	291,650	294,465
XI Insurance	374,544	157,698
XII Other expenditure	5,633,119	3,652,376
TOTAL	16,525,943	12,769,764

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2018

17 SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

A. BACKGROUND

IDFC Bank Limited ("the Bank") was incorporated on October 21, 2014 as a Company under the Companies Act, 2013. Further, the Bank commenced its banking operations on October 1, 2015 after receiving universal banking license from the Reserve Bank of India ('the RBI') on July 23, 2015. The Bank has 150 branches in India. The Bank's shares are listed on National Stock Exchange of India Limited and BSE Limited.

B. BASIS OF PREPARATION

The financial statements have been prepared based on historical cost convention and accrual basis of accounting in accordance with the requirements prescribed under Section 29 and third schedule of the Banking Regulation Act, 1949 and in conformity with Generally Accepted Accounting Principles in India to comply with the statutory requirements prescribed under the circulars and guidelines issued by the RBI from time to time and the Accounting Standards notified under section 133 of the Companies Act, 2013, to the extent applicable and practices generally prevalent in the banking industry in India.

C. USE OF ESTIMATES

The preparation of financial statements in conformity with the Generally Accepted Accounting Principles requires the Management to make estimates and assumptions that affects the reported amount of assets and liabilities, revenues and expenses and disclosure of contingent liabilities at the date of the financial statements. The management believes that the estimates used in preparation of financial statements are prudent and reasonable. Actual results could differ from those estimates and the differences between the actual results and the estimates would be recognised in the periods in which the results are known / materialised.

D. SIGNIFICANT ACCOUNTING POLICIES :

17.1 INVESTMENTS

Classification :

In accordance with the RBI Guidelines on investment classification and valuation; Investments are classified into:

- Held for Trading (HFT),
- Available for Sale (AFS) and
- Held to Maturity (HTM).

Reclassification of securities if any, in any categories are accounted for as per the RBI guidelines. However, for disclosure in the Balance Sheet, investments in India are classified under six categories - Government Securities, Other approved securities, Shares, Debentures and Bonds, Investment in Subsidiaries/Joint Ventures and Others.

Basis of classification and accounting :

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category. Further, as per the RBI guidelines, HFT securities, which remain unsold for a period of 90 days are reclassified to AFS category. Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments which are not classified in either of the above categories are classified under AFS category. Investments are recorded on value date except for equity shares which are recorded on trade date.

Cost of acquisition :

- Cost including brokerage and commission pertaining to investments paid at the time of acquisition are charged to the Profit and Loss Account.
- Cost of investments is computed based on First in First out Method for all categories of Investments including Short sales.
- Broken period interest (the amount of interest from the previous interest payment date till the date of purchase / sale of instrument) on debt instrument is treated as a revenue item.

Valuation :

Investments classified under HTM category are carried at their acquisition cost and not marked to market. Any premium on acquisition is amortised over the remaining maturity period of the security on a straight line method basis. Such amortisation of premium is adjusted against interest income under the head "Income from investments" as per the RBI guidelines. Any diminution, other than temporary, in the value of investments in HTM Category is provided for, while discount is not accreted.

Investments classified under AFS and HFT categories are marked to market as per the RBI guidelines. Traded investments are valued based on the trades / quotes on the recognised stock exchanges, or prices/yields declared by Primary Dealers Association of India (PDAI) jointly with Fixed Income Money Market and Derivatives Association ('FIMMDA') / Financial Benchmark India Pvt. Ltd. ('FBIL'), periodically.

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2018

- The market value of unquoted government securities which qualify for determining the Statutory Liquidity Ratio ('SLR') included in the AFS and HFT categories is computed as per the Yield-to-maturity ('YTM') rates published by FIMMDA / FBIL.
- The valuation of other unquoted fixed income securities (viz. State Government securities, Other approved securities, Bonds and Debentures) and preference shares, wherever linked to the YTM rates, is done with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for government securities published by FIMMDA / FBIL.
- Unquoted equity shares are valued at the break-up value, if the latest balance sheet is available or at ₹ 1 as per the RBI guidelines in case the latest balance sheet is not available.
- Units of mutual funds are valued at the latest repurchase price / net asset value ('NAV') declared by the mutual fund.
- Treasury Bills, Commercial Papers and Certificate of Deposits being discounted instruments, are valued at carrying cost. Accretion of discount on discounted Money Market Securities is computed on straight line method and for long term discounted securities, constant YTM method is used.
- Security receipts (SR) are valued as per NAV as provided by the Reconstruction Company (RC) / Securitization Company (SC).
- Units of Venture Capital Funds ('VCF') and Alternate Investment Fund ('AIF') held under AFS category are marked to market based on the NAV provided by VCF/AIF based on the latest audited financial statements. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1 per VCF/AIF. Banks' investments in units of VCFs is classified under HTM for an initial period of three years and valued at cost during this period, in accordance with the RBI guidelines.
- Priority Sector pass through certificates (PTCs) are valued at book value as per FIMMDA guidelines.

Investments in subsidiaries are categorised as HTM and assessed for impairment to determine permanent diminution, if any, in accordance with the RBI guidelines.

Securities are valued script wise and depreciation / appreciation is aggregated for each category. Net depreciation, if any, compared to the acquisition cost, in any of the categories, is charged to the Profit and Loss Account. The net appreciation in each category, if any, is not recognised except to the extent of depreciation already provided. The valuation of investments includes securities under repo transactions.

Non-performing investments are identified and depreciation / provision is made thereon based on the RBI guidelines. The depreciation / provision is not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is recognised on cash basis.

Short sales :

The Bank undertakes short sale transactions in Central Government dated securities in accordance with RBI guidelines and these are shown under Schedule 8 - Investments. The short position is marked to market along with other securities in that category and loss, if any, is charged to the Profit and Loss Account while gain, if any, is ignored. Profit / loss on settlement of the short position are recognised in the Profit and Loss Account.

Repo and Reverse Repo Transaction :

In accordance with the RBI guidelines Repo and Reverse Repo transactions in government securities and corporate debt securities, including transactions conducted under Liquidity Adjustment Facility ('LAF') and Marginal Standing Facility ('MSF') with RBI are reflected as borrowing and lending transactions respectively. Borrowing cost on repo transactions is accounted as interest expense and revenue on reverse repo transactions are accounted as interest income.

17.2 ADVANCES

In accordance with the RBI guidelines, advances are classified as performing and non-performing. Non-Performing advances are further classified as Sub-Standard, Doubtful and Loss Assets in accordance with the RBI guidelines on Income Recognition and Asset Classification ('IRAC'). In addition, based on extant environment or specific information on risk of possible slippages or current pattern of servicing, the Bank makes provision on specific advances in infrastructure sector which are classified as standard advances as these are not non-performing advances ('identified advances'). Advances are stated net of NPA provisions, provision against identified advances, provisions for funded interest term loan classified as non-performing advances, claims received from Export Credit Guarantee Corporation of India Ltd. (ECGC) and provisions in lieu of diminution in the fair value of restructured asset.

The Bank makes general provisions on all standard advances based on the rates under each category of advance as prescribed by the RBI. In addition, the Bank makes provisions for standard assets in telecom sector and other stressed sectors, at rates higher than the regulatory minimum, based on evaluation of risk and stress as per the Board approved policy. The provision on standard advances is not reckoned for arriving at net NPAs. The provision against standard advances (other than provision against identified advances) is shown separately as "Contingent Provisions against Standard Assets" under "Schedule 5 - Other Liabilities".

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2018

Legacy advances in infrastructure sector transferred to IDFC Bank on demerger of financing undertaking from IDFC Limited ('identified advances') carries provisions on a prudent basis based on assessment of risk relating to possible slippages, extant environment, specific information or pattern of servicing. These provisions being specific in nature are netted off from gross advances. These provisions are reviewed and reassessed atleast once a year.

Specific loan loss provisions in respect of non-performing advances are made based on management's assessment of the degree of impairment of wholesale and retail advances, subject to the minimum provisioning level prescribed by the RBI. These provisions are reviewed and reassessed atleast once a year.

In case of corporate loans, provision is made for sub-standard, doubtful and loss assets at the rates prescribed by the RBI or higher as approved by the management. Provision on retail loans and advances, subject to minimum provisioning requirement of the RBI are assessed at borrower level, on the basis of ageing of loans based on internal provisioning policy of the Bank.

The RBI has revised 'Framework for Resolution of Stressed Assets' and extant instructions on resolution of stressed assets such as Framework for Revitalising Distressed Assets, Corporate Debt Restructuring Scheme, Flexible Structuring of Existing Long-Term Project Loans, Strategic Debt Restructuring Scheme (SDR), Change in Ownership outside SDR and Scheme for Sustainable Structuring of Stressed Assets (S4A) stand withdrawn with immediate effect from February 12, 2018. Also, Joint Lenders Forum (JLF) as an institutional mechanism for resolution of stressed accounts stands discontinued.

As per the revised framework, the Bank is required to form a Resolution Plan ('RP') for a borrower who defaults in repayment of debt.

- i. In respect of large borrower accounts (with aggregate exposure of lenders at ₹ 2,000 crore and above, on or after March 1, 2018), the Bank is required to implement RP within 180 days from the reference date, failing which, the Bank is required to file an insolvency application, singly or jointly, under the Insolvency and Bankruptcy Code 2016 (IBC).
- ii. In respect of borrower accounts having aggregate exposure of lenders below ₹ 2,000 crore, the Bank is required to adopt a Board Approved Policy for the implementation of RP.

As per the revised framework, asset classification and provisioning in respect of exposure to borrower entities against whom insolvency applications are filed under the IBC shall be as per the extant IRAC guidelines. RBI has also revised prudential norms applicable to any restructuring, whether under the IBC framework or outside the IBC framework.

As per the revised framework in case of restructuring:

a. Asset Classification:

- a) The accounts classified as 'standard' shall be immediately downgraded as NPAs.
- b) The non-performing assets, upon restructuring, would continue to have the same asset classification as prior to restructuring. In both cases, the asset classification shall continue to be governed by the ageing criteria as per extant IRAC guidelines.

b. Condition for Upgrade:

- a) Restructured accounts may be upgraded only on 'satisfactory performance' (i.e. the payments in respect of borrower entity are not in default at any point of time) during the 'specified period' (i.e. the date by which atleast 20% of the outstanding principal debt and interest capitalization sanctioned as part of restructuring, is repaid).
 - b) In case of large borrower accounts (accounts where aggregate exposure is more than ₹ 100 crore), to qualify for an upgrade, in addition to demonstration of satisfactory performance, the credit facilities of the borrower shall also be rated as investment grade (BBB- or better) as at the end of the specified period. Accounts with aggregate exposure of ₹ 500 crore and above shall require two ratings.
 - c) In case satisfactory performance during the specified period is not demonstrated, the account shall, immediately on such default, be reclassified as per the repayment schedule that existed before the restructuring. Any future upgrade for such accounts shall be contingent on implementation of a fresh RP and demonstration of satisfactory performance thereafter.
- iii. Any additional finance approved under the RP (including any resolution plan approved by the Adjudicating Authority under IBC) may be treated as 'standard asset' during the specified period under the approved RP, provided the account performs satisfactorily during the specified period. If the restructured asset fails to perform satisfactorily during the specified period or does not qualify for upgradation at the end of the specified period, the additional finance shall be placed in the same asset classification category as the restructured debt.

In the event of substantial erosion in value of loan and remote possibility of collection, non performing loans with adequate provisions are evaluated for technical / prudential write off based on Bank's policy and RBI guidelines. Such write off does not have an impact on the Bank's legal claim against the borrower. The Bank may also write off non performing loans on one time settlement (OTS) with the borrower. Amounts recovered against debts written off in earlier years are recognised in the Profit and Loss Account and included under Other Income.

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2018

Provision for Unhedged Foreign Currency Exposure of borrowers is made as per the RBI guidelines and disclosed under Contingent Provision against Standard Assets. In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country as per the RBI guidelines). The countries are categorised into seven risk categories as mentioned in the ECGC guidelines namely insignificant, low, moderate, high, very high, restricted and off-credit and provision is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 180 days, 25% of the normal provision requirement is held. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposure.

17.3 REVENUE RECOGNITION

Interest income :

Interest Income is recognised on accrual basis in the Profit and Loss Account, except in the case of Non-Performing Assets (NPAs) and identified advances, where it is recognised upon realisation. The unrealised interest, fees and charges booked in respect of NPAs and identified advances is reversed and recognised on cash basis.

Interest Income on coupon bearing securities is recognised over the tenure of the instrument on a straight line method and on non-coupon bearing securities over the tenure on yield basis. Any premium on acquisition of securities held under HTM category is amortised over the remaining maturity period of the security on a straight line method basis.

Dividend on equity shares, preference shares and on mutual fund units is recognised as income when the right to receive the dividend is established.

Fees and charges :

Loan originating fees, when it becomes due, is recognised upfront as income. Arrangership / syndication fee is recognised as income on completion of the significant act / milestone and when right to recovery is established. Fee and commission income is recognised as income when due and reasonable right of recovery is established and can be reliably measured.

Commission received on guarantees and letter of credit issued is recognised on straight line basis over the period of the contract or the period for which commission is received except for commission not exceeding ₹ 25 lacs which is recognised when due, unless the Bank is uncertain of ultimate collection.

Fee on rescheduling of outstanding debt is recognised on accrual basis over the period of time covered by the rescheduled extension period. Underwriting fees is recognised as income on closure of issue and revenue can be reliably measured. All other fees and charges is recognised as and when they become due and revenue can be reliably measured and reasonable right of recovery is established.

Investments :

Profit / loss on sale of investments under the HTM, AFS and HFT categories are recognised in the Profit and Loss Account. The profit from sale of investment under HTM category, is appropriated from Profit and Loss Account to "Capital Reserve" (net of applicable taxes and transfer to Statutory Reserve) in accordance with the RBI guidelines. Losses are recognised in the Profit and Loss Account.

Exchange gain or loss arising on account of revaluation of monetary assets and liabilities is recognised in the Profit and Loss Account as per the revaluation rates published by Foreign Exchange Dealers' Association of India (FEDAI).

Other operating income :

Securitisation transactions :

Net income arising on account of sale of standard asset, being the difference between the sale consideration and book value, is amortised over the life of the securities issued by the Special Purpose Vehicle (SPV). Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs.

In case of Non-Performing Assets sold to Securitisation Company (SC) / Reconstruction Company (RC) for cash, excess provision is reversed to Profit and Loss Account. Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs. If sale is against issuance of SRs by SC / RC, the sale will be recognised at lower of redemption value of SRs and net book value of financial asset sold. On realisation, the proceeds are reduced against the carrying value of SRs and surplus, if any, is recognised in the Profit and Loss Account.

Direct Assignments :

Profit / premium arising on account of sale of standard asset, being the difference between the sale consideration and book value, is amortised over the residual life of the loan. Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs. In case of gain on sale of non-performing assets, the excess provision shall not be reversed but will be utilised to meet the shortfall / loss on account of sale of other non-performing financial assets and shortfall if any is charged to the Profit and Loss Account.

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2018

17.4 PRIORITY SECTOR LENDING CERTIFICATES (PSLCs)

The Bank may enter into transactions for the purchase or sale of Priority Sector Lending Certificates (PSLCs). In case of a purchase transaction, the Bank buys the fulfillment of priority sector obligation and in case of a sale transaction, the Bank sells the fulfillment of priority sector obligation through the RBI trading platform. There is no transfer of underlying risk or loan assets. Fees paid for purchase of the PSLCs is recorded as 'Other Expenditure' and fees received for the sale of PSLCs is recorded as 'Miscellaneous Income' in Profit and Loss Account.

17.5 TRANSACTIONS INVOLVING FOREIGN EXCHANGE

Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction. Monetary foreign currency assets and liabilities of domestic and integral foreign operations are translated at closing exchange rates notified by FEDAI. The resulting gain or loss on revaluation are included in the Profit and Loss Account in accordance with the RBI / FEDAI guidelines. The forward exchange contracts of longer maturities where exchange rates are not notified by FEDAI are revalued at the forward exchange rates implied by the swap curves in respective currencies. The resultant gains or losses are recognized in the Profit and Loss Account.

Premium / discount on currency swaps undertaken to hedge foreign currency assets and liabilities and funding swaps is recognized as interest income / expense on accrual basis and is amortized on a pro-rata basis over the underlying swap period.

Contingent liabilities on account of forward exchange and derivative contracts, guarantees, acceptances, endorsements and other obligations denominated in foreign currencies are disclosed at closing rates of exchange notified by FEDAI.

17.6 ACCOUNTING FOR DERIVATIVE TRANSACTIONS

Derivative transactions comprises of forward contracts, futures, swaps and options. The Bank undertakes derivative transactions for trading and hedging on-balance sheet assets and liabilities. All trading transactions are marked to market and resultant gain or loss is recognized in the Profit and Loss Account.

For hedge transactions, the Bank identifies the hedged item (asset or liability) and assesses the effectiveness at inception as well as at each reporting date. Funding swaps are accounted in accordance with FEDAI guidelines. The Hedge swaps and funding swaps are accounted on accrual basis except the swap designated with an asset or liability that is carried at lower of cost or market value in the financial statements. In such cases swaps are marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated asset or liability. Any resultant profit or loss on termination of hedge swaps is amortized over the life of the swap or underlying liability whichever is shorter. Upon ineffectiveness of hedge on re-assessment or termination of underlying, the Bank shall de-designate the derivative as trade.

Premium in option transaction is recognized as income / expense on expiry or early termination of the transaction. Mark to market gain / loss (adjusted for premium received / paid on options contracts) is recorded as other income. The amounts received / paid on cancellation of option contracts are recognized as realized gain / loss on options. Pursuant to the RBI guidelines, any receivables under derivative contracts which remain overdue for more than 90 days and mark to market gains on all derivative contracts with the same counter-parties are reversed in Profit and Loss Account.

Currency futures contracts are marked to market using daily settlement price on a trading day, which is the closing price of the respective futures contracts on that day. All open positions are marked to market based on the settlement price and the resultant marked to market profit/loss settled with the exchange. Charges receivable / payable on cancellation / termination of foreign exchange forward contracts is recognized as income / expense on the date of cancellation / termination under 'Other Income'.

Valuation of Exchange Traded Currency Options (ETCO) is carried out on the basis of the daily settlement price of each individual option provided by the exchange and valuation of Interest Rate Futures (IRF) is carried out on the basis of the daily settlement price of each contract provided by the exchange.

As per the RBI guidelines on 'Prudential Norms for Off Balance Sheet Exposures of Banks' a general provision is made on the current gross MTM gain of the contract for all outstanding interest rate and foreign exchange derivative transactions. For provisioning purpose, the credit exposure for all the counterparties except Qualified Central Counter Party (QCCP) are calculated at deal level, i.e. Gross Positive MTM after netting of margin to the extent of Positive MTM. The credit exposure reckoned for standard provisioning on QCCP is calculated at counterparty level i.e. Net Positive MTM.

17.7 FIXED ASSETS AND DEPRECIATION

Fixed assets are carried at cost of acquisition less accumulated depreciation and impairment, if any. Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset.

Depreciation is charged over the estimated useful life of a fixed asset on a straight-line basis. The rates of depreciation for fixed assets, which are not lower than the rates prescribed in Part C of Schedule II of the Companies Act, 2013, are given below :

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2018

ASSET	ESTIMATED USEFUL LIFE
Building - RCC Frame	60 Years
Building - Other than RCC Frame	30 Years
Computers - Desktops, Laptops, End User Devices	3 Years
Computers - Server & Network	6 Years
Vehicles	4 Years
Furniture	10 Years
Office Equipment	5 Years
Leasehold Improvements	Over the extended period of lease
Others (including software and system development)	5 years

Depreciation on Vehicles and mobile phone is higher than the rates prescribed under the Schedule II of the Companies Act, 2013, based on the internal assessment of the useful life of these assets.

Fixed assets individually costing less than ₹ 5,000 are fully depreciated in the year of installation.

Depreciation on assets sold during the year is recognized on a pro-rata basis to the Profit and Loss Account till the date of sale. Profit on sale of premises net of taxes and transfer to statutory reserve is appropriated to Capital Reserve as per the RBI guidelines.

17.8 INCOME TAX

Income tax expense is the aggregate amount of current tax and deferred tax charge. The current tax expense and deferred tax expense is determined in accordance with the provisions of the Income Tax Act, 1961 and as per Accounting Standard 22 - Accounting for Taxes on Income respectively.

Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the Balance Sheet date.

Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future. In case of unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and appropriately adjusted to reflect the amount that is reasonably / virtually certain to be realized. The impact of changes in the deferred tax assets / liabilities is recognised in the Profit and Loss Account.

17.9 EMPLOYEES' STOCK OPTION SCHEME

The Bank has formulated Employees' Stock Option Scheme - IDFC Bank Limited ESOS -2015 ('the Scheme') in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The ESOS provides for the grant of options to acquire equity shares of the Bank to its employees. The options granted to employees vest in a graded manner and these may be exercised by the employees within a specified period.

The Bank follows the intrinsic value method to account for its stock-based employee compensation plans. Compensation cost is measured by the excess, if any, of the market price / fair value of the underlying stock over the grant price as determined under the option plan. Compensation cost, if any is amortized over the vesting period on a straight line method. In case the vested stock options expire unexercised, the balance in stock options outstanding is transferred to the general reserve. In case the unvested stock options get cancelled, the balance in stock option outstanding account is transferred to the Profit and Loss Account.

17.10 EMPLOYEE BENEFITS

Defined contribution plan :

The contribution to provident fund, superannuation fund and pension fund are considered as defined plans and are charged to the Profit and Loss Account as they fall due, based on the amount of contribution required to be made and when services are rendered.

Defined benefit plan :

The net present value of obligations towards gratuity to employees is actuarially determined as at the Balance Sheet based on the projected unit credit method. Actuarial gains and losses are recognised in the Profit and Loss Account for the year.

Compensated absences :

Based on the leave rules of the Bank, employees are not permitted to accumulate leave for encashment. Any unavailed privilege leave to the extent encashable is paid to the employees and charged to the Profit and Loss Account for the year.

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2018

17.11 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A provision is recognised when the Bank has a present obligation as a result of past event where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

Provisions for onerous contracts are recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

A disclosure of contingent liability is made when there is :

- a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank; or
- a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

17.12 EARNINGS PER SHARE

The Bank reports basic and diluted earnings per share in accordance with AS-20, Earnings Per Share, as notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014. Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per equity share is computed by dividing net profit after tax attributable to equity shareholders by the weighted average number of equity shares and weighted average number of dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

17.13 LEASES

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Amount due under the operating leases, including cost escalation, are charged on a straight line method over the lease term in the Profit and Loss Account. Initial direct cost incurred specifically for operating leases are recognised as expense in the Profit and Loss Account in the year in which they are incurred.

17.14 SEGMENT REPORTING

The disclosure relating to segment information is in accordance with the guidelines issued by RBI and Accounting Standard as notified.

17.15 IMPAIRMENT OF ASSETS

The carrying amount of the assets at each Balance Sheet date is reviewed for impairment. If any indication of impairment based on internal / external factors exists, the recoverable amount of such assets is estimated and impairment is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and its value in use, which is arrived at by discounting the future cash flows to their present value, based on an appropriate discounting factor. If at the Balance Sheet date, there is an indication that previously recognised impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount, subject to a maximum of the depreciable historical cost and reversal of such impairment loss is recognised in the Profit and Loss Account, except in case of revalued assets.

17.16 FRAUD PROVISIONING

As per RBI guidelines, in case of frauds due to the Bank or for which the Bank is liable, provision needs to be immediately recognised in Profit and Loss Account. However, the banks have an option to make provisions over a period, not exceeding four quarters, commencing from the quarter in which the fraud has been detected.

17.17 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, balances with the RBI, balances with other banks and money at call and short notice.

17.18 CORPORATE SOCIAL RESPONSIBILITY

Expenditure towards corporate social responsibility, in accordance with Companies Act, 2013, are recognised in the Profit and Loss Account.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED MARCH 31, 2018

18 NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

Amounts in notes forming part of the financial statements for the year ended March 31, 2018 are denominated in ₹ crore to conform with the extant RBI guidelines.

18.1 IDFC Bank Limited ("the Bank") was incorporated on October 21, 2014 as a Company under the Companies Act, 2013. Further, the Bank commenced its banking operations on October 1, 2015 after receiving universal banking license from the Reserve Bank of India ('the RBI') on July 23, 2015.

During the year ended March 31, 2018, the Board of Directors of the Bank approved a merger of Capital First Limited and its wholly owned subsidiaries, Capital First Home Finance Limited & Capital First Securities Limited with the Bank in an all-stock transaction through a Composite Scheme of Arrangement. The Scheme is subject to the approval of the Reserve Bank of India (RBI), the Competition Commission of India (CCI), the Securities and Exchange Board of India (SEBI) / Stock Exchanges, the respective Shareholders and Creditors of each entities and the National Company Law Tribunal (NCLT). The appointed date for the transaction is proposed to be April 1, 2018 or mutually agreed date and the effective date shall be based on the receipt of the aforesaid approvals. The proposed transaction however does not have any impact on the current financial results or the financial position of the Bank as at March 31, 2018.

During the year ended March 31, 2017, the Bank acquired 100% equity share capital of IDFC Bharat Limited (formerly known as Grama Vidiyal Microfinance Limited), a non banking finance company - microfinance institution (NBFC-MFI). On receipt of final approval from RBI and satisfaction of all the conditions (including surrender of the NBFC-MFI registration on October 18, 2016), IDFC Bharat Limited became a wholly owned subsidiary of the Bank with effect from October 13, 2016. The Bank acquired 55,79,996 equity shares of IDFC Bharat Limited for a total consideration of ₹ 310.52 crore.

18.2 CAPITAL ADEQUACY

The capital adequacy ratio of the Bank, calculated as per the RBI guidelines (under Basel III) is set out below :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Tier I capital	14,948.76	14,673.79
of which common equity tier I capital	14,948.76	14,673.79
Tier II capital	271.69	281.83
TOTAL CAPITAL	15,220.45	14,955.62
TOTAL RISK WEIGHTED ASSETS	84,581.50	79,144.08
Common equity Tier I capital ratio (%)	17.68%	18.54%
Tier I capital ratio (%)	17.68%	18.54%
Tier II capital ratio (%)	0.32%	0.36%
TOTAL CAPITAL RATIO (CRAR) (%) *	18.00%	18.90%
Percentage of the shareholding of the Government of India	7.68%	7.69%
Amount of equity capital raised	-	-
Amount of additional Tier I capital raised; of which		
Perpetual non cumulative preference shares	-	-
Perpetual debt instruments	-	-
Amount of Tier II capital raised; of which		
Debt capital instrument	-	-
Preference share capital instruments	-	-

In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance sheet date', dividend for FY 2016-17 including dividend distribution tax of ₹ 307.01 crore was appropriated in FY 2017-18.

* Capital adequacy ratio after considering the effect of dividend for FY 2016-17 is 18.51% as on March 31, 2017. Capital adequacy ratio for FY 2017-18 is after considering the impact of proposed dividend of ₹ 307.78 crore.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED MARCH 31, 2018

18.3 BUSINESS RATIOS / INFORMATION

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
Interest income as a percentage to working funds \$	7.24%	7.77%
Non-interest income as a percentage to working funds \$	0.91%	0.92%
Operating profit as a percentage to working funds \$ &	1.02%	1.60%
Return on assets @	0.72%	1.04%
Business per employee # ^ (₹ in crore)	18.94	21.32
Profit per employee ^ (₹ in crore)	0.18	0.32

\$ Working funds represents average of total assets as reported to the RBI in Form X under Section 27 of the Banking Regulation Act, 1949.

@ Return on assets is based on the simple average of opening and closing total assets.

Business is the total of average net advances and average deposits (net of inter-bank deposits). The average advances and the average deposits represents the simple average of the opening and closing figures.

^ Productivity ratios are based on monthly average of employee numbers, which excludes contract staff, intern etc.

& Operating profit is profit before provisions and contingencies.

18.4 INVESTMENTS

I VALUE OF INVESTMENTS :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
I GROSS VALUE OF INVESTMENTS		
(a) In India	62,639.32	52,005.09
(b) Outside India	-	-
II PROVISIONS FOR DEPRECIATION		
(a) In India	(1,437.79)	(1,533.39)
(b) Outside India	-	-
III NET VALUE OF INVESTMENTS		
(a) In India	61,201.53	50,471.70
(b) Outside India	-	-

II MOVEMENT OF PROVISIONS HELD TOWARDS DEPRECIATION ON INVESTMENTS (INCLUDING PROVISION TOWARDS NON-PERFORMING INVESTMENTS)

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Opening balance	1,533.39	1,194.74
Add: Transfer due to conversion of loans into investments	-	97.65
Add: Excess provision on sale of loans to Asset Reconstruction Company (ARC)	-	196.08
Add: Provisions made during the year	113.86	245.09
Less: Utilisation of provisions for conversion of Bonds into Equity	-	(111.95)
Less: Write-back of excess provisions during the year	(209.46)	(88.22)
CLOSING BALANCE	1,437.79	1,533.39

18.5 The Bank has not spread provisioning for mark to market (MTM) losses on investment held in AFS and HFT category for the quarters ended December 31, 2017 and March 31, 2018, though allowed by RBI vide circular DBR.No.BP.BC.102/21.04.048/2017-18 dated April 2, 2018 with a view to address the systemic impact of sharp increase in yields of Government Securities.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED MARCH 31, 2018

18.6 REPO TRANSACTIONS

Following are the details of securities sold and purchased under repo / reverse repo transactions (in face value terms) respectively including transactions under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) done during the years ended March 31, 2018 and March 31, 2017 :

YEAR ENDED MARCH 31, 2018				(₹ IN CRORE)
PARTICULARS	MINIMUM OUTSTANDING DURING THE YEAR	MAXIMUM OUTSTANDING DURING THE YEAR	DAILY AVERAGE OUTSTANDING DURING THE YEAR	OUTSTANDING AS ON MARCH 31, 2018
SECURITIES SOLD UNDER REPO				
i Government securities	3,034.88	19,770.66	12,896.06	19,770.66
ii Corporate debt securities	-	-	-	-
SECURITIES PURCHASED UNDER REVERSE REPO				
i Government securities	20.00	2,317.71	1,152.56	194.95
ii Corporate debt securities	-	-	-	-

YEAR ENDED MARCH 31, 2017				(₹ IN CRORE)
PARTICULARS	MINIMUM OUTSTANDING DURING THE YEAR	MAXIMUM OUTSTANDING DURING THE YEAR	DAILY AVERAGE OUTSTANDING DURING THE YEAR	OUTSTANDING AS ON MARCH 31, 2017
SECURITIES SOLD UNDER REPO				
i Government securities	3,237.44	25,525.87	15,346.69	7,310.30
ii Corporate debt securities	-	-	-	-
SECURITIES PURCHASED UNDER REVERSE REPO				
i Government securities	415.00	4,868.65	2,176.95	1,731.42
ii Corporate debt securities	-	-	-	-

18.7 NON-SLR INVESTMENT PORTFOLIO

I ISSUER COMPOSITION OF NON SLR INVESTMENTS AS AT MARCH 31, 2018 * :

(₹ IN CRORE)						
SR. NO.	ISSUER	TOTAL AMOUNT	EXTENT OF PRIVATE PLACEMENT	EXTENT OF "BELOW INVESTMENT GRADE" SECURITIES	EXTENT OF "UNRATED" SECURITIES	EXTENT OF "UNLISTED" SECURITIES
(1)	(2)	(3)	(4)	(5)	(6)	(7)
i	Public sector undertakings	1,177.89	222.44	-	-	93.29
ii	Financial institutions	6,648.85	4,044.60	-	-	845.15
iii	Banks	751.81	503.07	-	-	276.09
iv	Private corporates	6,050.45	5,965.87	-	-	1,393.52
v	Subsidiaries / joint ventures	299.36	299.36	-	-	299.36
vi	Others	8,887.76	8,887.76	-	-	8,887.76
vii	Provision held towards depreciation	(1,413.15)				
TOTAL		22,402.97	19,923.10	-	-	11,795.17

Amounts reported under columns (4), (5), (6) and (7) above are not mutually exclusive.

* excludes investment in non SLR government securities of ₹ 21,389.63 crore .

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED MARCH 31, 2018

Issuer composition of non SLR investments as at March 31, 2017^{*} :

SR. NO.	ISSUER	TOTAL AMOUNT	EXTENT OF PRIVATE PLACEMENT	EXTENT OF "BELOW INVESTMENT GRADE" SECURITIES	(₹ IN CRORE)	
					EXTENT OF "UNRATED" SECURITIES	EXTENT OF "UNLISTED" SECURITIES
(1)	(2)	(3)	(4)	(5)	(6)	(7)
i	Public sector undertakings	2,332.83	222.30	-	-	1,259.26
ii	Financial institutions	5,146.14	2,921.92	-	-	465.76
iii	Banks	1,002.88	1,002.88	-	-	-
iv	Private corporates	6,560.68	6,501.15	-	-	1,958.08
v	Subsidiaries / joint ventures	310.52	310.52	-	-	310.52
vi	Others	11,796.15	11,796.15	-	-	11,796.15
vii	Provision held towards depreciation	(1,533.15)				
TOTAL		25,616.05	22,754.92	-	-	15,789.77

Amounts reported under columns (4), (5), (6) and (7) above are not mutually exclusive.

\$ excludes investment in non SLR government securities of ₹ 7,096.08 crore.

II NON PERFORMING NON-SLR INVESTMENTS :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Opening balance of Non performing Non-SLR investments	296.77	412.09
Additions during the year	560.49	-
Reductions during the year	(191.78)	(115.32)
Closing balance of Non performing Non-SLR investments	665.48	296.77
Total provisions held	639.12	296.77

- 18.8** During the year ended March 31, 2018, the value of sales / transfers of securities to / from HTM category (excluding one-time transfer of securities permitted to be undertaken by banks at the beginning of the accounting year and with approval of the Board of Directors and sales to the RBI under open market operation auctions) exceeded 5% of the book value of investments held in HTM category at the beginning of the year.

During the year ended March 31, 2017, the value of sales / transfers of securities to / from HTM category (excluding one-time transfer of securities permitted to be undertaken by banks at the beginning of the accounting year and with approval of the Board of Directors and sales to the RBI under open market operation auctions) did not exceed 5% of the book value of investments held in HTM category at the beginning of the year.

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Market value of investments held in HTM category	15,199.97	-
Excess of book value over market value for which provision is not made	247.59	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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18.9 FORWARD RATE AGREEMENT / INTEREST RATE SWAP (IRS)

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
i The notional principal of swap agreements	97,645.22	71,872.80
ii Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	580.10	458.29
iii Collateral required by the bank upon entering into swaps	-	-
iv Concentration of credit risk arising from the swaps *	67.27%	69.10%
v The fair value of the swap book	96.82	126.57

* Concentration of credit risk basis CEM arising from swaps is with banks as at March 31, 2018 and March 31, 2017.

The nature and terms of the IRS as on March 31, 2018 are set out below :

NATURE	NO. OF DEALS	NOTIONAL PRINCIPAL	BENCHMARK	(₹ IN CRORE)	
				TERMS	
Trading	120	29,332.89	USD LIBOR	Trading Positions	
Trading	72	3,497.25	INRMIFOR	Trading Positions	
Trading	1,124	64,815.08	INROIS/MIOIS	Trading Positions	
TOTAL	1,316	97,645.22			

The nature and terms of the IRS as on March 31, 2017 are set out below :

NATURE	NO. OF DEALS	NOTIONAL PRINCIPAL	BENCHMARK	(₹ IN CRORE)	
				TERMS	
Hedging	81	3,321.00	INROIS	Receive Fixed/Pay Float	
Hedging	14	1,050.00	INRMIOIS	Receive Fixed/Pay Float	
Trading	52	9,114.26	USD LIBOR	Trading Positions	
Trading	49	2,122.25	INRMIFOR	Trading Positions	
Trading	594	56,265.29	INROIS	Trading Positions	
TOTAL	790	71,872.80			

18.10 EXCHANGE TRADED INTEREST RATE DERIVATIVES

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
i Notional principal amount of exchange traded interest rate derivatives undertaken during the year	5,194.89	4,274.76
7.72% GOI 2025	-	25.09
6.97% GOI 2026	3,470.61	1,929.26
7.59% GOI 2026	404.58	2,309.61
7.88% GOI 2030	-	10.80
6.79% GOI 2027	1,229.27	-
6.79% GOI 2029	90.43	-
ii Notional principal amount of exchange traded interest rate derivatives outstanding as on March 31,	-	486.06
6.97% GOI 2026	-	454.79
7.59% GOI 2026	-	31.27
iii Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective"	-	486.06
iv Mark to market value of exchange traded interest rate derivatives outstanding and not "highly effective"	-	(1.91)

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AS AT AND FOR THE YEAR ENDED MARCH 31, 2018

18.11 DISCLOSURES ON RISK EXPOSURE IN DERIVATIVES

QUALITATIVE DISCLOSURES :

- a. **Structure and organisation for management of risk in derivatives trading, the scope and nature of risk measurement, risk reporting and risk monitoring systems, policies for hedging and / or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants :**
- i The Bank undertakes transactions in FX and derivatives for the purpose of hedging the Balance Sheet, support customer FX and Derivatives hedging / business requirements and takes proprietary positions. Bank deals in various kinds of products viz. FX spot and forwards, INR and CCY Swaps and Foreign currency options. The Bank undertakes trading positions FX Spot, Forward, Swaps and Futures. The Bank does not run Option book as of now. All the Option products are offered to the clients on a back to back basis.
 - ii Treasury Sale Desk is a customer centric desk that caters to customers' requirements in FX and Derivatives products subject to regulatory and internal requirements. Product offering to the clients is based on Suitability and Appropriateness policy of the Bank as well as by the extant RBI guidelines. The policy ensures that the product being offered by the Bank are in sync with the nature of the underlying risk sought to be hedged giving due regard to the risk appetite of the customer and understanding of the risk by the customer. Market Risk exposures of clients arising out of FX and Derivative transactions are monitored by the Bank on a daily basis through current exposure method. Exposures are independently monitored and reported.
 - iii The Bank recognises all derivative contracts (other than those designated as hedges) at fair value. The mark to market movement on the positions is monitored on a daily basis. Changes in the fair value of derivatives other than those designated as hedges are recognised in the Profit and Loss Account. Hedge transactions are accounted for on an accrual basis. Hedging transactions are undertaken by the Bank to protect the variability in the fair value or the cash flow of the underlying Balance Sheet item.
 - iv All the derivative transactions are governed by the FX & Derivative policy, Market Risk Management policy and Limit Management Framework of the Bank. Limit Management Framework details various types of market risk limits which are monitored on a daily basis and breaches, if any, are reported promptly. Risk assessment of the portfolio is undertaken periodically and presented to the Market Risk Committee / Asset Liability Committee. These limits are set up taking into account market volatility, risk appetite, business strategy and management experience. The Bank has a clear functional segregation of Treasury operations between Front Office, Market Risk and Back Office.
- b. **Accounting policy for recording hedge and non-hedge transactions; recognition of income, premiums and discounts; valuation of outstanding contracts; provisioning, collateral and credit risk mitigation :**
- For hedge transactions, the Bank identifies the hedged item (asset or liability) and assesses the effectiveness at inception as well as at each reporting date. Funding swaps are accounted in accordance with FEDAI guidelines.
- Interest rate swaps are booked with the objective of managing the interest rate risk on liabilities. Interest rate swaps in the nature of hedge are recorded on accrual basis and these transactions are not marked to market. Any resultant profit or loss on termination of the hedge swaps is amortised over the life of the swap or underlying liability, whichever is shorter.
- Currency interest rate swaps in the nature of hedge, booked with the objective of managing the currency and interest rate risk on foreign currency liabilities are recorded on accrual basis and these transactions are not marked to market. Any resultant profit or loss on termination of hedge swaps is amortised over the life of swap or underlying liability, whichever is shorter. The foreign currency balances on account of principal of currency interest rate swaps outstanding as at the balance sheet date are revalued using the closing rate.

QUANTITATIVE DISCLOSURE ON RISK EXPOSURE IN DERIVATIVES :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	
	CURRENCY DERIVATIVES	INTEREST RATE DERIVATIVES
1 DERIVATIVES (NOTIONAL PRINCIPAL AMOUNT)		
a. For hedging	8,994.99	-
b. For trading	80,787.95	97,645.22
2 MARKED TO MARKET POSITIONS \$		
a. Asset (+)	700.53	580.10
b. Liability (-)	(606.68)	(483.28)
3 CREDIT EXPOSURE	2,693.41	1,186.17

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AS AT AND FOR THE YEAR ENDED MARCH 31, 2018

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	
	CURRENCY DERIVATIVES	INTEREST RATE DERIVATIVES
4 LIKELY IMPACT OF ONE PERCENTAGE CHANGE IN INTEREST RATE (100*PV01)		
a. On hedging derivatives	0.54	-
b. On trading derivatives	4.87	406.37
5 MAXIMUM AND MINIMUM OF 100*PV01 OBSERVED DURING THE YEAR		
a. On hedging		
- minimum	0.50	-
- maximum	0.80	107.37
b. On trading		
- minimum	3.69	136.18
- maximum	31.37	406.37

§ includes present value of future receivables on cancelled forward contracts.

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2017	
	CURRENCY DERIVATIVES	INTEREST RATE DERIVATIVES
1 DERIVATIVES (NOTIONAL PRINCIPAL AMOUNT)		
a. For hedging	1,903.19	4,371.00
b. For trading	110,257.65	67,987.86
2 MARKED TO MARKET POSITIONS		
a. Asset (+)	2,510.56	458.29
b. Liability (-)	(2,470.93)	(333.62)
3 CREDIT EXPOSURE	3,061.87	943.41
4 LIKELY IMPACT OF ONE PERCENTAGE CHANGE IN INTEREST RATE (100*PV01)		
a. On hedging derivatives	0.78	111.03
b. On trading derivatives	35.05	176.61
5 MAXIMUM AND MINIMUM OF 100*PV01 OBSERVED DURING THE YEAR		
a. On hedging		
- minimum	0.78	105.06
- maximum	10.81	148.11
b. On trading		
- minimum	0.19	35.30
- maximum	51.53	176.61

- i The notional principal amount of derivatives reflect the volume of transactions outstanding as at the balance sheet date and do not represent the amounts at risk.
- ii The Bank has computed the maximum and minimum of PV01 for the year based on daily average.
- iii In respect of derivative contracts, the Bank evaluates the credit exposure arising therefrom, in line with RBI guidelines. Credit exposure has been computed using the Current Exposure Method (CEM) which is the sum of :
 - a. the current replacement cost (marked to market value including accrued interest) of the contract or zero whichever is higher; and
 - b. the Potential Future Exposure (PFE) is a product of the notional principal amount of the contract and a factor that is based on the grid of credit conversion factors prescribed in RBI guidelines, which is applied on the basis of the residual maturity and the type of contract.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED MARCH 31, 2018

18.12 ASSET QUALITY

A	PARTICULARS	(₹ IN CRORE)	
		AS AT MARCH 31, 2018	AS AT MARCH 31, 2017
I	NET NPAs TO NET ADVANCES (%)	1.69%	1.14%
II	MOVEMENT OF GROSS NPAs :		
a.	Opening balance	1,542.10	3,058.30
b.	Additions during the year	1,251.58	980.68
c.	Reductions during the year :		
-	Upgradation	(0.25)	-
-	Recoveries (excluding recoveries made from upgraded accounts)	(16.55)	(96.09)
-	Write-offs including technical / prudential write-offs	(997.83)	(0.01)
-	Sale to ARC	-	(2,400.78)
d.	Closing balance	1,779.05	1,542.10
III	MOVEMENT OF NET NPAs :		
a.	Opening balance	576.47	1,139.04
b.	Additions during the year	321.82	536.06
c.	Reductions during the year	(7.13)	(1,098.63)
d.	Closing balance	891.16	576.47
IV	MOVEMENT OF PROVISIONS FOR NPAs (EXCLUDING PROVISIONS ON STANDARD ASSETS) :		
a.	Opening balance	965.63	1,919.26
b.	Additions during the year :		
	Additions	427.88	249.10
	Transfer on downgrade of restructured advances	229.79	24.45
	Transfer on downgrade of identified advances	272.09	282.00
c.	Reductions during the year :		
	Utilization / (write-back) of provision on sale to ARC	-	(1,474.86)
	Write-offs including technical / prudential write-offs	(997.83)	-
	Write-back on recovery / upgradation	(9.67)	(34.32)
d.	Closing balance	887.89	965.63

B DIVERGENCE IN ASSET CLASSIFICATION AND PROVISIONING FOR NPAs :

In terms of the RBI circular no. DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017, banks are required to disclose the divergences in asset classification and provisioning consequent to RBI's annual supervisory process in the notes to accounts. The following table sets forth, details of divergence in the asset classification and provisioning as per RBI's supervisory process for the year ended March 31, 2017.

PARTICULARS	(₹ IN CRORE)	
	AS AT MARCH 31, 2017	
1	Gross NPAs as on March 31, 2017 as reported by the bank	1,542.10
2	Gross NPAs as on March 31, 2017 as assessed by RBI	1,812.80
3	Divergence in Gross NPAs (2-1)	270.70
4	Net NPAs as on March 31, 2017 as reported by the bank	576.47
5	Net NPAs as on March 31, 2017 as assessed by RBI	779.49
6	Divergence in Net NPAs (5-4)	203.02
7	Provisions for NPAs as on March 31, 2017 as reported by the bank *	1,082.13
8	Provisions for NPAs as on March 31, 2017 as assessed by RBI	1,033.30
9	Divergence in provisioning (8-7)	-
10	Reported Net Profit after Tax (PAT) for the year ended March 31, 2017	1,019.74
11	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31, 2017 after taking into account the divergence in provisioning	1,019.74

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* Provision for NPAs as reported by the Bank is adjusted to include a specific provision of ₹ 116.50 crore as on March 31, 2017 held against a particular asset identified by RBI for divergence in the current financial year. The said provision was made in earlier years in line with the Bank's provisioning policy and was in excess of the provision assessed by RBI. Accordingly, there is no divergence in provisioning and no impact on Profit After Tax for the year ended March 31, 2017 due to divergence.

C DISCLOSURES ON FLEXIBLE STRUCTURING OF EXISTING LOANS

YEAR ENDED	NO. OF BORROWERS TAKEN UP FOR FLEXIBLY STRUCTURING	(₹ IN CRORE)			
		AMOUNT OF LOANS TAKEN UP FOR FLEXIBLE STRUCTURING		EXPOSURE WEIGHTED AVERAGE DURATION OF LOANS TAKEN UP FOR FLEXIBLE STRUCTURING	
		CLASSIFIED AS STANDARD	CLASSIFIED AS NPA	BEFORE APPLYING FLEXIBLE STRUCTURING	AFTER APPLYING FLEXIBLE STRUCTURING
March 31, 2018	-	-	-	-	-
March 31, 2017	2	1,071.39	-	4 years	13 years

D DISCLOSURES ON STRATEGIC DEBT RESTRUCTURING SCHEME (ACCOUNTS WHICH ARE CURRENTLY UNDER THE STAND-STILL PERIOD)

YEAR ENDED MARCH 31, 2018					(₹ IN CRORE)	
NO. OF ACCOUNTS WHERE SDR HAS BEEN INVOKED	AMOUNT OUTSTANDING AS ON THE REPORTING DATE		AMOUNT OUTSTANDING AS ON THE REPORTING DATE WITH RESPECT TO ACCOUNTS WHERE CONVERSION OF DEBT TO EQUITY IS PENDING		AMOUNT OUTSTANDING AS ON THE REPORTING DATE WITH RESPECT TO ACCOUNTS WHERE CONVERSION OF DEBT TO EQUITY HAS TAKEN PLACE	
	CLASSIFIED AS STANDARD	CLASSIFIED AS NPA	CLASSIFIED AS STANDARD	CLASSIFIED AS NPA	CLASSIFIED AS STANDARD	CLASSIFIED AS NPA
-	-	-	-	-	-	-
YEAR ENDED MARCH 31, 2017					(₹ IN CRORE)	
NO. OF ACCOUNTS WHERE SDR HAS BEEN INVOKED	AMOUNT OUTSTANDING AS ON THE REPORTING DATE		AMOUNT OUTSTANDING AS ON THE REPORTING DATE WITH RESPECT TO ACCOUNTS WHERE CONVERSION OF DEBT TO EQUITY IS PENDING		AMOUNT OUTSTANDING AS ON THE REPORTING DATE WITH RESPECT TO ACCOUNTS WHERE CONVERSION OF DEBT TO EQUITY HAS TAKEN PLACE	
	CLASSIFIED AS STANDARD	CLASSIFIED AS NPA	CLASSIFIED AS STANDARD	CLASSIFIED AS NPA	CLASSIFIED AS STANDARD	CLASSIFIED AS NPA
2	1,055.85	-	-	-	1,055.85	-

As on March 31, 2018, investments classified under AFS category include equity shares aggregating to ₹ 307.39 crore (Previous Year ₹ 327.12 crore) acquired by the Bank under the Strategic Debt Restructuring Scheme, 2015 ('Scheme') framed by the Reserve Bank of India. The Bank has made full provision against unlisted shares.

E DISCLOSURES ON CHANGE IN OWNERSHIP OUTSIDE SDR SCHEME (ACCOUNTS WHICH ARE CURRENTLY UNDER THE STAND-STILL PERIOD)

YEAR ENDED MARCH 31, 2018							(₹ IN CRORE)	
NO. OF ACCOUNTS WHERE BANKS HAVE DECIDED TO EFFECT CHANGE IN OWNERSHIP	AMOUNT OUTSTANDING AS ON THE REPORTING DATE		AMOUNT OUTSTANDING AS ON THE REPORTING DATE WITH RESPECT TO ACCOUNTS WHERE CONVERSION OF DEBT TO EQUITY / INVOCATION OF PLEDGE OF EQUITY SHARES IS PENDING		AMOUNT OUTSTANDING AS ON THE REPORTING DATE WITH RESPECT TO ACCOUNTS WHERE CONVERSION OF DEBT TO EQUITY / INVOCATION OF PLEDGE OF EQUITY SHARES HAS TAKEN PLACE		AMOUNT OUTSTANDING AS ON THE REPORTING DATE WITH RESPECT TO ACCOUNTS WHERE CHANGE IN OWNERSHIP IS ENVISAGED BY ISSUANCE OF FRESH SHARES OR SALE OF PROMOTERS EQUITY	
	CLASSIFIED AS STANDARD	CLASSIFIED AS NPA	CLASSIFIED AS STANDARD	CLASSIFIED AS NPA	CLASSIFIED AS STANDARD	CLASSIFIED AS NPA	CLASSIFIED AS STANDARD	CLASSIFIED AS NPA
-	-	-	-	-	-	-	-	-
YEAR ENDED MARCH 31, 2017							(₹ IN CRORE)	
NO. OF ACCOUNTS WHERE BANKS HAVE DECIDED TO EFFECT CHANGE IN OWNERSHIP	AMOUNT OUTSTANDING AS ON THE REPORTING DATE		AMOUNT OUTSTANDING AS ON THE REPORTING DATE WITH RESPECT TO ACCOUNTS WHERE CONVERSION OF DEBT TO EQUITY / INVOCATION OF PLEDGE OF EQUITY SHARES IS PENDING		AMOUNT OUTSTANDING AS ON THE REPORTING DATE WITH RESPECT TO ACCOUNTS WHERE CONVERSION OF DEBT TO EQUITY / INVOCATION OF PLEDGE OF EQUITY SHARES HAS TAKEN PLACE		AMOUNT OUTSTANDING AS ON THE REPORTING DATE WITH RESPECT TO ACCOUNTS WHERE CHANGE IN OWNERSHIP IS ENVISAGED BY ISSUANCE OF FRESH SHARES OR SALE OF PROMOTERS EQUITY	
	CLASSIFIED AS STANDARD	CLASSIFIED AS NPA	CLASSIFIED AS STANDARD	CLASSIFIED AS NPA	CLASSIFIED AS STANDARD	CLASSIFIED AS NPA	CLASSIFIED AS STANDARD	CLASSIFIED AS NPA
-	-	-	-	-	-	-	-	-

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F DISCLOSURES ON CHANGE IN OWNERSHIP OF PROJECTS UNDER IMPLEMENTATION (ACCOUNTS WHICH ARE CURRENTLY UNDER THE STAND-STILL PERIOD)

YEAR ENDED MARCH 31, 2018 (₹ IN CRORE)			
NO. OF PROJECT LOAN ACCOUNTS WHERE BANKS HAVE DECIDED TO EFFECT CHANGE IN OWNERSHIP	AMOUNT OUTSTANDING AS ON THE REPORTING DATE		
	CLASSIFIED AS STANDARD	CLASSIFIED AS STANDARD RESTRUCTURED	CLASSIFIED AS NPA
1	-	487.46	-
YEAR ENDED MARCH 31, 2017 (₹ IN CRORE)			
NO. OF PROJECT LOAN ACCOUNTS WHERE BANKS HAVE DECIDED TO EFFECT CHANGE IN OWNERSHIP	AMOUNT OUTSTANDING AS ON THE REPORTING DATE		
	CLASSIFIED AS STANDARD	CLASSIFIED AS STANDARD RESTRUCTURED	CLASSIFIED AS NPA
-	-	-	-

G DISCLOSURES ON THE SCHEME FOR SUSTAINABLE STRUCTURING OF STRESSED ASSETS (S4A)

YEAR ENDED MARCH 31, 2018 (₹ IN CRORE)				
NO. OF ACCOUNTS WHERE S4A HAS BEEN APPLIED	AGGREGATE AMOUNT OUTSTANDING	AMOUNT OUTSTANDING		PROVISION HELD
		IN PART A	IN PART B	
Classified as Standard	-	-	-	-
Classified as NPA	-	-	-	-
YEAR ENDED MARCH 31, 2017 (₹ IN CRORE)				
NO. OF ACCOUNTS WHERE S4A HAS BEEN APPLIED	AGGREGATE AMOUNT OUTSTANDING	AMOUNT OUTSTANDING		PROVISION HELD
		IN PART A	IN PART B	
Classified as Standard	-	-	-	-
Classified as NPA	-	-	-	-

The RBI vide its circular RBI/2017-18/131 DBR.No.BP.BC.101/21.04.048/2017-18 dated February 12, 2018 has revised 'Framework for Resolution of Stressed Assets' and extant instructions on resolution of stressed assets such as Framework for Revitalising Distressed Assets, Corporate Debt Restructuring Scheme, Flexible Structuring of Existing Long-Term Project Loans, Strategic Debt Restructuring Scheme (SDR), Change in Ownership outside SDR, and Scheme for Sustainable Structuring of Stressed Assets (S4A) stand withdrawn with immediate effect from February 12, 2018. All accounts, including such accounts where any of the schemes have been invoked but not yet implemented, shall be governed by the revised framework.

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18.13 PARTICULARS OF ACCOUNTS RESTRUCTURED
Details of loans subjected to restructuring during the year ended March 31, 2018 are given below:

SR. TYPE OF RESTRUCTURING NO. ASSET CLASSIFICATION		UNDER CDR MECHANISM				UNDER SME DEBT RESTRUCTURING MECHANISM				OTHERS				TOTAL				₹ in crore	
		STANDARD	SUB-STANDARD	DOUBTFUL	LOSS	TOTAL	STANDARD	SUB-STANDARD	DOUBTFUL	LOSS	TOTAL	STANDARD	SUB-STANDARD	DOUBTFUL	LOSS	TOTAL			
1	Restructured accounts as on April 1, 2017 (opening figures)	No. of borrowers	-	-	-	-	-	-	-	6	-	13	7	-	6	-	13	2,230.15	
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	1,134.54	-	2,230.15	1,095.61	-	1,134.54	-		
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	36.54	36.54	-	-	-		36.54
		Provision there on	-	-	-	-	-	-	-	-	-	-	406.49	406.49	-	809.29	-		1,215.78
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
		Provision there on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
3	Upgradations to restructured standard category during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
		Provision there on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
4	Increase / (decrease) in borrower level outstanding of existing restructured cases during the year ended March 31, 2018	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	35.55	
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	40.29	40.29	-	(4.74)	-		(4.74)
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	(1.71)	(1.71)	-	-	-		(1.71)
		Provision there on	-	-	-	-	-	-	-	-	-	-	17.35	17.35	-	313.28	-		330.63
5	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the next year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
		Provision there on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
6	Downgradations of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	-	-	1	-	(1)	-	-	-	(1)	1	
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	419.04	39.00	-	(458.04)	-	419.04	39.00	-	
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		Provision there on	-	-	-	-	-	-	-	-	190.79	39.00	-	(229.79)	-	190.79	39.00	-	
7	Write-offs / recoveries of restructured accounts during the year *	No. of borrowers	-	-	-	-	-	-	-	(3)	(1)	(4)	-	-	(3)	(1)	(4)	(897.71)	
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	(858.71)	(39.00)	-	-	-	(858.71)	(39.00)		
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
		Provision there on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
8	Restructured Accounts as on March 31, 2018 (closing figures)	No. of borrowers	-	-	-	-	-	-	-	5 ^s	11 ^s	6	6	-	5 ^s	-	11 ^s	1,367.99	
		Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	690.13	-	1,367.99	677.86	-	690.13	-		
		Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	34.83	34.83	-	-	-		34.83
		Provision there on	-	-	-	-	-	-	-	-	454.64	-	648.68	194.04	-	454.64	-		648.68

* including technical write offs of four restructured accounts of which two accounts were partially written off
\$ No. of borrowers is not tallying arithmetically due to partial technical write offs.

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18.13 PARTICULARS OF ACCOUNTS RESTRUCTURED

Details of loans subjected to restructuring during the year ended March 31, 2017 are given below:

SR. NO.	TYPE OF RESTRUCTURING ASSET CLASSIFICATION	UNDER CDR MECHANISM				UNDER SME DEBT RESTRUCTURING MECHANISM				OTHERS				TOTAL				₹ IN CRORE
		STANDARD	SUB-STANDARD	DOUBTFUL	LOSS	TOTAL	STANDARD	SUB-STANDARD	DOUBTFUL	LOSS	TOTAL	STANDARD	SUB-STANDARD	DOUBTFUL	LOSS	TOTAL		
1	Restructured accounts as on April 1, 2016 (opening figures)	-	-	-	-	-	-	-	-	-	-	14	7	1	22	1	-	22
	Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	2,533.00	2,425.91	39.00	4,997.91	2,533.00	2,425.91	4,997.91
	Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	37.87	-	-	37.87	37.87	-	37.87
	Provision there on	-	-	-	-	-	-	-	-	-	-	1105.02	1,549.50	39.00	2,693.52	1105.02	1,549.50	2,693.52
2	Fresh restructuring during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Upgradations to restructured standard category during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Increase / (decrease) in borrower level outstanding of existing restructured cases during the year ended March 31, 2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	(209.45)	(18.24)	-	(227.69)	(209.45)	(18.24)	-
	Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	(133)	-	-	(133)	(133)	-	(133)
	Provision there on	-	-	-	-	-	-	-	-	-	-	(741.9)	110.93	-	(63.26)	(741.9)	110.93	-
5	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the next year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Downgradations of restructured accounts during the year	-	-	-	-	-	-	-	-	-	-	(2)	(3)	5	-	(2)	(3)	5
	Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	(98.22)	(97.32)	1095.54	-	(98.22)	(97.32)	1095.54
	Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there on	-	-	-	-	-	-	-	-	-	-	(44.46)	(725.83)	770.29	-	(44.46)	(725.83)	770.29
7	Write-offs / recoveries of restructured accounts during the year	-	-	-	-	-	-	-	-	-	-	(5)	(4)	-	(9)	(5)	(4)	-
	Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	(129.77)	(1,410.35)	-	(2,540.06)	(129.77)	(1,410.35)	-
	Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there on	-	-	-	-	-	-	-	-	-	-	(479.89)	(934.60)	-	(1,414.49)	(479.89)	(934.60)	-
8	Restructured Accounts as on March 31, 2017 (closing figures)	-	-	-	-	-	-	-	-	-	-	7	6	13	7	-	6	13
	Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	1,095.62	-	1,134.54	2,230.16	1,095.62	-	1,134.54
	Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	36.54	-	-	36.54	36.54	-	36.54
	Provision there on	-	-	-	-	-	-	-	-	-	-	406.49	-	809.29	1,215.78	406.49	-	809.29

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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18.14 SPECIFIC PROVISION

Legacy advances in infrastructure sector transferred to the Bank on demerger of financing undertaking from IDFC Limited ('identified advances') carries provisions made on a prudent basis based on assessment of risk relating to possible slippages, extant environment, specific information or pattern of servicing.

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Opening balance	1,000.50	1,267.45
Addition during the year	70.23	72.75
Reduction during the year	(178.75)	-
Reduction on account of sale to ARC	-	(50.70)
Transfer due to conversion of loans into investments	-	(7.00)
Transfer to provisions on NPA	(272.09)	(282.00)
Closing balance	619.89	1,000.50

18.15 MOVEMENT IN TECHNICAL / PRUDENTIAL WRITTEN-OFF ACCOUNTS

Technical or prudential write-offs refers to the amount of non-performing assets which are outstanding in the books of the branches, but have been written-off (fully or partially) at the head office level. Movement in the stock of technically or prudentially written-off accounts are given below :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Opening balance of technical / prudential written-off accounts	0.01	-
Add : Technical / prudential write-offs during the year	997.60	0.01
Less : Recoveries made from previously technical / prudential written-off accounts during the year	(0.05)	-
Closing balance of technical / prudential write-off	997.56	0.01

18.16 PROVISIONING PERTAINING TO FRAUD ACCOUNTS

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Number of frauds reported	29	7
Amounts involved	0.07	0.40
Provisions held at the beginning of the year	0.05	-
Provisions made during the year	0.07	0.06
Release in provision	(0.11)	(0.01)
Provisions held at the end of the year	0.01	0.05
Unamortised provision debited from 'other reserves' as at the end of the year	-	-

18.17 SECURITISATION AND DIRECT ASSIGNMENT

a Details of Financial Assets sold to Securitisation / Reconstruction Company for Asset Reconstruction

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
No. of accounts	-	14
Aggregate value (net of provisions) of accounts sold to SC / RC	-	2,070.45
Aggregate consideration	-	2,250.00
Additional consideration realized in respect of accounts transferred in earlier years	-	-
Aggregate gain / (loss) over net book value	-	179.55
Excess provision reversed to Profit and Loss Account in case of sale of NPAs	-	1.00
Unamortised provision debited to 'other reserves'	-	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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Details of book value of investments in security receipts

YEAR ENDED MARCH 31, 2018		(₹ IN CRORE)		
PARTICULARS	SRs ISSUED WITHIN PAST 5 YEARS	SRs ISSUED MORE THAN 5 YEARS AGO BUT WITHIN PAST 8 YEARS	SRs ISSUED MORE THAN 8 YEARS AGO	
i Backed by NPAs sold by the bank as underlying	974.42	-	-	
Provision held against (i)	214.80	-	-	
ii Backed by NPAs sold by other banks / financial institutions / non banking financial companies as underlying	-	-	17.70	
Provision held against (ii)	-	-	17.70	
Total book value of investments in security receipts (i+ii)	974.42	-	17.70	
YEAR ENDED MARCH 31, 2017		(₹ IN CRORE)		
PARTICULARS	SRs ISSUED WITHIN PAST 5 YEARS	SRs ISSUED MORE THAN 5 YEARS AGO BUT WITHIN PAST 8 YEARS	SRs ISSUED MORE THAN 8 YEARS AGO	
i Backed by NPAs sold by the bank as underlying	1,036.80	-	-	
Provision held against (i)	214.80	-	-	
ii Backed by NPAs sold by other banks / financial institutions / non banking financial companies as underlying	-	-	21.10	
Provision held against (ii)	-	-	21.10	
Total book value of investments in security receipts (i+ii)	1,036.80	-	21.10	

b Disclosures relating to Securitisation

PARTICULARS		(₹ IN CRORE)	
		MARCH 31, 2018	MARCH 31, 2017
1	No. of SPVs sponsored by the bank for securitisation transactions	-	-
2	Total amount of securitised assets as per books of the SPVs sponsored by the bank	-	-
3	Total amount of exposures retained by the bank to comply with MRR as on the date of balance sheet		
a	Off-balance sheet exposures		
	First loss	-	-
	Others	-	-
b	On-balance sheet exposures		
	First loss	-	-
	Others	-	-
4	Amount of exposures to securitisation transactions other than MRR		
a	Off-balance sheet exposures		
	i. Exposure to own securitizations		
	First loss	-	-
	Others	-	-
	ii. Exposure to third party securitisations		
	First loss	-	-
	Others	450.00	250.00
b	On-balance sheet exposures		
	i. Exposure to own securitizations		
	First loss	-	-
	Others	-	-
	ii. Exposure to third party securitisations		
	First loss	-	-
	Others	-	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED MARCH 31, 2018

c Disclosures relating to loans sold through direct assignment

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
1 No. of SPVs sponsored by the bank for securitisation transactions	-	-
2 Total amount of assets sold through direct assignment during the year	-	-
3 Total amount of exposures retained by the bank to comply with MRR as on the date of balance sheet		
a Off-balance sheet exposures		
First loss	-	-
Others	-	-
b On-balance sheet exposures		
First loss	-	-
Others	-	-
4 Amount of exposures to securitisation transactions other than MRR		
a Off-balance sheet exposures		
i. Exposure to own securitizations		
First loss	-	-
Others	-	-
ii. Exposure to third party securitisations		
First loss	-	-
Others	-	-
b On-balance sheet exposures		
i. Exposure to own securitizations		
First loss	-	-
Others	-	-
ii. Exposure to third party securitisations		
First loss	-	-
Others	-	-

Note: During the year, loans of ₹ 2,112.01 crore (Previous year ₹ 1,023.43 crore) were sold as part of loan syndication.

18.18 DETAILS OF NON-PERFORMING FINANCIAL ASSETS PURCHASED / SOLD

During the year ended March 31, 2018 and March 31, 2017 there were no non-performing financial assets purchased / sold by the Bank from / to other banks / FIs / NBFCs (excluding securitisation / reconstruction companies).

A Details of non-performing financial assets purchased:

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
1 a. No. of accounts purchased during the year	-	-
b. Aggregate outstanding	-	-
2 a. Of these, number of accounts restructured during the year	-	-
b. Aggregate outstanding	-	-

B Details of non-performing financial assets sold:

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
1 No. of accounts sold	-	-
2 Aggregate outstanding	-	-
3 Aggregate consideration received	-	-

18.19 PROVISIONS ON STANDARD ASSETS (INCLUDING UNHEDGED FOREIGN CURRENCY EXPOSURE)

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Provisions towards standard assets *	271.69	281.83

* Release in provision in FY 2017-18 due to downgradation of standard restructured asset.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED MARCH 31, 2018

18.20 EXPOSURE TO REAL ESTATE SECTOR

CATEGORY	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
1 Direct exposure		
i Residential mortgages	2,303.12	1,393.40
of which housing loans eligible for inclusion in priority sector advances	541.94	921.31
ii Commercial real estate	3,126.35	3,541.00
iii Investments in Mortgage Backed Securities (MBS) and other securitised exposures		
a. Residential	2,208.41	1,771.16
b. Commercial real estate	-	-
2 Indirect exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	3,977.05	2,564.08
Others	-	-
TOTAL EXPOSURE TO REAL ESTATE SECTOR	11,614.93	9,269.64

18.21 EXPOSURE TO CAPITAL MARKET

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
1 Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt*	1,099.81	1,302.14
2 Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity oriented mutual funds	-	-
3 Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	-	-
4 Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances	-	-
5 Secured and unsecured advances to stock brokers and guarantees issued on behalf of stockbrokers and market makers	242.08	-
6 Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources	334.26	489.15
7 Bridge loans to companies against expected equity flows / issues	-	-
8 Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	-	-
9 Financing to stockbrokers for margin trading	-	-
10 All exposures to Venture Capital Funds (both registered and unregistered)	790.78	1,129.86
TOTAL EXPOSURE TO CAPITAL MARKET	2,466.93	2,921.15

* excludes investment in equity shares on account of conversion of debt into equity as part of Strategic Debt Restructuring amounting to ₹ 307.39 crore (Previous Year ₹ 327.12 crore) for the year ended March 31, 2018 which are exempted from exposure to Capital Market.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED MARCH 31, 2018

18.22 RISK CATEGORY WISE COUNTRY EXPOSURE

RISK CATEGORY	MARCH 31, 2018		MARCH 31, 2017	
	EXPOSURE (NET)	PROVISION HELD	EXPOSURE (NET)	PROVISION HELD
Insignificant	7,857.00	-	8,983.97	-
Low	4,164.05	-	3,085.00	-
Moderate	278.20	-	100.00	-
High	-	-	-	-
Very High	-	-	-	-
Restricted	-	-	-	-
Off-credit	-	-	-	-
TOTAL	12,299.25	-	12,168.97	-

18.23 MATURITY PATTERN OF CERTAIN ITEMS OF ASSETS AND LIABILITIES

A maturity pattern of certain items of assets and liabilities as at March 31, 2018 :

PARTICULARS	DAY 1	2 DAYS TO 7 DAYS	8 DAYS TO 14 DAYS	15 DAYS TO 30 DAYS	31 DAYS TO 2 MONTHS	2 MONTHS TO 3 MONTHS	OVER 3 MONTHS & UP TO 6 MONTHS	OVER 6 MONTHS & UP TO 1 YEAR	OVER 1 YEAR & UP TO 3 YEARS	OVER 3 YEARS & UP TO 5 YEARS	OVER 5 YEARS	TOTAL
Deposits	131.28	3,532.06	1,914.93	3,168.11	10,753.05	7,806.14	5,539.84	8,125.81	7,005.25	70.22	151.51	48,198.20
Advances	869.58	558.01	918.79	1,688.80	2,351.39	1,557.14	3,626.13	3,216.19	11,403.79	9,174.41	16,800.66	52,164.89
Investments	1,974.05	16,481.47	4,664.79	3,353.14	1,343.57	1,975.12	1,740.97	5,001.11	5,598.98	4,845.53	14,222.80	61,201.53
Borrowings	-	15,710.88	3,791.93	3,045.75	1,907.49	882.15	765.90	3,984.70	8,415.26	2,998.75	15,784.26	57,287.07
Foreign Currency assets	7.62	485.43	3.67	1,196.55	94.45	119.83	55.83	12.75	134.90	41.53	40.24	2,192.80
Foreign Currency liabilities *	0.16	261.64	1.25	329.95	607.66	305.65	25.19	1,266.82	214.25	174.09	89.72	3,276.38

* Includes ECB borrowings of ₹ 276.65 crore. The FX risk arising out of these borrowings is dynamically hedged by the Balance Sheet Management Group of the Bank.

A maturity pattern of certain items of assets and liabilities as at March 31, 2017 :

PARTICULARS	DAY 1	2 DAYS TO 7 DAYS	8 DAYS TO 14 DAYS	15 DAYS TO 30 DAYS	31 DAYS TO 2 MONTHS	2 MONTHS TO 3 MONTHS	OVER 3 MONTHS & UP TO 6 MONTHS	OVER 6 MONTHS & UP TO 1 YEAR	OVER 1 YEAR & UP TO 3 YEARS	OVER 3 YEARS & UP TO 5 YEARS	OVER 5 YEARS	TOTAL
Deposits	72.34	1,530.72	1,055.48	3,457.24	8,568.44	7,635.08	5,353.80	9,618.56	2,846.07	21.04	49.45	40,208.22
Advances	86.57	234.53	1,020.40	597.06	457.99	2,887.96	2,911.25	3,137.57	11,295.10	8,801.23	17,972.02	49,401.68
Investments	3,343.86	10,028.37	141.72	905.56	1,486.34	1,649.41	1,813.17	3,410.71	7,229.20	4,702.10	15,761.26	50,471.70
Borrowings	59.96	8,786.46	-	58.16	2,662.39	551.90	349.01	4,611.79	6,307.50	6,288.47	20,586.55	50,262.19
Foreign Currency assets	5.64	265.03	0.17	0.52	13.71	20.89	12.27	1.12	67.36	-	-	386.71
Foreign Currency liabilities ^	60.07	0.63	0.74	22.37	496.71	-	13.35	689.72	177.17	164.87	136.23	1,761.86

^ Includes ECB borrowings of ₹ 984.16 crore. The FX risk arising out of these borrowings is dynamically hedged by the Balance Sheet Management Group of the Bank.

Classification of assets and liabilities under the different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors. Maturity profile of foreign currency assets and liabilities is excluding off balance sheet items.

18.24 DETAILS OF SINGLE BORROWER LIMIT (SGL) / GROUP BORROWER LIMIT (GBL) EXCEEDED BY THE BANK

During the years ended March 31, 2018 and March 31, 2017, the Bank's credit exposure to single borrower and group borrowers was within the prudential exposure limits prescribed by the RBI.

18.25 UNSECURED ADVANCES

During the years ended March 31, 2018, there are unsecured advances of ₹ 357.53 crore (Previous Year ₹ 1,588.27 crore) for which intangible securities such as charge over the rights, licenses, authority etc. has been taken as collateral by the Bank and the estimated value of the intangible collaterals was ₹ 656.49 crore (Previous Year ₹ 1,401.09 crore).

18.26 DISCLOSURE OF PENALTIES IMPOSED BY RBI

During the year ended March 31, 2018, the RBI has imposed a monetary penalty of ₹ 2 crore (Previous Year Nil) on the bank for non compliance with para 2.2.1.2 of Master Circular DBR.No.Dir.BC.10/13.03.00/2015-16 dated July 1, 2015 on Loans and Advances-Statutory and Other Restrictions w.r.t. appropriate approving authority for granting of loans to any company in which any of the directors of other banks holds substantial interest or is interested as a director or as a guarantor.

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18.27 EMPLOYEE BENEFITS

- i The Bank has charged the following amounts in the Profit and Loss Account towards contribution to defined contribution plans which are included under schedule 16 (I) :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Provident fund	24.74	22.02
Superannuation fund	1.66	1.33
Pension fund	2.79	2.77

II GRATUITY

The following tables summarise the components of net benefit expenses recognised in the Profit and Loss Account and funded status and amounts recognised in the Balance Sheet for the gratuity benefit plan :

Profit and Loss Account

Net employee benefit expenses (recognised in payments to and provisions for employees) :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Current service cost	6.99	5.58
Interest on defined benefit obligation	3.03	2.45
Expected return on plan assets	(2.81)	(2.23)
Net actuarial losses / (gains) recognised in the year	(4.29)	3.31
Past service cost	0.32	-
Losses / (gains) on Acquisition / Divestiture	(0.71)	0.33
Total included in "employee benefit expense" [schedule 16(I)]	2.53	9.44
Actual return on plan assets	2.62	3.35

Balance Sheet

Details of provision for gratuity :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Fair value of plan assets	37.19	36.44
Present value of funded obligations	(36.90)	(36.13)
Unrecognised Past Service Cost	0.79	-
Net Asset	1.08	0.31
Amounts in Balance Sheet		
Liabilities	-	-
Assets	1.08	0.31
Net Asset (included under Schedule 11 - Other Assets)	1.08	0.31

Changes in the present value of the defined benefit obligation are as follows :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Opening defined benefit obligation	36.13	26.68
Current service cost	6.99	5.58
Interest cost	3.03	2.45
Actuarial losses / (gains)	(4.49)	4.43
Past service cost	1.11	-
Liabilities assumed on acquisition / (settled on divestiture)	(0.94)	0.33
Benefits paid	(4.93)	(3.34)
Closing defined benefit obligation	36.90	36.13

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Changes in the fair value of plan assets are as follows :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Opening fair value of plan assets	36.44	25.43
Expected return on plan assets	2.81	2.23
Actuarial gains / (losses)	(0.20)	1.12
Contributions by employer	3.30	11.00
Assets acquired on acquisition / (distributed on divestiture)	(0.23)	-
Benefits paid	(4.93)	(3.34)
Closing fair value of plan assets	37.19	36.44
Expected Employers Contribution Next Year	6.00	6.00

Experience adjustments

PARTICULARS	(₹ IN CRORE)		
	MARCH 31, 2018	MARCH 31, 2017	MARCH 31, 2016
Defined benefit obligations	36.90	36.13	26.68
Plan assets	37.19	36.44	25.43
Surplus / (deficit)	0.29	0.31	(1.25)
Experience adjustments on plan liabilities	(1.59)	2.02	0.51
Experience adjustments on plan assets	(0.20)	1.12	(0.12)

Major categories of plan assets (managed by Insurers) as a percentage of fair value of total plan assets :

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
Government securities	28.84%	27.83%
Bonds, debentures and other fixed income instruments	51.75%	53.16%
Deposits and money market instruments	5.50%	5.89%
Equity shares	13.91%	13.12%

Principal actuarial assumptions at the balance sheet date:

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
Discount rate (p.a.)	8.05%	7.35%
Expected rate of return on plan assets (p.a.)	7.50%	7.50%
Salary escalation rate (p.a.)	8.00%	8.00%

18.28 SEGMENT REPORTING

Business Segments :

The business of the Bank is divided into four segments : Treasury, Corporate / Wholesale Banking, Retail Banking Business and Other Banking Business. These segments have been identified and reported taking into account, the target customer profile, the nature of products and services, the differing risks and returns, the organisation structure, the internal business reporting system and the guidelines prescribed by the RBI.

SEGMENT	PRINCIPAL ACTIVITIES
Treasury	The treasury segment primarily consists of Bank's investment portfolio, money market borrowing and lending, investment operations and entire foreign exchange and derivative portfolio of the Bank. Revenue of treasury segment consist of interest income on investment portfolio, gains or losses from trading operations, fees on FX & derivative trades and capital market deals. The principal expenses consists of interest expenses from external sources, premises expenses, personnel cost, direct and allocated overheads.
Corporate / Wholesale Banking	The wholesale banking segment provides loans, non-fund facilities and transaction services to corporate relationship not included under Retail Banking, corporate advisory, project appraisal placement and syndication. Revenues of the wholesale banking segment consists of interest earned on loans to customers, interest / fees earned on transaction services, earnings from trade services and other non-fund facilities. The principal expenses of the segment consists of interest expense on funds borrowed from internal segments, premises expenses, personnel costs, other direct overheads and allocated expenses of delivery channels, specialist product groups, processing units and support groups.

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SEGMENT	PRINCIPAL ACTIVITIES
Retail Banking	Retail Banking constitutes lending to individuals / business banking customers through the branch network and other delivery channels subject to the orientation, nature of product, granularity of the exposure and the quantum thereof. Revenues of the retail banking segment are derived from interest earned on retail loans and fees from services rendered. Expenses of this segment primarily comprise interest expense on deposits, commission paid to retail assets sales agents, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses of specialist product groups, processing units and support groups.
Other Banking Business	This segment includes revenue from distribution of third party products.
Unallocated	All items which are reckoned at an enterprise level are classified under this segment. This includes assets and liabilities which are not directly attributable to any segment. Revenue & expense of this segment includes income & expenditure which are not directly attributable to any of the above segments. Revenue includes interest on income tax refund and expense of this segment mainly includes employee cost, establishment & technology expense which is not directly attributable to any segment.

Segmental results for the year ended March 31, 2018 are set out below :

(₹ IN CRORE)						
PARTICULARS	TREASURY	CORPORATE/ WHOLESALE BANKING	RETAIL BANKING	OTHER BANKING BUSINESS	UNALLOCATED	TOTAL
Revenue (i)	6,486.77	4,358.58	788.46	8.04	41.18	11,683.03
Less : inter segment revenue (ii)	-	-	-	-	-	(1,635.13)
Total Revenue (i-ii)						10,047.90
Segment Results before tax	1,048.82	834.76	(335.70)	(2.11)	(518.47)	1,027.30
Less: Provision for tax	-	-	-	-	-	(168.00)
Net Profit						859.30
Total Segment assets	69,473.61	45,325.99	9,139.55	7.09	2,573.94	126,520.18
Total Segment liabilities	58,918.90	43,451.50	8,760.07	2.11	131.06	111,263.64
Net assets	10,554.71	1,874.49	379.48	4.98	2,442.88	15,256.54
Capital expenditure for the year	0.64	9.09	54.91	0.12	102.27	167.03
Depreciation on fixed assets for the year	1.92	22.88	40.31	0.37	98.00	163.48

Segmental results for the year ended March 31, 2017 are set out below :

(₹ IN CRORE)						
PARTICULARS	TREASURY	CORPORATE/ WHOLESALE BANKING	RETAIL BANKING	OTHER BANKING BUSINESS	UNALLOCATED	TOTAL
Revenue (i)	6,753.00	5,144.64	241.90	1.15	3.36	12,144.05
Less : inter segment revenue (ii)	-	-	-	-	-	(2,598.22)
Total Revenue (i-ii)						9,545.83
Segment Results before tax	781.97	1,426.88	(340.24)	1.15	(398.80)	1,470.96
Less: Provision for tax	-	-	-	-	-	(451.22)
Net Profit						1,019.74
Total Segment assets	58,270.57	47,658.74	3,756.00	1.15	2,473.20	112,159.66
Total Segment liabilities	49,464.23	44,199.77	3,737.79	-	79.82	97,481.61
Net assets	8,806.34	3,458.97	18.21	1.15	2,393.38	14,678.05
Capital expenditure for the year	0.84	12.95	52.23	-	213.59	279.61
Depreciation on fixed assets for the year	1.59	20.48	21.66	-	90.61	134.34

Geographic segments

The business of the Bank is concentrated in India. Accordingly, geographical segment results have not been reported.

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18.29 DEFERRED TAX

The major components of deferred tax assets and deferred tax liabilities arising out of timing differences are as under :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Deferred tax assets on account of provisions for loan losses	709.80	951.30
Deferred tax assets on account of provision for diminution in value of investments	426.11	435.39
Deferred tax assets on account of other contingencies	102.88	40.23
Deferred tax assets (A)	1,238.79	1,426.92
Deferred tax liabilities on account of depreciation on fixed assets	85.27	93.80
Others (Special Reserve under section 36(1)(viii) of Income Tax Act, 1961)	102.54	101.57
Deferred tax liabilities (B)	187.81	195.37
Net Deferred tax assets (A-B)	1,050.98	1,231.55

18.30 PROVISIONS AND CONTINGENCIES

'Provisions and contingencies' shown under the head expenditure in Profit and Loss Account comprise of :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Provision made towards income tax		
Current tax *	(12.57)	(1.28)
Deferred tax	180.57	452.50
	168.00	451.22
Provisions for / (release of) depreciation on investment	(95.60)	156.90
Write back towards non-performing advances	(579.61)	(1,062.30)
Write back of provisions for restructured assets	(0.04)	(517.56)
Provision for unhedged foreign currency exposure	5.30	1.21
Provision / (write back) of specific provisions	(108.52)	22.06
Provision / (write back) of Standard Asset Provision	4.28	(30.92)
Loss on sale of loans to ARC	-	1,711.20
Bad-debts written off / technical write off	997.88	1.84
Provision and other contingencies	12.40	0.07
TOTAL	404.09	733.72

* Net of tax adjustment of prior years of ₹ 62.57 crore (Previous Year ₹ 1.28 crore) relating to Financing Undertaking of IDFC Limited

18.31 FLOATING PROVISIONS

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
a Opening balance in the floating provisions account	-	-
b The quantum of floating provisions made in the accounting year	-	-
c Amount of draw down made during the accounting year	-	-
d Closing balance in the floating provisions account	-	-

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18.32 DRAW DOWN FROM RESERVES

During the year ended March 31, 2018, the Bank has made a draw down out of the Investment Reserve account towards depreciation on investments in AFS and HFT categories in terms of RBI guidelines. During the year ended March 31, 2017, the Bank has not undertaken any draw down from reserves.

APPROPRIATION TO RESERVES

i Statutory Reserve

As mandated by the Banking Regulation Act, 1949, all banking companies incorporated in India shall create a reserve fund, out of the balance of profit of each year as disclosed in the profit and loss account and before any dividend is declared and transfer a sum equivalent to not less than twenty five per cent of such profit. The Bank has transferred ₹ 215.00 crore (Previous Year ₹ 255.00 crore) to Statutory Reserve for the year.

ii Investment Reserve Account (IRA)

As per RBI guidelines, if provisions created on account of depreciation in the 'AFS' or 'HFT' categories are found to be in excess of the required amount in any year, the excess shall be credited to the Profit and Loss Account and an equivalent amount (net of taxes, if any and net of transfer to Statutory Reserves as applicable to such excess provision) shall be appropriated to Investment Reserve Account. Further, the bank may draw down from the IRA to the extent of provision made during the year towards depreciation in investment in AFS and HFT categories (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provision). During the year ended March 31, 2018, as per RBI guidelines, the Bank has transferred ₹ 0.55 crore from Investment Reserve Account to Profit and Loss Appropriation Account. During the year ended March 31, 2017, the Bank has appropriated ₹ 0.55 crore to Investment Reserve Account.

iii Capital Reserve

As per RBI Guidelines, profit / loss on sale of investments in the 'Held to Maturity' category is recognised in the Profit and Loss Account and profit is thereafter appropriated (net of applicable taxes and statutory reserve requirements) to Capital Reserve. Profit / loss on sale of investments in 'Available for Sale' and 'Held for Trading' categories is recognised in the Profit and Loss Account. Accordingly, the Bank has appropriated ₹ 202.00 crore (Previous Year ₹ 5.50 crore) being profit on sale of investments in the HTM category net of applicable taxes and transfer to statutory reserve.

iv Special Reserve

As per the provisions under Section 36(1)(viii) of Income Tax Act, 1961, specified entities like banks are allowed deduction in respect of any special reserve created and maintained, i.e. an amount not exceeding twenty per cent of the profits derived from eligible business computed under the head "Profits and gains of business or profession" is carried to such reserve account. This would be applicable till the aggregate of the amounts carried to such reserve account from time to time exceeds twice the amount of the paid up share capital and general reserves of the entity. During the year, the Bank has transferred an amount of ₹ 75.00 crore (Previous Year ₹ 325.00 crore) to Special Reserve.

v General Reserve

During the year, there were certain vested stock options that expired unexercised and hence the balance in stock options outstanding is transferred to the general reserve.

18.33 DISCLOSURE OF COMPLAINTS

A. COMPLAINTS BY CUSTOMERS / STAKEHOLDERS / BONDHOLDERS

i (a) Disclosure of customer complaints relating to Bank's customers on Bank's ATMs*

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
a No. of complaints pending at the beginning of the year	-	-
b No. of complaints received during the year	-	1
c No. of complaints redressed during the year	-	1
d No. of complaints pending at the end of the year	-	-

(b) Disclosure of customer complaints relating to Bank's customers on other bank's ATMs*

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
a No. of complaints pending at the beginning of the year	4	-
b No. of complaints received during the year	33	60
c No. of complaints redressed during the year	37	56
d No. of complaints pending at the end of the year	-	4

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(c) Disclosure of customer complaints other than ATM transaction complaints*

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
a No. of complaints pending at the beginning of the year	-	-
b No. of complaints received during the year	599	152
c No. of complaints redressed during the year	596	152
d No. of complaints pending at the end of the year	3	-

(d) Total customer complaints*

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
a No. of complaints pending at the beginning of the year	4	-
b No. of complaints received during the year	632	213
c No. of complaints redressed during the year	633	209
d No. of complaints pending at the end of the year	3	4

* Excluding complaints redressed within 1 day

ii Investors complaints :

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
a No. of complaints pending at the beginning of the year	-	-
b No. of complaints received during the year	640	373
c No. of complaints redressed during the year	640	373
d No. of complaints pending at the end of the year	-	-

iii Retail bondholder's complaints :

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
a No. of complaints pending at the beginning of the year	-	-
b No. of complaints received during the year	7,032	10,860
c No. of complaints redressed during the year	7,032	10,860
d No. of complaints pending at the end of the year	-	-

B. AWARDS PASSED BY THE BANKING OMBUDSMAN

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
a No. of unimplemented awards at the beginning of the year	-	-
b No. of awards passed by the banking ombudsmen during the year	2	-
c No. of awards implemented during the year	2	-
d No. of unimplemented awards at the end of the year	-	-

18.34 DISCLOSURE OF LETTERS OF COMFORT (LOCs) ISSUED BY BANKS

The Bank has not issued any Letter of Comfort to its subsidiary / group companies during the years ended March 31, 2018 and March 31, 2017.

18.35 BANCASSURANCE BUSINESS

Details of income earned from bancassurance business are as under:

NATURE OF INCOME	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
1 For selling life insurance policies	1.20	0.02
2 For selling non-life insurance policies	0.70	0.22
3 For selling mutual fund products	2.70	0.46
4 Others	3.44	0.47
TOTAL	8.04	1.17

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18.36 CONCENTRATION OF DEPOSITS, ADVANCES, EXPOSURES AND NPAs

i Concentration of deposits

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Total Deposits of twenty largest depositors	17,910.62	18,504.17
Percentage of deposits of twenty largest depositors to total deposits of the bank	37.16%	46.02%

ii Concentration of advances *

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Total advances to twenty largest borrowers	25,782.34	25,790.13
Percentage of advances to twenty largest borrowers to total advances of the bank	30.61%	35.62%

* Advances represent credit exposure (funded and non-funded) including derivative exposure computed as per current exposure method in accordance with RBI guidelines.

iii Concentration of exposures *

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Total exposure to twenty largest borrowers / customers	32,997.18	32,442.13
Percentage of exposures to twenty largest borrowers / customers to total exposure of the bank on borrowers / customers	22.73%	25.63%

* Exposure includes credit exposure (funded and non-funded), derivative exposure and investment exposure (including underwriting and similar commitments) in accordance with RBI guidelines.

iv Concentration of NPAs

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Total exposure to top four NPA accounts	1,487.75	1,292.69

18.37 INTRA-GROUP EXPOSURES

Intra-group exposures in accordance with RBI guidelines are as follows :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
i Total amount of intra-group exposures	1,640.27	2,150.49
ii Total amount of top-20 intra-group exposures	1,640.27	2,150.49
iii Percentage of intra-group exposures to total exposure of the bank on borrowers / customers	1.13%	1.70%
iv Details of breach of limits on intra-group exposures and regulatory action thereon, if any	-	refer note 1

Note 1 : During the year ended March 31, 2017, there was breach of intra-group exposure limit for one of the intra-group entities and the same was reported to the RBI.

18.38 UNHEDGED FOREIGN CURRENCY EXPOSURE (UFCE)

The Bank's Credit Policy lays down that the Bank will evaluate risks arising out of unhedged foreign currency exposures of the borrowers and will also monitor the same. Both at the time of initial approval as well as subsequent reviews, the assessment of credit risk arising out of foreign currency exposure of the borrowers include details of imports, exports, repayments of foreign currency borrowings, as well as hedges done by the borrowers or naturally enjoyed by them vis-a-vis their intrinsic financial strength, history of hedging and losses arising out of foreign currency volatility. The details of unhedged foreign currency exposure of customers are monitored periodically. The Bank also maintains additional provision and capital, in line with RBI guidelines.

During the year ended March 31, 2018, the Bank has made incremental provision of ₹ 5.30 crore (Previous Year ₹ 1.21 crore) and held incremental capital of ₹ 83.98 crore (Previous Year ₹ 56.37 crore) towards borrowers having unhedged foreign currency exposures. Total provision held towards UFCE is ₹ 14.68 crore (Previous Year ₹ 9.38 crore).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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18.39 SECTOR-WISE ADVANCES

SECTOR	(₹ IN CRORE)		
	MARCH 31, 2018		
	OUTSTANDING TOTAL ADVANCES	GROSS NPAs	% OF GROSS NPAs TO TOTAL ADVANCES IN THAT SECTOR
A PRIORITY SECTOR			
i Agriculture and allied activities	2,288.98	2.72	0.12%
ii Advances to industries sector eligible as priority sector lending	372.47	0.96	0.26%
iii Services	2,129.16	2.90	0.14%
iv Personal loans, of which : ^^	1,632.88	2.50	0.15%
Housing	1,538.63	2.46	0.16%
SUBTOTAL (A)	6,423.49	9.08	0.14%
B NON PRIORITY SECTOR			
i Agriculture and allied activities	47.72	0.01	0.02%
ii Industry, of which : ^^	35,823.14	1,752.35	4.89%
Infrastructure- Energy	14,748.72	1,394.79	9.46%
Infrastructure- Transport	7,513.64	357.53	4.76%
Infrastructure- Communication	1,864.65	-	-
iii Services	8,685.18	16.59	0.19%
iv Personal loans, of which : ^^	2,773.29	1.02	0.04%
Housing	1,586.66	0.14	0.01%
SUBTOTAL (B)	47,329.33	1,769.97	3.74%
TOTAL (A)+(B)	53,752.82	1,779.05	3.31%

^^ Sub-sectors have been disclosed where advances exceed 10% of total advances in that sector at reporting date.

SECTOR	(₹ IN CRORE)		
	MARCH 31, 2017		
	OUTSTANDING TOTAL ADVANCES	GROSS NPAs	% OF GROSS NPAs TO TOTAL ADVANCES IN THAT SECTOR
A PRIORITY SECTOR			
i Agriculture and allied activities	2,091.68	1.70	0.08%
ii Advances to industries sector eligible as priority sector lending	381.04	0.03	0.01%
iii Services	2,942.44	2.77	0.09%
iv Personal loans, of which : ^	1,739.12	0.43	0.02%
Housing	1,645.92	0.43	0.03%
SUBTOTAL (A)	7,154.28	4.93	0.07%
B NON PRIORITY SECTOR			
i Agriculture and allied activities	-	-	-
ii Industry, of which : ^	39,575.99	1,520.78	3.84%
Infrastructure- Energy	18,138.55	1,419.79	7.83%
Infrastructure- Transport	9,377.63	64.14	0.68%
Infrastructure- Communication	5,388.13	-	-
iii Services	4,311.92	16.39	0.38%
iv Personal loans, of which : ^	588.68	-	-
Housing	429.73	-	-
SUBTOTAL (B)	44,476.59	1,537.17	3.46%
TOTAL (A)+(B)	51,630.87	1,542.10	2.99%

^ Sub-sectors have been disclosed where advances exceed 10% of total advances in that sector at reporting date.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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18.40 OVERSEAS ASSETS, NPAs AND REVENUE

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Total assets	-	-
Total NPAs	-	-
Total revenue	-	-

18.41 OFF-BALANCE SHEET SPVs SPONSORED (WHICH ARE REQUIRED TO BE CONSOLIDATED AS PER ACCOUNTING NORMS)

Off-balance sheet SPVs sponsored as on March 31, 2018 and March 31, 2017

NAME OF THE SPV SPONSORED	MARCH 31, 2018		MARCH 31, 2017	
	DOMESTIC	OVERSEAS	DOMESTIC	OVERSEAS
	Nil	Nil	Nil	Nil

18.42 DISCLOSURES ON REMUNERATION

Qualitative disclosures

a Information relating to the composition and mandate of the Remuneration Committee :

The nomination and remuneration committee of the Board comprised of the following members :

Mr. Ajay Sondhi	Chairman
Ms. Veena Mankar	Member
Mr. Anand Sinha	Member

The functions of the Committee include :

- Evaluate performance of the Whole Time Directors (WTDs) (including the Managing Director & CEO) against predetermined parameters
- Make recommendations on remuneration (including performance bonus and perquisites) of Whole Time Directors
- Approve policy and quantum of variable pay, bonus, stock options and increments for the employees of the Bank
- Frame guidelines for the Employees Stock Option Scheme (ESOS) and recommend grants of the Bank's stock options to Whole Time Directors of the Bank

b Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy :

The Bank has under the guidance of the Board and the Nomination and Remuneration Committee, follows compensation practices intended to drive pay for performance within the framework of prudent risk management.

Specific principles and objectives of IDFC Bank remuneration policy and design include :

- Help attract and retain employees :
 - Pay elements and structure to be market competitive
 - Flexibility and agility in approach to design / review structure
 - Differentiate market through benefit programs that build and reinforce organization values and loyalty
 - Reward meritocracy, with differentiation based on performance
- Foster a culture of authentic service and prudent risk taking :
 - Reward programs to be designed to incentivize superior and consistent customer service
 - specifically discourage mis-selling, thereby help build trust and faith of customers
 - Rewards not just based on quantitative (financial) parameters alone; but also on how performance is achieved, including process adopted, prudent judgement and controls exercised
 - Reward good behaviour and organizational stewardship, that conserves franchise reputation
 - Revenue producers will not determine compensation for risk managers and other control functions
 - Compensation programs to be overlaid with requisite conformity to the RBI guidelines.

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- iii Emphasize alignment with our stated Bank Values of Balance, Collaboration, Drive and Honesty :
 - Compensation program design to promote, measure and reward excellence on these key organization values
 - Short term / long term incentives and staff recognition framework to specifically incorporate metrics on these
- iv Evaluate and Reward Performance over Time :
 - Program design to ensure balance between short term versus long term financial performance and health of the organization
 - Drive long term commitment and ownership for decisions through LTI and/or equity awards with deferred vesting schedule
- v Balance between market competitiveness and internal alignment :
 - Pay levels to be referenced to the 66th percentile of Indian Private Sector banks
 - Aspire to stay best-in-class within competitive cost parameters; balance between basic and lifestyle benefits
 - Internal pay parity for roles staffed with employees with similar skills and seasoning
- c **Description of the ways in which current and future risks are taken into account in the remuneration process including the nature and type of the key measures used to take account of these risks :**

The Board approves the risk framework for the Bank. Business activities of the Bank are undertaken within this framework to achieve the financial plan. The risk framework includes the Bank's risk appetite, limits framework and policies and procedures governing various types of risk. The performance evaluation framework of Whole Time Directors, equivalent positions and senior management personnel in material risk taker roles, incorporates these risk and control aspects as detailed by the Board. These factors include (but are not limited to) elements such as consistency in asset quality, rating slippage of existing loans, RORWA, operational risk parameters and quality of systems. The performance management framework of the Bank will evolve over time and get more sophisticated and mature. As regards linkage to remuneration, the compensation for Whole Time Director, etc is paid in fixed pay, performance linked variable pay and stock options which is approved by the NRC. Furthermore, material risk takers will not be put on any guaranteed bonus framework. Performance evaluation of individuals in Credit, Risk and Control functions will have requisite line of independence to revenue making senior management personnel.
- d **Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration :**

Performance and its linkage to levels of remuneration will be guided by the objectives / principles as spelt out in Item b above. Annual Remuneration package comprises of a combination of fixed salary, cash bonus and ESOPs, in a mix that ensures appropriate alignment with RBI guidelines, long term value creation and stability of the Bank. Further, total pay levels will be referenced against 66th percentile of Indian private sector banks.
- e **Bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting :**

As outlined in Item (d) above, deferral structures have been incorporated and published to the staff. For senior levels and material risk taker roles, remuneration package represents a mix of fixed pay, cash bonus and ESOP with deferred vesting schedule. Further, the deferred / unvested portions will be subject to "malus" provision in conformity with RBI guidelines.
- f **Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms :**

The bank at this juncture primarily has an annual cash bonus process and ESOPs. The ESOP scheme has been designed with a view to ensure an appropriate risk balanced remuneration architecture. Further, for junior roles in front-line sales where quarterly formulae based incentive programs get rolled-out, there will be requisite emphasis on risk and control parameters. We have piloted the monthly incentive plan for all branch roles in rural branches with an adequate emphasis on risk / collections and compliance to set-out processes.

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AS AT AND FOR THE YEAR ENDED MARCH 31, 2018

Quantitative disclosures

The quantitative disclosures cover the Bank's Whole Time Directors and other Key Risk Takers.

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
a i Number of meetings held by the Remuneration Committee during the financial year	6	5
ii Remuneration paid to its members (sitting fees) (₹ in crore)	0.09	0.08
b Number of employees having received a variable remuneration award during the financial year	1	1
c Number and total amount of sign-on awards made during the financial year	-	-
d Details of guaranteed bonus, if any, paid as joining / sign-on bonus	-	-
e Details of severance pay, in addition to accrued benefits, if any	-	-
f Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms (₹ in crore).	0.27	0.40
g Total amount of deferred remuneration paid out in the financial year	0.13	0.60
h Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred *	Fixed- ₹ 3.91 cr Variable- Nil Deferred- Nil	Fixed- ₹ 4.05 cr Variable- Nil Deferred- Nil
i Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and/or implicit adjustments	0.27	0.40
j Total amount of reductions during the financial year due to ex-post explicit adjustments	NA	NA
k Total amount of reductions during the financial year due to ex-post implicit adjustments	NA	NA

* excluding ESOP perquisites

18.43 CREDIT DEFAULT SWAPS

The Bank has not undertaken any transactions in Credit Default Swaps (CDS) during the year ended March 31, 2018 and March 31, 2017.

18.44 TRANSFERS TO DEPOSITOR EDUCATION AND AWARENESS FUND (DEAF)

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
Opening balance of amounts transferred to DEAF	-	-
Add : Amounts transferred to DEAF during the year	-	-
Less : Amounts reimbursed by DEAF towards claims	-	-
Closing balance of amounts transferred to DEAF	-	-

18.45 LIQUIDITY COVERAGE RATIO

Qualitative disclosure

Liquidity risk management of the Bank is undertaken by the Balance Sheet Management Group (BSMG) under the central oversight of the Asset Liability Management Committee (ALCO) in accordance with the Board approved policies and ALCO approved funding plans. The Bank has adopted the Basel III framework on liquidity standards as prescribed by RBI for reporting of the Liquidity Coverage Ratio (LCR). The mandated regulatory threshold as per the transition plan is embedded into the Limit Management Framework of the Bank with appropriate cushion to ensure maintenance of adequate liquidity buffers. Risk department computes the LCR and reports the same to the ALCO, Risk Management Committee of the Board and Board for oversight and periodical review. The Bank has been submitting LCR reports to RBI from January 2016.

As a strategy, the Bank is highly invested into GOI Bonds and corporate bonds which has resulted in a high level of High Quality Liquid Assets (HQLA). The Bank follows the criteria laid down by the RBI for month-end calculation of HQLA, gross outflows and inflows within the next 30 day period. HQLA predominantly comprises Government securities in excess of minimum SLR requirement viz. Treasury Bills, Central and State Government securities and corporate bonds in form of CP, CD and Bonds rated AA- and above with mandated haircuts applied thereto.

Bank is predominantly funded through long term sources of borrowings viz. Bonds and ECBs and short term sources of borrowings viz. Certificate of Deposits and Term Deposits. Further the reliance on retail deposits and CASA is increasing. All significant outflows and inflows determined in accordance with RBI guidelines are included in the prescribed LCR computation.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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The Risk department measures and monitors the liquidity profile of the Bank with reference to the Board approved limits on a static as well as on a dynamic basis by using the gap analysis technique supplemented by monitoring of key liquidity ratios and periodical liquidity stress testing. The Bank assesses the impact on short term liquidity gaps dynamically under various scenarios covering business projections under normal as well as varying market conditions. Periodical reports are placed before the Bank's ALCO for perusal and review.

Quantitative disclosure

		(₹ IN CRORE)							
		QUARTER ENDED MARCH 31, 2018		QUARTER ENDED DECEMBER 31, 2017		QUARTER ENDED SEPTEMBER 30, 2017		QUARTER ENDED JUNE 30, 2017	
PARTICULARS		TOTAL UNWEIGHTED VALUE (AVERAGE)	TOTAL WEIGHTED VALUE (AVERAGE)	TOTAL UNWEIGHTED VALUE (AVERAGE)	TOTAL WEIGHTED VALUE (AVERAGE)	TOTAL UNWEIGHTED VALUE (AVERAGE)	TOTAL WEIGHTED VALUE (AVERAGE)	TOTAL UNWEIGHTED VALUE (AVERAGE)	TOTAL WEIGHTED VALUE (AVERAGE)
High quality liquid assets									
1	Total high quality liquid assets (HQLA)		18,669.00		16,416.14		17,965.79		18,545.72
Cash outflows									
2	Retail deposits and deposits from small business customers, of which :	3,908.68	379.16	3,532.56	342.73	3,127.28	303.05	2,650.98	256.21
	i Stable deposits	234.03	11.70	210.50	10.52	193.43	9.67	177.82	8.89
	ii Less stable deposits	3,674.65	367.46	3,322.06	332.21	2,933.85	293.38	2,473.16	247.32
3	Unsecured wholesale funding, of which :	24,687.38	18,117.01	20,261.22	14,404.33	18,816.90	13,543.49	20,307.21	15,233.16
	i Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
	ii Non-operational deposits (all counterparties)	10,950.62	4,380.25	9,761.48	3,904.59	8,789.03	3,515.61	8,456.76	3,382.70
	iii Unsecured debt	13,736.76	13,736.76	10,499.74	10,499.74	10,027.87	10,027.88	11,850.45	11,850.46
4	Secured wholesale funding		-		-		-		-
5	Additional requirements, of which :	2,898.12	2,898.12	2,224.89	2,224.89	2,516.36	2,516.36	1,974.81	1,974.81
	i Outflows related to derivative exposures and other collateral requirements	2,898.12	2,898.12	2,224.89	2,224.89	2,516.36	2,516.36	1,974.81	1,974.81
	ii Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
	iii Credit and liquidity facilities	-	-	-	-	-	-	-	-
6	Other contractual funding obligations	522.67	522.67	561.46	561.46	514.04	514.04	955.79	955.79
7	Other contingent funding obligations	25,662.73	769.88	7,044.38	211.33	5,861.63	175.85	5,026.84	150.81
8	TOTAL CASH OUTFLOWS		22,686.84		17,744.74		17,052.79		18,570.78
Cash inflows									
9	Secured lending (e.g. reverse repos)	462.52	-	1,173.37	-	1,677.56	-	1,556.46	-
10	Inflows from fully performing exposures	4,472.83	3,182.92	2,886.60	2,211.74	2,386.13	1,922.36	3,705.28	3,013.25
11	Other cash inflows	3,659.30	3,166.27	3,450.86	2,789.22	3,339.09	2,814.18	2,949.39	2,383.33
12	TOTAL CASH INFLOWS	8,594.65	6,349.19	7,510.83	5,000.96	7,402.78	4,736.54	8,211.13	5,396.58
		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value	
	TOTAL HQLA		18,669.00		16,416.14		17,965.79		18,545.72
	Total Net Cash Outflows		16,337.66		12,743.80		12,316.25		13,174.19
	Liquidity coverage ratio (%)		114.27%		128.82%		145.87%		140.77%

The average weighted and unweighted amounts are calculated taking daily averages.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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		(₹ IN CRORE)							
		QUARTER ENDED MARCH 31, 2017		QUARTER ENDED DECEMBER 31, 2016		QUARTER ENDED SEPTEMBER 30, 2016		QUARTER ENDED JUNE 30, 2016	
PARTICULARS		TOTAL UNWEIGHTED VALUE (AVERAGE)	TOTAL WEIGHTED VALUE (AVERAGE)	TOTAL UNWEIGHTED VALUE (AVERAGE)	TOTAL WEIGHTED VALUE (AVERAGE)	TOTAL UNWEIGHTED VALUE (AVERAGE)	TOTAL WEIGHTED VALUE (AVERAGE)	TOTAL UNWEIGHTED VALUE (AVERAGE)	TOTAL WEIGHTED VALUE (AVERAGE)
High quality liquid assets									
1	Total high quality liquid assets (HQLA)		15,502.07		12,706.80		10,254.59		8,735.63
Cash outflows									
2	Retail deposits and deposits from small business customers, of which :	1,954.41	188.88	1,422.12	137.35	739.81	71.87	358.36	35.03
	i Stable deposits	131.27	6.56	97.26	4.86	42.32	2.12	16.16	0.81
	ii Less stable deposits	1,823.14	182.32	1,324.86	132.49	697.49	69.75	342.20	34.22
3	Unsecured wholesale funding, of which :	14,702.51	11,242.41	13,424.83	10,444.40	10,975.75	8,321.16	3,396.43	2,893.69
	i Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
	ii Non-operational deposits (all counterparties)	5,766.83	2,306.73	4,967.38	1,986.95	4,424.32	1,769.73	837.89	335.16
	iii Unsecured debt	8,935.68	8,935.68	8,457.45	8,457.45	6,551.43	6,551.43	2,558.54	2,558.53
4	Secured wholesale funding		-		-		-		-
5	Additional requirements, of which :	1,967.92	1,967.92	1,201.71	1,201.71	2,248.79	2,248.79	2,066.93	2,066.93
	i Outflows related to derivative exposures and other collateral requirements	1,967.92	1,967.92	1,201.71	1,201.71	2,248.79	2,248.79	2,066.93	2,066.93
	ii Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
	iii Credit and liquidity facilities	-	-	-	-	-	-	-	-
6	Other contractual funding obligations	996.31	996.31	1,074.29	1,074.29	970.11	970.11	718.98	718.98
7	Other contingent funding obligations	11,961.52	358.85	14,155.98	424.68	8,700.98	261.03	5,493.46	164.80
8	TOTAL CASH OUTFLOWS		14,754.37		13,282.43		11,872.96		5,879.43
Cash inflows									
9	Secured lending (e.g. reverse repos)	2,392.13	-	2,039.08	-	2,111.46	-	600.27	-
10	Inflows from fully performing exposures	3,279.74	2,837.82	1,280.05	1,043.29	3,225.32	2,824.23	493.19	370.57
11	Other cash inflows	3,184.49	2,582.95	2,546.91	1,880.04	3,218.48	2,744.14	2,975.26	2,525.51
12	TOTAL CASH INFLOWS	8,856.36	5,420.77	5,866.04	2,923.33	8,555.26	5,568.37	4,068.72	2,896.08
			Total Adjusted Value		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
	TOTAL HQLA		15,502.07		12,706.80		10,254.59		8,735.63
	Total Net Cash Outflows		9,333.61		10,359.10		6,304.58		2,983.35
	Liquidity coverage ratio (%)		166.09%		122.66%		162.65%		292.81%

The average weighted and unweighted amounts are calculated taking monthly average of three months till December 2016. From Q4 FY 2017 onwards the calculations are based on daily averages.

Note : Classification of inflows and outflows for determining the run off factors is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED MARCH 31, 2018

18.46 RELATED PARTY DISCLOSURE :

As per AS-18, Related Party Disclosure, the Bank's related parties are disclosed below :

A. ULTIMATE HOLDING COMPANY

IDFC Limited

B. HOLDING COMPANY

IDFC Financial Holding Company Limited

C. FELLOW SUBSIDIARIES

IDFC Alternatives Limited

IDFC Asset Management Company Limited

IDFC AMC Trustee Company Limited

IDFC Finance Limited (Merged with IDFC Projects w.e.f. April 1, 2016)

IDFC Foundation

IDFC Infrastructure Finance Limited

IDFC Projects Limited

IDFC Securities Limited

IDFC Trustee Company Limited

IDFC Capital (USA) Inc.

IDFC Capital (Singapore) Pte. Ltd.

IDFC Investment Managers (Mauritius) Limited

IDFC Securities Singapore Pte. Limited

D. SUBSIDIARY

IDFC Bharat Limited (wholly owned subsidiary w.e.f. October 13, 2016)

E. ASSOCIATES

i Direct

Feedback Infra Private Limited (Ceased to be an associate w.e.f. March 19, 2018)

Millennium City Expressways Private Limited

ii Indirect (through fellow subsidiaries)

Jetpur Somnath Tollways Private Limited

Delhi Integrated Multi-Modal Transit System Limited

Infrastructure Development Corporation (Karnataka) Limited

Uttarakhand Infrastructure Development Company Limited (under liquidation)

IndianOil LNG Private Limited

F. KEY MANAGEMENT PERSONNEL

Dr. Rajiv B. Lall (Founder Managing Director & Chief Executive Officer)

G. RELATIVES OF KEY MANAGEMENT PERSONNEL

Tara Lall, Ambika Lall, Indrani Gangadhar, Kishen Behari Lall, Bunty Chand, Reena Khanna

In accordance with paragraph 5 and 6 of AS - 18, the Bank has not disclosed certain transactions with relatives of key management personnel as they are in the nature of banker-customer relationship.

The significant transactions between the Bank and related parties for year ended March 31, 2018 are given below. A specific related party transaction is disclosed as a significant related party transaction wherever it exceeds 10% of all related party transactions in that category:

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- **Interest Expense :**
IDFC Financial Holding Company Limited ₹ 6.72 crore (Previous Year ₹ 5.02 crore); IDFC Foundation ₹ 2.01 crore (Previous Year ₹ 2.62 crore); IDFC Bharat Limited ₹ 5.94 crore (Previous Year ₹ 0.61 crore)
- **Interest income earned :**
Feedback Infra Private Limited ₹ 13.38 crore (Previous Year ₹ 11.94 crore); Millennium City Expressways Private Limited ₹ 24.64 crore (Previous Year ₹ 38.94 crore)
- **Dividend Income earned:**
IDFC Bharat Limited ₹ 11.16 crore (Previous Year Nil)
- **Receiving of services :**
IDFC Bharat Limited ₹ 167.24 crore (Previous Year ₹ 45.15 Crore); IDFC Securities Limited ₹ 37.08 crore (Previous Year ₹ 12.66 crore)
- **Rendering of services :**
IDFC Securities Limited ₹ 3.95 crore (Previous Year ₹ 3.73 crore); IDFC Asset Management Company Limited ₹ 1.43 crore (Previous Year ₹ 2.13 crore); IDFC Infrastructure Finance Limited ₹ 1.55 crore (Previous Year ₹ 1.50 Crore)
- **Managerial Remuneration** (refer note 18.42):
Dr. Rajiv B. Lall ₹ 4.04 crore (Previous Year ₹ 4.65 crore)
- **Sale of investments :**
IDFC Infrastructure Finance Limited ₹ 100.51 crore (Previous Year Nil)
- **Purchase of investments :**
IDFC Limited ₹ 35.05 crore (Previous Year Nil)
- **Advance repaid :**
Millennium City Expressways Private Limited ₹ 28.76 crore (Previous Year ₹ 19.46 crore); Feedback Infra Private Limited ₹ 59.98 crore (Previous Year Nil)
- **Purchase of Fixed Assets :**
Delhi Integrated Multi Modal Transit System Limited ₹ 5.25 Crore (Previous Year Nil)
- **Non Fund based Exposure Issued:**
Feedback Infra Private Limited ₹ 2.74 crore (Previous Year ₹ 9.52 Crore)
- **Investment in related party by Bank :**
Millennium City Expressways Private Limited ₹ 8.10 crore (Previous Year ₹ 24.28 crore)
- **Investment of related party in the Bank :**
Dr. Rajiv B. Lall ₹ 0.82 crore (Previous Year ₹ 2.87 crore)
- **Corporate Social Responsibility:**
IDFC Foundation ₹ 14.23 crore (Previous Year ₹ 4.85 crore)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED MARCH 31, 2018

The details of the transactions of the Bank with its related party during the year ended March 31, 2018 are given below :

PARTICULARS	(₹ IN CRORE)					
	RELATED PARTY					
	ULTIMATE HOLDING COMPANY	HOLDING COMPANY	FELLOW SUBSIDIARY COMPANIES	SUBSIDIARY	ASSOCIATES	KEY MANAGEMENT PERSONNEL
Interest expense	0.68	6.72	3.35	5.94	1.25	0.58
Interest income earned	-	-	0.14	-	38.02	-
Dividend Income earned*	-	-	-	11.16	0.70	-
Investment of related party in the Bank	-	-	-	-	-	0.82
Investment in related party by Bank	-	-	-	-	8.10	-
Purchase of investments	35.05	-	-	-	-	-
Sale of investments	-	-	100.51	-	-	-
Managerial Remuneration	-	-	-	-	-	4.04 **
Purchase of fixed assets	-	-	-	-	5.25	-
Corporate Social Responsibility	-	-	14.23	-	-	-
Advance repaid	-	-	-	-	94.72	-
Receiving of services	0.25	-	42.46	167.24	2.19	-
Rendering of services	0.39	-	7.75	-	0.20	-
Non fund based exposure (Issued)	-	-	-	-	2.74	-

* Dividend received from pre-acquisition profits of subsidiary is reduced from cost of investments as per AS - 13 - Accounting for Investments.

** Refer Note 18.42 - Quantitative Disclosure

The balances payable to / receivable from the related parties of the Bank as on March 31, 2018 are given below:

PARTICULARS	(₹ IN CRORE)					
	RELATED PARTY					
	ULTIMATE HOLDING COMPANY	HOLDING COMPANY	FELLOW SUBSIDIARY COMPANIES	SUBSIDIARY	ASSOCIATES	KEY MANAGEMENT PERSONNEL
Deposits with the Bank	3.61	105.82	100.47	158.76	13.52	15.40
Interest Accrued on Deposit	-	0.72	0.52	0.90	0.09	0.18
Advances	-	-	-	-	417.53	-
Investment of the Bank	-	-	-	299.36	241.43	-
Investment of related party in the Bank \$	-	7,030.07	-	-	-	-
Security Deposit Outstanding	-	-	1.77	-	-	-
Other receivables (net) #	-	-	-	30.04	-	-
Other Payable (net)	-	-	4.27	18.01	-	-
Non Fund Based Exposure	-	-	0.08	-	9.96	-

Other receivable includes cash with business correspondents.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED MARCH 31, 2018

The maximum balances payable to / receivable from the related parties of the Bank during the year ended March 31, 2018 are given below:

PARTICULARS	(₹ IN CRORE)					
	RELATED PARTY					KEY MANAGEMENT PERSONNEL
	ULTIMATE HOLDING COMPANY	HOLDING COMPANY	FELLOW SUBSIDIARY COMPANIES	SUBSIDIARY	ASSOCIATES	
Deposits with the Bank	422.48	407.22	111.24	180.56	32.05	28.01
Advances	-	-	13.09	-	516.38	-
Investment of the Bank	-	-	-	310.52	246.47	-
Investment of related party in the Bank \$	-	7,030.07	-	-	-	-
Security Deposit Outstanding	-	-	1.77	-	-	-
Other receivables (net) #	1.21	-	2.97	59.69	-	-
Other payables (net)	-	-	15.38	18.20	-	-
Non Fund Based Exposure	-	-	0.08	-	9.99	-

Other receivable includes cash with business correspondents.

\$ As at March 31, 2018, KMP holds 2,624,686 equity shares of the Bank.

The details of the transactions of the Bank with its related party during the year ended March 31, 2017 are given below :

PARTICULARS	(₹ IN CRORE)					
	RELATED PARTY					KEY MANAGEMENT PERSONNEL
	ULTIMATE HOLDING COMPANY	HOLDING COMPANY	FELLOW SUBSIDIARY COMPANIES	SUBSIDIARY	ASSOCIATES	
Interest expense	4.37	5.02	4.67	0.61	0.88	0.08
Interest income earned	-	-	0.02	21.49	50.88	-
Dividend Income earned	-	-	-	-	0.60	-
Investment in related party by Bank	-	-	-	310.52	24.28	-
Sale of investments	14.34	-	-	-	-	-
Managerial Remuneration	-	-	-	-	-	4.65*
Purchase of fixed assets	0.01	-	0.01	-	-	-
Sale of fixed assets	0.03	-	0.05	-	-	-
Corporate Social Responsibility	-	-	4.85	-	-	-
Advance granted (net)	-	-	-	-	65.96	-
Advance repaid	-	-	-	-	19.46	-
Sell down of loans	-	-	73.62	-	-	-
Receiving of services	-	-	17.74	45.15	2.10	-
Rendering of services	0.61	-	8.61	-	0.10	-
Notional Principal amount of foreign exchange and derivative contract	-	-	85.00	-	-	-
Contingent exposure on derivative contracts as per RBI guidelines	-	-	2.30	-	-	-

* Refer Note 18.42 - Quantitative Disclosure

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED MARCH 31, 2018

The balances payable to / receivable from the related parties of the Bank as on March 31, 2017 are given below:

PARTICULARS	(₹ IN CRORE)					
	RELATED PARTY					
	ULTIMATE HOLDING COMPANY	HOLDING COMPANY	FELLOW SUBSIDIARY COMPANIES	SUBSIDIARY	ASSOCIATES	KEY MANAGEMENT PERSONNEL
Deposits with the Bank	398.81	75.44	67.91	110.40	13.45	1.97
Interest Accrued on Deposit	0.14	0.74	0.15	0.14	0.09	0.02
Interest Accrued on advances	-	-	-	-	3.50	-
Advances	-	-	-	-	512.25	-
Investment of the Bank	-	-	-	310.52	238.37	-
Investment of related party in the Bank \$	-	7,030.07	-	-	-	-
Non Fund Based Exposure	-	-	0.08	-	9.52	-
Security Deposit Outstanding	-	-	1.77	-	-	-
Other receivables (net) *	-	-	-	41.27	-	-
Other payables (net)	-	-	0.35	9.57	0.01	-

* Other receivable includes cash with business correspondents.

The maximum balances payable to / receivable from the related parties of the Bank during the year ended March 31, 2017 are given below:

PARTICULARS	(₹ IN CRORE)					
	RELATED PARTY					
	ULTIMATE HOLDING COMPANY	HOLDING COMPANY	FELLOW SUBSIDIARY COMPANIES	SUBSIDIARY	ASSOCIATES	KEY MANAGEMENT PERSONNEL
Deposits with the Bank	702.87	319.70	188.81	161.26	15.67	1.97
Advances	-	-	-	-	515.92	-
Investment of the Bank	-	-	-	310.52	238.37	-
Investment of related party in the Bank \$	-	7,030.07	-	-	-	-
Security Deposit Outstanding	-	-	1.77	-	-	-
Other receivables (net) *	0.35	-	4.72	109.54	-	-
Other payables (net)	-	-	3.07	28.75	0.01	-
Non Fund Based Exposure	-	-	0.08	-	9.52	-

* Other receivable includes cash with business correspondents.

\$ As at March 31, 2017, KMP holds 2,444,984 equity shares of the Bank.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED MARCH 31, 2018

OTHER DISCLOSURES

18.47 EARNING PER SHARE ('EPS')

Basic and diluted earnings per equity share are computed in accordance with AS 20 - Earnings Per Share. Basic earnings per equity share is computed by dividing net profit after tax attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share is computed by dividing net profit after tax attributable to equity shareholders by the weighted average number of equity shares and weighted average number of dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive. Dilution of equity is on account of stock options granted to employees by the Bank.

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
BASIC		
Weighted average number of equity shares outstanding (in crore)	340.18	339.55
Net Profit after Tax (₹ in crore)	859.30	1,019.74
Basic earning per share (₹)	2.53	3.00
DILUTED		
Weighted average number of equity shares outstanding (in crore)	341.13	341.96
Net Profit after Tax (₹ in crore)	859.30	1,019.74
Diluted earning per share (₹)	2.52	2.98
Nominal value of shares (₹)	10.00	10.00

18.48 MOVEMENT IN STOCK OPTIONS GRANTED IS AS UNDER:

Employee Stock Option Scheme of IDFC Bank Limited viz. IDFC Bank ESOS-2015 was framed with an object of encouraging higher participation on the part of employees in the Bank's financial growth and success. An effective stock option scheme enables retention of talent and aligning employee interest to that of the Shareholders.

The Shareholders of the Bank at its 2nd Annual General Meeting held on July 27, 2016 had approved IDFC Bank ESOS - 2015 and had granted its approval to Employee Stock Options pool of 6% of the issued and paid up share capital of the Bank.

IDFC Bank ESOS-2015 is in compliance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, as amended from time to time. IDFC Bank ESOS-2015 is administered by the Nomination and Remuneration Committee ('NRC') of the Bank. As per IDFC Bank ESOS-2015, the Bank is authorized to issue Employee Stock Options to Eligible Employees and Executive Directors of the Bank and its Subsidiary Companies.

All Options vests in a graded manner and are required to be exercised within a specific period. The Bank has used the intrinsic value method to account for the compensation cost of stock options to employees of the Bank. Intrinsic value is the amount by which the quoted market price of the underlying share on the date, prior to the date of the grant, exceeds the exercise price of the option. Accounting for the stock options has been in accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, to the extent applicable.

During FY 2017-18, there has been no material change in IDFC Bank ESOS-2015.

Stock option activity under the Scheme for the year ended March 31, 2018 is set out below:

PARTICULARS	OPTIONS OUTSTANDING	RANGE OF EXERCISE PRICES (₹)	WEIGHTED AVERAGE EXERCISE PRICE (₹)	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)
Outstanding at the beginning of the year	90,712,744	31.73 - 83.81	49.52	4.91
Granted during the year	20,419,100	49.25 - 58.80	54.17	-
Forfeited during the year	(15,157,900)	45.20 - 64.70	50.39	-
Expired during the year	(193,563)	45.69 - 83.81	55.82	-
Exercised during the year	(5,068,721)	44.74 - 62.95	47.27	-
Outstanding at the end of the year	90,711,660	31.73 - 83.81	51.34	4.04
Exercisable at the end of the year	41,519,950	31.73 - 83.81	49.91	2.62

The weighted average share price in respect of options exercised during the year was ₹ 57.87

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED MARCH 31, 2018

Stock option activity under the Scheme for the year ended March 31, 2017 is set out below:

PARTICULARS	OPTIONS OUTSTANDING	RANGE OF EXERCISE PRICES (₹)	WEIGHTED AVERAGE EXERCISE PRICE (₹)	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)
Outstanding at the beginning of the year	74,651,161	10.00 - 83.81	48.46	5.34
Granted during the year	31,387,500	45.20 - 79.85	49.78	-
Forfeited during the year	(6,988,043)	45.20 - 72.85	48.23	-
Expired during the year	(1,955,026)	45.69 - 83.81	47.87	-
Exercised during the year	(6,382,848)	10.00 - 57.70	40.40	-
Outstanding at the end of the year	90,712,744	31.73 - 83.81	49.52	4.91
Exercisable at the end of the year	29,866,117	31.73 - 83.81	50.51	3.05

The weighted average share price in respect of options exercised during the year was ₹ 60.42

Fair Value Methodology

On applying the fair value based method in Guidance Note on 'Accounting for Employee Share-based Payments' the impact on reported net profit and EPS would be as follows:

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
Net Profit (as reported) (₹ in crore)	859.30	1,019.74
Add: Stock based employee compensation expense included in net income (₹ in crore)	-	-
Less: Stock based employee compensation expense determined under fair value based method (proforma) (₹ in crore)	55.18	53.49
Net Profit (Proforma) (₹ in crore)	804.12	966.25
Earnings per share: Basic (in ₹)		
As reported	2.53	3.00
Proforma	2.36	2.85
Earnings per share: Diluted (in ₹)		
As reported	2.52	2.98
Proforma	2.36	2.83

The fair value of the options is estimated on the date of the grant using the Black-Scholes options pricing model, with the following assumptions:

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
Dividend yield	1.27%	0.51%
Expected life	4.06 years	4.42 years
Risk free interest rate	6.68%	7.20%
Volatility	33.52%	39.79%

18.49 UNCLAIMED SHARES

Details of unclaimed shares as of March 31, 2018 and March 31, 2017 are as follows :

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
Aggregate number of shareholders at the beginning of the year	100	100
Total outstanding shares in Unclaimed Suspense Account at the beginning of the year	28,453	28,453
Number of shareholders who approached to issuer for transfer of shares from Unclaimed Suspense Account during the year	1	-
Number of shareholders to whom shares were transferred from Unclaimed Suspense Account during the year	1	-
Aggregate number of shareholders at the end of the year	99	100
Total outstanding shares in Unclaimed Suspense Account at the end of the year	28,253	28,453

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED MARCH 31, 2018

18.50 LEASES

In accordance with Accounting Standard 19 on 'Leases' as notified under the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014, the following disclosures in respect of operating leases are made:

(This comprise of office premises / branches / ATMs taken on lease)

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Future lease rentals payable as at the end of the year :		
Not later than one year	84.19	80.44
Later than one year and not later than five years	222.36	249.25
Later than five years	71.90	80.86
Total of minimum lease payments recognised in the Profit and Loss Account for the year	86.88	94.78
Total of future minimum sub-lease payments expected to be received under non-cancellable subleases	-	-
Sub-lease payments recognised in the Profit and Loss Account for the year	-	-

The Bank has not sub-leased any of its properties taken on lease. There are no provisions relating to contingent rent. The terms of renewal / purchase options and escalation clauses are those normally prevalent in similar agreements. There are generally no undue restrictions or onerous clauses in the agreements.

18.51 OTHER FIXED ASSETS (INCLUDING FURNITURE & FIXTURES)

The movement in fixed assets capitalised as application software is given below :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
COST		
At the beginning of the year	421.77	269.32
Additions during the year	72.19	152.45
Deductions during the year	-	-
TOTAL (I)	493.96	421.77
DEPRECIATION		
Accumulated depreciation at the beginning of the year	113.10	36.86
Depreciation charge for the year	90.48	76.24
TOTAL (II)	203.58	113.10
NET VALUE (I-II)	290.38	308.67

18.52 AMOUNT OF PRIORITY SECTOR LENDING CERTIFICATES (PSLCs) PURCHASED / SOLD BY THE BANK

Category wise PSLCs purchased :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
PSLC - Agriculture	-	-
PSLC - SF/MF	2,160.00	-
PSLC - Micro Enterprises	-	-
PSLC - General	7,115.00	3,300.00
	9,275.00	3,300.00

Category wise PSLCs sold :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
PSLC - Agriculture	-	-
PSLC - SF/MF	-	-
PSLC - Micro Enterprises	-	-
PSLC - General	-	-
	-	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED MARCH 31, 2018

18.53 CORPORATE SOCIAL RESPONSIBILITY (CSR)

- i Amount required to be spent by the Bank on CSR during the year ₹ 14.23 crore (Previous Year ₹ 4.85 crore).
- ii Amount spent towards CSR during the year and recognised as expense in the statement of profit and loss on CSR related activities is ₹ 14.23 crore (Previous Year ₹ 4.85 crore), which comprise of following :

YEAR ENDED MARCH 31, 2018			(₹ IN CRORE)
NATURE OF ACTIVITIES	IN CASH	YET TO BE PAID IN CASH (i.e. PROVISION)	TOTAL
Construction / acquisition of any asset	-	-	-
On purpose other than above	14.23	-	14.23

YEAR ENDED MARCH 31, 2017			(₹ IN CRORE)
NATURE OF ACTIVITIES	IN CASH	YET TO BE PAID IN CASH (i.e. PROVISION)	TOTAL
Construction / acquisition of any asset	-	-	-
On purpose other than above	4.85	-	4.85

18.54 PROPOSED DIVIDEND

The Board of Directors, in their meeting held on April 24, 2018 have proposed dividend of ₹ 0.75 (Previous Year ₹ 0.75) per equity share amounting to ₹ 307.78 crore (Previous Year ₹ 307.01 crore), inclusive of dividend distribution tax. The proposal is subject to the approval of shareholders at the Annual General Meeting. In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, dated March 30, 2016, proposed dividend is not recognised as a liability as on March 31, 2018 and March 31, 2017.

Dividend paid during the year ended March 31, 2018 represents dividend of ₹ 304.78 crore pertaining to previous year. Dividend paid during the year ended March 31, 2017 of ₹ 0.03 crore represents dividend paid pursuant to exercise of employee stock options after the previous year end but before the record date for declaration of dividend.

18.55 SMALL AND MICRO INDUSTRIES

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments.

18.56 DISCLOSURE ON FACTORING

As per the RBI circular Ref No. DBR.No.FSD.BC.32/24.01.007/2015-16 dated July 30, 2015, banks are required to disclose factoring exposures. Receivables acquired under factoring are treated as part of loans and advances and reported under the head 'Bills Purchased and Discounted' in Schedule 9 of the Balance Sheet. The Bank has factoring exposure of ₹ 1,383.64 crore (Previous Year ₹ 512.85 crore) and outstanding of ₹ 1,048.88 crore (Previous Year ₹ 332.61 crore) as on March 31, 2018.

18.57 INVESTOR EDUCATION AND PROTECTION FUND

There were no amounts which were required to be transferred to the Investor Education and Protection Fund.

18.58 DESCRIPTION OF CONTINGENT LIABILITIES

- i **Claims against the Bank not acknowledged as debts**
The Bank is a party to taxation matters which are in dispute and are under appeal. The demands have been partly paid / adjusted and will be received as refund if the matters are decided in favour of the Bank.
- ii **Liability for partly paid investments**
This represents amounts remaining unpaid towards liability for partly paid investments. These payment obligations of the Bank do not have any profit / loss impact.
- iii **Liability on account of forward exchange and derivative contracts**
The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest / principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. Interest rate futures are standardised, exchange-traded contracts that represent a pledge to undertake a certain interest rate transaction at a specified price, on a specified future date. Forward rate agreements are agreements to pay or receive a certain sum based on a differential interest rate on a notional amount for an agreed period. A foreign currency option is an agreement between two parties in

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED MARCH 31, 2018

which one grants to the other the right to buy or sell a specified amount of currency at a specific price within a specified time period or at a specified future time. An exchange traded currency option contract is a standardised foreign exchange derivative contract, which gives the owner the right, but not the obligation, to exchange money denominated in one currency into another currency at a pre-agreed exchange rate on a specified date on the date of expiry. Currency Futures contract is a standardised, exchange-traded contract, to buy or sell a certain underlying currency at a certain date in the future, at a specified price.

iv Guarantees given on behalf of constituents

As a part of its banking activities, the Bank issues guarantees on behalf of its customers to enhance their credit standing. Guarantees represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.

v Acceptances, endorsements and other obligations

These includes documentary credit issued by the Bank on behalf of its customers and bills drawn by the Bank's customers that are accepted or endorsed by the Bank.

vi Other items

Other items represent estimated amount of contracts remaining to be executed on capital account.

18.59 COMPARATIVE FIGURES

Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

For Deloitte Haskins & Sells
Chartered Accountants

Kalpesh J. Mehta
Partner
(Membership No. 48791)

Mumbai | April 24, 2018

For and on behalf of the Board of Directors of
IDFC Bank Limited

Veena Mankar
Chairperson

Abhijit Sen
Director

Bipin Gemani
Chief Financial Officer

Rajiv B. Lall
Founder Managing Director & CEO

Sunil Kakar
Director

Mahendra N. Shah
Company Secretary & Chief Compliance Officer

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF IDFC BANK LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **IDFC BANK LIMITED** (hereinafter referred to as "the Holding Company/Bank") and its subsidiary (the Bank and its subsidiary together referred to as "the Group") and its associates, which includes the Group's share of loss in its associates comprising of the Consolidated Balance Sheet as at 31 March, 2018, the Consolidated Profit and Loss Account, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements")

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its associates and in accordance with provisions of Section 29 of the Banking Regulation Act, 1949, the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act read with the Companies (Accounting Standards) Rules, 2006, as amended ("Accounting Standards"), and guidelines issued by the Reserve Bank of India as applicable to the respective entities. The respective Board of Directors of the companies included in the Group and of its associates are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its associates and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, and evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditor in terms of their report referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

Opinion

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of the reports of other auditor on separate financial statements of the subsidiary referred to in the Other matters paragraph below, the aforesaid consolidated financial statements give the information required by the Banking Regulation Act, 1949 and the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its associates as at 31 March, 2018 and their consolidated profit and their consolidated cash flows for the year ended on that date.

Other Matters

- (a) We did not audit the financial statements of a subsidiary, whose financial statements reflect total assets of ₹ 22,914.98 lacs as at 31 March, 2018, total revenues of ₹ 17,729.99 lacs and net cash (outflows) amounting to ₹ (10,596.11) lacs for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditor whose report has been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary, and our report in terms of subsection (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary is based solely on the report of the other auditor.
- (b) The consolidated financial statements also include the Group's share of net loss of ₹ 7,556.59 lacs for the year ended 31 March, 2018, as considered in the consolidated financial statements, in respect of two associates, whose financial statements have not been audited by us. These financial statements are unaudited and have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of the associates, is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditor and the financial statements certified by the Management.

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit and on the consideration of the reports of the other auditor on separate financial statements and the other financial information of the subsidiary and associates, referred in the Other Matters paragraph above we report, to the extent applicable, that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
- (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the report of the other auditor.
- (c) The Consolidated Balance Sheet, the Consolidated Profit and Loss Account, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

- (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards prescribed under Section 133 of the Act.
- (e) On the basis of the written representations received from the directors of the Bank as on 31 March, 2018 taken on record by the Board of Directors of the Bank and the reports of the statutory auditor of its subsidiary company incorporated in India, none of the directors of the Group companies incorporated in India is disqualified as on 31 March, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our separate Report in "Annexure A", which is based on the auditors' report of the Bank and the subsidiary company. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of internal financial controls over financial reporting of the Bank and its subsidiary company incorporated in India.
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its associates.
 - ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.
 - iii. There were no amounts, which were required to be transferred to the Investor Education and Protection Fund by the Bank, and its subsidiary company and associates.

For **DELOITTE HASKINS & SELLS**

Chartered Accountants

(Firm's Registration No. 117365W)

Kalpesh J. Mehta

Partner

(Membership No. 48791)

Mumbai, April 24, 2018

ANNEXURE “A” TO THE INDEPENDENT AUDITORS’ REPORT

(Referred to in paragraph 1(f) under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

In conjunction with our audit of the consolidated financial statements of the Bank as of and for the year ended March 31, 2018, we have audited the internal financial controls over financial reporting of IDFC Bank Limited (hereinafter referred to as “the Holding Company”) and its subsidiary company, which are companies incorporated in India, as of that date.

Management’s Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding company and its subsidiary company, which is a company incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective Companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India (ICAI).” These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013, the Banking Regulation Act, 1949 and the guidelines issued by the Reserve Bank of India.

Auditor’s Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Holding Company and its subsidiary company, which is a company incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing, prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditor of the subsidiary company which is a company incorporated in India, in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Holding Company and its subsidiary company, which is a company incorporated in India.

Meaning of Internal Financial Controls Over Financial Reporting

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

ANNEXURE “A” TO THE INDEPENDENT AUDITORS’ REPORT

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditor referred to in the Other Matters paragraph below, the Holding Company and its subsidiary company, which is a company incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note.

Other Matters

Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to the subsidiary company, which is a company incorporated in India, is based solely on the corresponding reports of the auditor of such company incorporated in India.

Our opinion is not modified in respect of the above matters.

For **DELOITTE HASKINS & SELLS**

Chartered Accountants
(Firm’s Registration No.117365W)

Kalpesh J. Mehta

Partner
(Membership No. 48791)

Mumbai, April 24, 2018

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2018

PARTICULARS	SCHEDULE NO.	AS AT	AS AT
		MARCH 31, 2018	MARCH 31, 2017
		(₹ IN THOUSANDS)	(₹ IN THOUSANDS)
CAPITAL AND LIABILITIES			
Capital	1	34,040,749	33,990,062
Employees' stock options outstanding	1a	-	10,714
Reserves and surplus	2	118,700,312	112,772,506
Deposits	3	480,394,414	400,978,295
Borrowings	4	572,870,654	502,621,857
Other liabilities and provisions	5	57,813,793	70,269,682
TOTAL		1,263,819,922	1,120,643,116
ASSETS			
Cash and balances with Reserve Bank of India	6	30,210,987	29,951,365
Balances with banks and money at call and short notice	7	18,557,175	21,449,912
Investments	8	609,044,180	501,641,112
Advances	9	521,648,881	494,016,832
Fixed assets	10	8,002,591	7,988,695
Other assets	11	76,356,108	65,595,200
TOTAL		1,263,819,922	1,120,643,116
Contingent liabilities	12	2,156,950,918	2,037,000,515
Bills for collection		-	-
Significant accounting policies and notes to accounts	17 & 18		
The schedules referred to above form an integral part of the Balance Sheet.			

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Kalpesh J. Mehta
Partner
(Membership No. 48791)

Mumbai | April 24, 2018

For and on behalf of the Board of Directors of
IDFC Bank Limited

Veena Mankar
Chairperson

Abhijit Sen
Director

Bipin Gemani
Chief Financial Officer

Rajiv B. Lall
Founder Managing Director & CEO

Sunil Kakar
Director

Mahendra N. Shah
Company Secretary & Chief Compliance Officer

CONSOLIDATED PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2018

	SCHEDULE NO.	YEAR ENDED MARCH 31, 2018 (₹ IN THOUSANDS)	YEAR ENDED MARCH 31, 2017 (₹ IN THOUSANDS)
I INCOME			
Interest earned	13	90,984,723	85,782,765
Other income	14	11,198,743	10,190,983
TOTAL		102,183,466	95,973,748
II EXPENDITURE			
Interest expended	15	71,259,628	65,154,729
Operating expenses	16	17,969,066	13,321,116
Provisions and contingencies	18.04	3,399,966	6,870,460
TOTAL		92,628,660	85,346,305
Net Profit before Share in Profit in associates		9,554,806	10,627,443
Add : Share in loss of associates		(755,659)	(440,627)
III CONSOLIDATED PROFIT FOR THE YEAR ATTRIBUTABLE TO THE GROUP		8,799,147	10,186,816
Balance in profit and loss account brought forward from previous year		16,458,662	12,129,256
IV AMOUNT AVAILABLE FOR APPROPRIATION		25,257,809	22,316,072
V APPROPRIATIONS :			
Transfer to statutory reserve	18.05	2,150,000	2,550,000
Transfer (from)/to investment reserve	18.05	(5,500)	5,500
Transfer to capital reserve	18.05	2,020,000	55,000
Transfer to special reserve	18.05	750,000	3,250,000
Proposed dividend (includes tax on dividend)	18.13	3,070,472	263
Share of movement in reserves of associate		508	(3,353)
Balance in profit and loss account carried forward		17,272,328	16,458,662
TOTAL		25,257,809	22,316,072
VI EARNINGS PER EQUITY SHARE	18.07		
(Face value ₹ 10 per share)			
Basic (₹)		2.59	3.00
Diluted (₹)		2.58	2.98
Significant accounting policies and notes to accounts	17 & 18		
The schedules referred to above form an integral part of the Profit and Loss Account			

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Kalpesh J. Mehta
Partner
(Membership No. 48791)

Mumbai | April 24, 2018

For and on behalf of the Board of Directors of
IDFC Bank Limited

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Director

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Chief Financial Officer

Rajiv B. Lall
Founder Managing Director & CEO

Sunil Kakar
Director

Mahendra N. Shah
Company Secretary & Chief Compliance Officer

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2018

	SCHEDULE NO.	YEAR ENDED MARCH 31, 2018 (₹ IN THOUSANDS)	YEAR ENDED MARCH 31, 2017 (₹ IN THOUSANDS)
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit before taxes		10,596,057	14,696,794
Adjustments for :			
Depreciation on fixed assets	16 (V)	1,682,136	1,359,308
Provision for / (release of) depreciation in value of investments	18.04	(1,713,901)	1,102,403
Amortisation of premium on held to maturity investments		1,135,794	293,121
Write back of provision for non performing advances	18.04	(5,796,120)	(10,623,023)
Additional / (write back) of specific provisions	18.04	(1,085,200)	220,565
Provision on unhedged foreign currency exposure	18.04	53,000	12,094
Loss on sale of fixed assets (net)	14 (IV)	10,450	53,383
Write back of provision for restructured assets	18.04	(400)	(5,175,600)
Bad debts including technical / prudential write off	18.04	9,978,783	18,405
Provision for standard assets	18.04	42,824	(309,240)
Loss on sale of loans to ARC	18.04	-	17,11,999
Other provisions and contingencies	18.04	123,971	2,807
Share in loss of associates		755,659	440,627
Adjustments for :			
(Increase) / decrease in investments (excluding held to maturity investment and investment in subsidiary)		(99,046,559)	(160,941,192)
(Increase) / decrease in advances		(30,729,113)	(38,110,458)
Increase / (decrease) in deposits		79,416,118	318,787,842
(Increase) / decrease in other assets		(9,197,132)	(24,152,616)
Increase / (decrease) in other liabilities and provisions		(12,551,714)	28,935,724
Direct taxes paid (net of refunds)		(3,484,654)	(2,441,485)
Net cash flow generated from / (used in) operating activities (A)		(59,810,001)	141,281,458
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(1,738,108)	(2,696,851)
Proceeds from sale of fixed assets		31,625	24,004
(Increase) / decrease in held to maturity investments		(8,534,570)	(45,246,618)
Goodwill on acquisition of subsidiary		-	(1,259,544)
Net cash flow used in investing activities (B)		(10,241,053)	(49,179,009)
CASH FLOW FROM FINANCING ACTIVITIES			
Increase / (decrease) in borrowings		70,248,797	(68,976,450)
Proceeds from issue of share capital		239,614	257,853
Payment of dividend (including dividend distribution tax)		(3,070,472)	(1,021,644)
Net cash flow generated from / (used in) financing activities (C)		67,417,939	(69,740,241)
Net increase / (decrease) in cash and cash equivalents (A+B+C)		(2,633,115)	22,362,208
Cash and cash equivalents at the beginning of the year		51,401,277	29,039,069
Cash and cash equivalents at the end of the year		48,768,162	51,401,277
Represented by :			
Cash and Balances with Reserve Bank of India	6	30,210,987	29,951,365
Balances with Banks and Money at Call and Short Notice	7	18,557,175	21,449,912
Cash and cash equivalents at the end of the year		48,768,162	51,401,277

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Kalpesh J. Mehta
Partner
(Membership No. 48791)

Mumbai | April 24, 2018

For and on behalf of the Board of Directors of
IDFC Bank Limited

Veena Mankar
Chairperson

Abhijit Sen
Director

Bipin Gemani
Chief Financial Officer

Rajiv B. Lall
Founder Managing Director & CEO

Sunil Kakar
Director

Mahendra N. Shah
Company Secretary & Chief Compliance Officer

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2018

SCHEDULE 1 CAPITAL

	AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
AUTHORISED CAPITAL		
5,000,000,000 equity shares (Previous year: 5,000,000,000 equity shares) of ₹ 10 each	50,000,000	50,000,000
EQUITY SHARE CAPITAL		
Issued, subscribed and paid-up capital ^		
3,404,074,905 equity shares (Previous year: 3,399,006,184 equity shares) of ₹ 10 each, fully paid up	34,040,749	33,990,062
TOTAL	34,040,749	33,990,062

^ Includes 5,068,721 equity shares (Previous Year 6,382,848 equity shares) allotted pursuant to the exercise of options under the Employee Stock Option Scheme.

SCHEDULE 1A EMPLOYEES' STOCK OPTIONS OUTSTANDING

	AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
Employees' stock option outstanding	-	10,714
TOTAL	-	10,714

SCHEDULE 2 RESERVES AND SURPLUS

	AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I STATUTORY RESERVES		
Opening balance	3,730,000	1,180,000
Additions during the year (refer note 18.05)	2,150,000	2,550,000
Deduction during the year	-	-
Closing balance	5,880,000	3,730,000
II CAPITAL RESERVES		
Opening balance	880,000	825,000
Additions during the year (refer note 18.05)	2,020,000	55,000
Deduction during the year	-	-
Closing balance	2,900,000	880,000
III SHARE PREMIUM		
Opening balance	80,116,191	79,912,414
Additions during the year	199,632	203,777
Deduction during the year	-	-
Closing balance	80,315,823	80,116,191
IV GENERAL RESERVE		
Opening balance	6,882,152	6,869,384
Additions during the year (refer note 18.05)	9	12,768
Deduction during the year	-	-
Closing balance	6,882,161	6,882,152
V SPECIAL RESERVE		
Opening balance	4,700,000	1,450,000
Additions during the year (refer note 18.05)	750,000	3,250,000
Deduction during the year	-	-
Closing balance	5,450,000	4,700,000
VI INVESTMENT RESERVE ACCOUNT (IRA)		
Opening balance	5,500	-
Additions during the year (refer note 18.05)	-	5,500
Deduction during the year (refer note 18.05)	(5,500)	-
Closing balance	-	5,500
VII BALANCE IN PROFIT AND LOSS ACCOUNT	17,272,328	16,458,662
TOTAL (I+II+III+IV+V+VI+VII)	118,700,312	112,772,506

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2018

SCHEDULE 3 DEPOSITS

	AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
A I DEMAND DEPOSITS		
(i) From banks	1,520,653	481,593
(ii) From others	19,781,137	12,564,511
II SAVINGS BANK DEPOSITS	35,326,606	7,258,776
III TERM DEPOSITS		
(i) From banks	34,033,515	56,975,808
(ii) From others	389,732,503	323,697,607
TOTAL (I+II+III)	480,394,414	400,978,295
B I Deposits of branches in India	480,394,414	400,978,295
II Deposits of branches outside India	-	-
TOTAL (I+II)	480,394,414	400,978,295

SCHEDULE 4 BORROWINGS

	AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I BORROWINGS IN INDIA		
(i) Reserve Bank of India	94,810,000	-
(ii) Other banks ^	38,451,964	37,308,231
(iii) Other institutions and agencies \$	419,929,623	449,191,140
II BORROWINGS OUTSIDE INDIA *	19,679,067	16,122,486
TOTAL (I + II)	572,870,654	502,621,857
Secured borrowings included in I and II above **	205,335,651	77,764,611

^ Borrowings from banks include long term infrastructure bonds of ₹ 281.50 crore (Previous Year ₹ 281.50 crore).

\$ Borrowings from other institutions and agencies include long term infrastructure bonds of ₹ 10,152.50 crore (Previous Year ₹ 10,152.50 crore) and Bonds under section 80CCF of the Income tax Act, 1961 of ₹ 1,690.05 crore (Previous Year ₹ 1,757.75 crore).

* Borrowings outside India include External Commercial Borrowings (ECB) of ₹ 623.45 crore (Previous Year ₹ 1,330.96 crore).

** Secured borrowings includes borrowings under Collateralised Borrowing and Lending Obligation, market repurchase transactions with banks and financial institutions and transactions under Liquidity Adjustment Facility and Marginal Standing Facility.

SCHEDULE 5 OTHER LIABILITIES AND PROVISIONS

	AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I Bills payable	1,646,260	1,099,957
II Inter-office adjustments (net)	-	-
III Interest accrued	32,459,802	30,597,329
IV Proposed dividend (includes tax on dividend) (refer note 18.14)	-	-
V Contingent provision against standard assets	2,716,876	2,818,296
VI Others (including provisions)	20,990,855	35,754,100
TOTAL (I + II + III + IV + V + VI)	57,813,793	70,269,682

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2018

SCHEDULE 6 CASH AND BALANCES WITH RESERVE BANK OF INDIA

	AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I Cash in hand (including foreign currency notes)	729,234	365,598
II Balances with Reserve Bank of India:		
(i) In current accounts	29,481,753	29,585,767
(ii) In other accounts	-	-
TOTAL (I + II)	30,210,987	29,951,365

SCHEDULE 7 BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

	AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I IN INDIA		
(i) Balance with banks		
(a) In current accounts	212,076	741,518
(b) In other deposit accounts	-	220,010
(ii) Money at call and short notice		
(a) With banks	1,850,000	7,000,000
(b) With other institutions	194,091	10,783,453
TOTAL	2,256,167	18,744,981
II OUTSIDE INDIA		
(i) In current accounts	76,148	56,133
(ii) In other deposit accounts	11,405,625	-
(iii) Money at call and short notice	4,819,235	2,648,798
TOTAL	16,301,008	2,704,931
GRAND TOTAL (I+II)	18,557,175	21,449,912

SCHEDULE 8 INVESTMENTS (NET OF PROVISIONS)

	AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I INVESTMENTS IN INDIA IN :		
(i) Government securities	387,985,608	248,556,534
(ii) Other approved securities	-	-
(iii) Shares (includes equity and preference shares)*	3,731,503	4,908,791
(iv) Debentures and bonds	122,080,787	130,673,982
(v) Others (venture capital funds, mutual funds, commercial papers, certificate of deposits, security receipts, PTC etc.)	95,246,282	117,501,805
TOTAL INVESTMENTS IN INDIA	609,044,180	501,641,112
* Investments in associates ₹ 226.39 crore (Previous Year ₹ 241.31 crore) including goodwill of Nil (Previous Year ₹ 1.23 crore).		
II INVESTMENTS OUTSIDE INDIA IN :		
(i) Government securities (including local authorities)	-	-
(ii) Subsidiaries and/or joint ventures abroad	-	-
(iii) Others	-	-
TOTAL INVESTMENTS OUTSIDE INDIA	-	-
GRAND TOTAL (I+II)	609,044,180	501,641,112

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2018

SCHEDULE 9 ADVANCES (NET OF PROVISIONS)

	AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
A (i) Bills purchased and discounted	31,530,753	14,200,826
(ii) Cash credits, overdrafts and loans repayable on demand	58,030,428	22,625,098
(iii) Term loans	432,087,700	457,190,908
TOTAL	521,648,881	494,016,832
B (i) Secured by tangible assets *	274,120,792	292,239,177
(ii) Covered by bank / government guarantees \$	1,908,640	-
(iii) Unsecured	245,619,449	201,777,655
TOTAL	521,648,881	494,016,832
C I Advances in India		
(i) Priority sector	64,179,608	71,519,365
(ii) Public sector	35,199,879	33,856,070
(iii) Banks	2,415,366	1,559,667
(iv) Others	419,854,028	387,081,730
TOTAL	521,648,881	494,016,832
C II Advances Outside India		
(i) Due from banks	-	-
(ii) Due from others :		
(a) Bills purchased and discounted	-	-
(b) Syndicated loans	-	-
(c) Others	-	-
TOTAL	-	-
GRAND TOTAL (CI+CII)	521,648,881	494,016,832

The above advances are net of provisions of ₹ 1,587.93 crore (Previous Year ₹ 2,229.19 crore).

* Includes advances against book debts

\$ Includes advances against LCs issued by banks

SCHEDULE 10 FIXED ASSETS

	AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I PREMISES (INCLUDING LAND)		
Gross block		
At cost at the beginning of the year	3,005,682	2,921,594
Additions on acquisition of Subsidiary	-	37,614
Additions during the year	1,074	104,843
Deductions during the year	-	(58,369)
TOTAL	3,006,756	3,005,682
Depreciation		
As at the beginning of the year	439,925	402,720
Accumulated depreciation on acquisition of subsidiary	-	-
Charge for the year	52,351	51,621
Deductions during the year	-	(14,416)
Depreciation to date	492,276	439,925
Net block of premises	2,514,480	2,565,757

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2018

	AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
II OTHER FIXED ASSETS (INCLUDING FURNITURE AND FIXTURES) (REFER NOTE 18.11)		
Gross block		
At cost at the beginning of the year	7,761,317	4,671,670
Additions on acquisition of Subsidiary	-	465,136
Additions during the year	1,762,320	2,713,089
Deductions during the year	(221,269)	(88,578)
TOTAL	9,302,368	7,761,317
Depreciation		
As at the beginning of the year	2,397,541	754,137
Accumulated depreciation on acquisition of subsidiary	-	390,861
Charge for the year	1,629,784	1,307,687
Deductions during the year	(179,194)	(55,144)
Depreciation to date	3,848,131	2,397,541
Net block of other fixed assets (including furniture and fixtures)	5,454,237	5,363,776
III CAPITAL WORK-IN-PROGRESS (INCLUDING CAPITAL ADVANCES)	33,874	59,162
GRAND TOTAL (I+II+III)	8,002,591	7,988,695

SCHEDULE 11 OTHER ASSETS

	AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I Inter-office adjustments (net)	-	-
II Interest accrued	13,959,207	11,749,701
III Tax paid in advance / tax deducted at source (net of provisions)	10,092,412	6,589,213
IV Stationery and stamps	567	45
V Non banking assets acquired in satisfaction of claims	-	-
VI Others *	52,303,922	47,256,241
TOTAL	76,356,108	65,595,200

* Includes goodwill on consolidation of ₹ 139.67 crore (Previous Year ₹ 139.67 crore).

SCHEDULE 12 CONTINGENT LIABILITIES

	AS AT MARCH 31, 2018 (₹ IN THOUSANDS)	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I Claims against the group not acknowledged as debts *	1,705,761	1,473,615
II Liability for partly paid investments	1,162,778	2,452,917
III Liability on account of outstanding forward exchange and derivative contracts :		
(a) Forward Contracts	642,282,198	979,287,494
(b) Interest rate swaps, currency swaps, forward rate agreement and interest rate futures	1,035,446,452	757,121,514
(c) Foreign currency options	196,553,003	108,788,055
TOTAL (a+b+c)	1,874,281,653	1,845,197,063
IV Guarantees given on behalf of constituents		
In India	226,081,876	136,747,944
Outside India	-	-
V Acceptances, endorsements and other obligations	52,970,776	49,299,568
VI Other items for which the group is contingently liable (capital commitments) #	748,074	1,829,408
GRAND TOTAL (I+II+III+IV+V+VI)	2,156,950,918	2,037,000,515

* Includes Nil (Previous Year ₹ 0.06 crore) on account of proportionate share in an associate.

Includes Nil (Previous Year ₹ 62.41 crore) on account of proportionate share in an associate.

SCHEDULE 13 INTEREST EARNED

	YEAR ENDED MARCH 31, 2018	YEAR ENDED MARCH 31, 2017
	(₹ IN THOUSANDS)	(₹ IN THOUSANDS)
I Interest / discount on advances / bills	48,901,200	51,323,157
II Income on investments	40,413,069	32,887,822
III Interest on balances with Reserve Bank of India and other inter-bank funds	90,137	586,649
IV Others *	1,580,317	985,137
TOTAL	90,984,723	85,782,765

* Includes interest on income tax refunds amounting to ₹ 41.23 crore (Previous Year ₹ 6.83 crore).

SCHEDULE 14 OTHER INCOME

	YEAR ENDED MARCH 31, 2018	YEAR ENDED MARCH 31, 2017
	(₹ IN THOUSANDS)	(₹ IN THOUSANDS)
I Commission, exchange and brokerage	4,333,405	3,052,034
II Profit / (loss) on sale of investments (net)	3,940,164	5,646,116
III Profit / (loss) on revaluation of investments (net)	-	-
IV Profit / (loss) on sale of premises and other fixed assets (net)	(10,450)	(53,383)
V Profit / (loss) on exchange/derivative transactions (net)	2,911,473	1,526,983
VI Income earned by way of dividends etc. from subsidiaries / companies and / or joint venture abroad / in India	-	-
VII Miscellaneous Income	24,151	19,233
TOTAL	11,198,743	10,190,983

SCHEDULE 15 INTEREST EXPENDED

	YEAR ENDED MARCH 31, 2018	YEAR ENDED MARCH 31, 2017
	(₹ IN THOUSANDS)	(₹ IN THOUSANDS)
I Interest on deposits	26,311,083	13,135,540
II Interest on borrowings from Reserve Bank of India / inter-bank borrowings	3,299,528	5,201,972
III Others	41,649,017	46,817,217
TOTAL	71,259,628	65,154,729

SCHEDULE 16 OPERATING EXPENSES

	YEAR ENDED MARCH 31, 2018	YEAR ENDED MARCH 31, 2017
	(₹ IN THOUSANDS)	(₹ IN THOUSANDS)
I Payments to and provisions for employees	7,863,800	6,149,626
II Rent, taxes and lighting	1,093,957	1,153,227
III Printing and stationery	183,434	97,258
IV Advertisement and publicity	246,390	143,668
V Depreciation on group's property	1,682,136	1,359,308
VI Directors' fees, allowance and expenses	14,551	12,030
VII Auditors' fees and expenses	20,225	20,233
VIII Law charges	73,301	33,763
IX Postage, telegrams, telephones etc.	326,615	177,956
X Repairs and maintenance	327,304	308,018
XI Insurance	375,275	158,702
XII Other expenditure	5,762,078	3,707,327
TOTAL	17,969,066	13,321,116

17 SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018
A. BACKGROUND

IDFC Bank Limited ("the Bank") was incorporated on October 21, 2014 as a Company under the Companies Act, 2013. Further, the Bank commenced its banking operations on October 1, 2015 after receiving universal banking license from the Reserve Bank of India ("the RBI") on July 23, 2015. The Bank has 150 branches in India. The Bank's shares are listed on National Stock Exchange of India Limited and BSE Limited.

During the year ended March 31, 2017, the Bank acquired 100% equity share capital of IDFC Bharat Limited (formerly known as Grama Vidiyal Micro finance Limited). IDFC Bharat Limited now operates as a business correspondent.

B. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of IDFC Bank Limited ("the Holding company") and its subsidiary, which together constitute 'the Group'.

The Bank consolidates its subsidiary in accordance with AS-21, Consolidated Financial Statements notified under Section 133 of the Companies Act, 2013 read together with para 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 on a line-by-line basis by adding together the like items of assets, liabilities, income and expenditure. All significant inter-company accounts and transactions are eliminated on consolidation. Further, the Bank accounts for investments in associates in accordance with AS-23, Accounting for Investments in Associates in Consolidated Financial Statements, notified under Section 133 of the Companies Act, 2013 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 using the equity method of accounting.

C. BASIS OF PREPARATION

The financial statements have been prepared based on historical cost convention and accrual basis of accounting in accordance with the requirements prescribed under Section 29 and third schedule of the Banking Regulation Act, 1949 and in conformity with Generally Accepted Accounting Principles in India to comply with the statutory requirements prescribed under the circulars and guidelines issued by the RBI from time to time and the Accounting Standards notified under section 133 of the Companies Act, 2013, to the extent applicable and practices generally prevalent in the banking industry in India.

The consolidated financial statements present the accounts of IDFC Bank Limited, IDFC Bharat Limited and its associates for the full year.

NAME	RELATION	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST	
			MARCH 31, 2018	MARCH 31, 2017
IDFC Bharat Limited (formerly known as Grama Vidiyal Micro Finance Limited)	Subsidiary	India	100.00%	100.00%
Millennium City Expressways Private Limited	Associate	India	29.98%	29.98%
Feedback Infra Private Limited	NA*	India	17.77%	24.61%

The audited financial statements of the subsidiary company and the un-audited financial statements of associate have been drawn up to the same reporting date as that of the Bank, i.e. March 31, 2018

* During the year ended March 31, 2018, the Bank sold partial stake in Feedback Infra Private Limited, an associate, which resulted in change in its holding from 24.61% to 17.77%. Accordingly, as per AS-23 on Accounting for Investment in Associates, Feedback Infra Private Limited is no longer an associate with effect from March 19, 2018.

D. USE OF ESTIMATES

The preparation of financial statements in conformity with the Generally Accepted Accounting Principles requires the Management to make estimates and assumptions that affects the reported amount of assets and liabilities, revenues and expenses and disclosure of contingent liabilities at the date of the financial statements. The management believes that the estimates used in preparation of financial statements are prudent and reasonable. Actual results could differ from those estimates and the differences between the actual results and the estimates would be recognised in the periods in which the results are known / materialised.

E. SIGNIFICANT ACCOUNTING POLICIES :

17.1 INVESTMENTS

Classification :

In accordance with the RBI Guidelines on investment classification and valuation; Investments are classified into:

- Held for Trading (HFT),
- Available for Sale (AFS) and
- Held to Maturity (HTM).

Reclassification of securities if any, in any categories are accounted for as per the RBI guidelines. However, for disclosure in the Balance Sheet, investments in India are classified under six categories - Government Securities, Other approved securities, Shares, Debentures and Bonds, Investment in Subsidiaries/Joint Ventures and Others.

Basis of classification and accounting :

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category. Further, as per the RBI guidelines, HFT securities, which remain unsold for a period of 90 days are reclassified to AFS category. Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments which are not classified in either of the above categories are classified under AFS category. Investments are recorded on value date except for equity shares which are recorded on trade date.

Cost of acquisition :

- Cost including brokerage and commission pertaining to investments paid at the time of acquisition are charged to the Profit and Loss Account.
- Cost of investments is computed based on First in First out method for all categories of Investments including short sales.
- Broken period interest (the amount of interest from the previous interest payment date till the date of purchase / sale of instrument) on debt instrument is treated as a revenue item.

Valuation :

Investments classified under HTM category are carried at their acquisition cost and not marked to market. Any premium on acquisition is amortised over the remaining maturity period of the security on a straight line method basis. Such amortisation of premium is adjusted against interest income under the head "Income from investments" as per the RBI guidelines. Any diminution, other than temporary, in the value of investments in HTM Category is provided for, while discount is not accreted.

Investments classified under AFS and HFT categories are marked to market as per the RBI guidelines. Traded investments are valued based on the trades / quotes on the recognised stock exchanges, or prices/yields declared by Primary Dealers Association of India (PDAI) jointly with Fixed Income Money Market and Derivatives Association ('FIMMDA') / Financial Benchmark India Pvt. Ltd. ('FBIL'), periodically.

- The market value of unquoted government securities which qualify for determining the Statutory Liquidity Ratio ('SLR') included in the AFS and HFT categories is computed as per the Yield-to-Maturity ('YTM') rates published by FIMMDA / FBIL.
- The valuation of other unquoted fixed income securities (viz. State Government securities, Other approved securities, Bonds and Debentures) and preference shares, wherever linked to the YTM rates, is done with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for government securities published by FIMMDA / FBIL.
- Unquoted equity shares are valued at the break-up value, if the latest balance sheet is available or at ₹ 1 as per the RBI guidelines in case the latest balance sheet is not available.
- Units of mutual funds are valued at the latest repurchase price / net asset value ('NAV') declared by the mutual fund.
- Treasury Bills, Commercial Papers and Certificate of Deposits being discounted instruments, are valued at carrying cost. Accretion of discount on discounted Money Market Securities is computed on straight line method and for long term discounted securities, constant YTM method is used.
- Security receipts ('SR') are valued as per NAV as provided by the Reconstruction Company ('RC') / Securitization Company ('SC').
- Units of Venture Capital Funds ('VCF') and Alternate Investment Fund ('AIF') held under AFS category are marked to market based on the NAV provided by VCF/AIF based on the latest audited financial statements. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1 per VCF/AIF. Banks' investments in units of VCFs is classified under HTM for an initial period of three years and valued at cost during this period, in accordance with the RBI guidelines.
- Priority Sector Pass Through Certificates (PTC) are valued at book value as per FIMMDA guidelines.

Securities are valued script wise and depreciation / appreciation is aggregated for each category. Net depreciation, if any, compared to the acquisition cost, in any of the categories, is charged to the Profit and Loss Account. The net appreciation in each category, if any, is not recognised except to the extent of depreciation already provided. The valuation of investments includes securities under repo transactions.

Non-performing investments are identified and depreciation / provision is made thereon based on the RBI guidelines. The depreciation / provision is not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is recognised on cash basis.

Short sales :

The Group undertakes short sale transactions in Central Government dated securities in accordance with RBI guidelines and these are shown under Schedule 8 - Investments. The short position is marked to market along with other securities in that category and loss, if any, is charged to the Profit and Loss Account while gain, if any, is ignored. Profit / loss on settlement of the short position are recognised in the Profit and Loss Account.

Repo and Reverse Repo Transaction :

In accordance with the RBI guidelines Repo and Reverse Repo transactions in government securities and corporate debt securities, including transactions conducted under Liquidity Adjustment Facility ('LAF') and Marginal Standing Facility ('MSF') with RBI are reflected as borrowing and lending transactions respectively. Borrowing cost on repo transactions is accounted as interest expense and revenue on reverse repo transactions are accounted as interest income.

17.2 ADVANCES

In accordance with the RBI guidelines, advances are classified as performing and non-performing. Non-Performing advances are further classified as Sub-Standard, Doubtful and Loss Assets in accordance with the RBI guidelines on Income Recognition and Asset Classification ('IRAC'). In addition, based on extant environment or specific information on risk of possible slippages or current pattern of servicing, the Bank makes provision on specific advances in infrastructure sector which are classified as standard advances as these are not non-performing advances ('identified advances'). Advances are stated net of NPA provisions, provision against identified advances, provisions for funded interest term loan classified as non-performing advances, claims received from Export Credit Guarantee Corporation of India Ltd. (ECGC) and provisions in lieu of diminution in the fair value of restructured asset.

The Group makes general provisions on all standard advances based on the rates under each category of advance as prescribed by the RBI. In addition, the Bank makes provisions for standard assets in telecom sector and other stressed sectors, at rates higher than the regulatory minimum, based on evaluation of risk and stress as per the Board approved policy. The provision on standard advances is not reckoned for arriving at net NPAs. The provision against standard advances (other than provision against identified advances) is shown separately as "Contingent Provisions against Standard Assets" under "Schedule 5 - Other Liabilities".

Legacy advances in infrastructure sector transferred to IDFC Bank on demerger of financing undertaking from IDFC Limited ('identified advances') carries provisions on a prudent basis based on assessment of risk relating to possible slippages, extant environment, specific information or pattern of servicing. These provisions being specific in nature are netted off from gross advances. These provisions are reviewed and reassessed atleast once a year.

Specific loan loss provisions in respect of non-performing advances are made based on management's assessment of the degree of impairment of wholesale and retail advances, subject to the minimum provisioning level prescribed by the RBI. These provisions are reviewed and reassessed atleast once a year.

In case of corporate loans, provision is made for sub-standard, doubtful and loss assets at the rates prescribed by the RBI or higher as approved by the management. Provision on retail loans and advances, subject to minimum provisioning requirement of the RBI are assessed at borrower level, on the basis of ageing of loans based on internal provisioning policy of the Bank.

The RBI has revised 'Framework for Resolution of Stressed Assets' and extant instructions on resolution of stressed assets such as Framework for Revitalising Distressed Assets, Corporate Debt Restructuring Scheme, Flexible Structuring of Existing Long-Term Project Loans, Strategic Debt Restructuring Scheme (SDR), Change in Ownership outside SDR and Scheme for Sustainable Structuring of Stressed Assets (S4A) stand withdrawn with immediate effect from February 12, 2018. Also, Joint Lenders Forum (JLF) as an institutional mechanism for resolution of stressed accounts stands discontinued.

As per the revised framework, the Group is required to form a Resolution Plan ('RP') for a borrower who defaults in repayment of debt.

- i. In respect of large borrower accounts (with aggregate exposure of lenders at ₹ 2,000 crore and above, on or after March 1, 2018), the Bank is required to implement RP within 180 days from the reference date, failing which, the Bank is required to file an insolvency application, singly or jointly, under the Insolvency and Bankruptcy Code 2016 (IBC).
- ii. In respect of borrower accounts having aggregate exposure of lenders below ₹ 2,000 crore, the Bank is required to adopt a Board Approved Policy for the implementation of RP.

As per the revised framework, asset classification and provisioning in respect of exposure to borrower entities against whom insolvency applications are filed under the IBC shall be as per the extant IRAC guidelines. RBI has also revised prudential norms applicable to any restructuring, whether under the IBC framework or outside the IBC framework.

As per the revised framework in case of restructuring: -

i. Asset Classification:

- a) The accounts classified as 'standard' shall be immediately downgraded as NPAs.
- b) The non-performing assets, upon restructuring, would continue to have the same asset classification as prior to restructuring. In both cases, the asset classification shall continue to be governed by the ageing criteria as per extant IRAC guidelines.

ii. Condition for Upgrade:

- a) Restructured accounts may be upgraded only on 'satisfactory performance' (i.e. the payments in respect of borrower entity are not in default at any point of time) during the 'specified period' (i.e. the date by which atleast 20% of the outstanding principal debt and interest capitalization sanctioned as part of restructuring, is repaid).
- b) In case of large borrower accounts (accounts where aggregate exposure is more than ₹ 100 crore), to qualify for an upgrade, in addition to demonstration of satisfactory performance, the credit facilities of the borrower shall also be rated as investment grade (BBB- or better) as at the end of the specified period. Accounts with aggregate exposure of ₹ 500 crore and above shall require two ratings.
- c) In case satisfactory performance during the specified period is not demonstrated, the account shall, immediately on such default, be reclassified as per the repayment schedule that existed before the restructuring. Any future upgrade for such accounts shall be contingent on implementation of a fresh RP and demonstration of satisfactory performance thereafter.

- iii. Any additional finance approved under the RP (including any resolution plan approved by the Adjudicating Authority under IBC) may be treated as 'standard asset' during the specified period under the approved RP, provided the account performs satisfactorily during the specified period. If the restructured asset fails to perform satisfactorily during the specified period or does not qualify for upgradation at the end of the specified period, the additional finance shall be placed in the same asset classification category as the restructured debt.

In the event of substantial erosion in value of loan and remote possibility of collection, non performing loans with adequate provisions are evaluated for technical / prudential write off based on Group's policy and RBI guidelines. Such write off does not have an impact on the Group's legal claim against the borrower. The Group may also write off non performing loans on one time settlement (OTS) with the borrower. Amounts recovered against debts written off in earlier years are recognised in the Profit and Loss Account and included under Other Income.

Provision for Unhedged Foreign Currency Exposure of borrowers is made as per the RBI guidelines and disclosed under Contingent Provision against Standard Assets. In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country as per the RBI guidelines). The countries are categorised into seven risk categories as mentioned in the ECGC guidelines namely insignificant, low, moderate, high, very high, restricted and off-credit and provision is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 180 days, 25% of the normal provision requirement is held. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposure.

17.3 REVENUE RECOGNITION

Interest income :

Interest Income is recognised on accrual basis in the Profit and Loss Account, except in the case of Non-Performing Assets (NPAs) and identified advances, where it is recognised upon realisation. The unrealised interest, fees and charges booked in respect of NPAs and identified advances is reversed and recognised on cash basis.

Interest Income on coupon bearing securities is recognised over the tenure of the instrument on a straight line method and on non-coupon bearing securities over the tenure on yield basis. Any premium on acquisition of securities held under HTM category is amortised over the remaining maturity period of the security on a straight line method basis.

Dividend on equity shares, preference shares and on mutual fund units is recognised as income when the right to receive the dividend is established.

Fees and charges :

Loan originating fees, when it becomes due, is recognised upfront as income. Arrangership / syndication fee is recognised as income on completion of the significant act / milestone and when right to recovery is established. Fee and commission income is recognised as income when due and reasonable right of recovery is established and can be reliably measured.

Commission received on guarantees and letter of credit issued is recognised on straight line basis over the period of the contract or the period for which commission is received except for commission not exceeding ₹ 25 lacs which is recognised when due, unless the Bank is uncertain of ultimate collection.

Fee on rescheduling of outstanding debt is recognised on accrual basis over the period of time covered by the rescheduled extension period. Underwriting fees is recognised as income on closure of issue and revenue can be reliably measured. All other fees and charges is recognised as and when they become due and revenue can be reliably measured and reasonable right of recovery is established.

Investments :

Profit / loss on sale of investments under the HTM, AFS and HFT categories are recognised in the Profit and Loss Account. The profit from sale of investment under HTM category is appropriated from Profit and Loss Account to "Capital Reserve" (net of applicable taxes and transfer to Statutory Reserve) in accordance with the RBI guidelines. Losses are recognised in the Profit and Loss Account.

Exchange gain or loss arising on account of revaluation of monetary assets and liabilities is recognised in the Profit and Loss Account as per the revaluation rates published by Foreign Exchange Dealers' Association of India (FEDAI).

Other operating income :**Securitisation transactions :**

Net income arising on account of sale of standard asset, being the difference between the sale consideration and book value, is amortised over the life of the securities issued by the Special Purpose Vehicle (SPV). Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs.

In case of Non-Performing Assets sold to Securitisation Company (SC) / Reconstruction Company (RC) for cash, excess provision is reversed to Profit and Loss Account. Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs. If sale is against issuance of SRs by SC / RC, the sale will be recognised at lower of redemption value of SRs and net book value of financial asset sold. On realisation, the proceeds are reduced against the carrying value of SRs and surplus, if any, is recognised in the Profit and Loss Account.

Direct Assignments :

Profit / premium arising on account of sale of standard asset, being the difference between the sale consideration and book value, is amortised over the residual life of the loan. Any loss arising on account of sale is recognised in the Profit and Loss Account in the year in which the sale occurs. In case of gain on sale of non-performing assets, the excess provision shall not be reversed but will be utilised to meet the shortfall / loss on account of sale of other non-performing financial assets and shortfall if any is charged to the Profit and Loss Account.

17.4 PRIORITY SECTOR LENDING CERTIFICATES (PSLCs)

The Holding Company may enter into transactions for the purchase or sale of Priority Sector Lending Certificates (PSLCs). In case of a purchase transaction, the Holding Company buys the fulfillment of priority sector obligation and in case of a sale transaction, the Holding Company sells the fulfillment of priority sector obligation through the RBI trading platform. There is no transfer of underlying risk or loan assets. Fees paid for purchase of the PSLCs is recorded as 'Other Expenditure' and fees received for the sale of PSLCs is recorded as 'Miscellaneous Income' in Profit and Loss Account.

17.5 TRANSACTIONS INVOLVING FOREIGN EXCHANGE

Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction. Monetary foreign currency assets and liabilities of domestic and integral foreign operations are translated at closing exchange rates notified by FEDAI. The resulting gain or loss on revaluation are included in the Profit and Loss Account in accordance with the RBI / FEDAI guidelines. The forward exchange contracts of longer maturities where exchange rates are not notified by FEDAI are revalued at the forward exchange rates implied by the swap curves in respective currencies. The resultant gains or losses are recognized in the Profit and Loss Account.

Premium / discount on currency swaps undertaken to hedge foreign currency assets and liabilities and funding swaps is recognized as interest income / expense on accrual basis and is amortized on a pro-rata basis over the underlying swap period.

Contingent liabilities on account of forward exchange and derivative contracts, guarantees, acceptances, endorsements and other obligations denominated in foreign currencies are disclosed at closing rates of exchange notified by FEDAI.

17.6 ACCOUNTING FOR DERIVATIVE TRANSACTIONS

Derivative transactions comprises of forward contracts, futures, swaps and options. The Group undertakes derivative transactions for trading and hedging on-balance sheet assets and liabilities. All trading transactions are marked to market and resultant gain or loss is recognized in the Profit and Loss Account.

For hedge transactions, the Group identifies the hedged item (asset or liability) and assesses the effectiveness at inception as well as at each reporting date. Funding swaps are accounted in accordance with FEDAI guidelines. The Hedge swaps and funding swaps are accounted on accrual basis except the swap designated with an asset or liability that is carried at lower of cost or market value in the financial statements. In such cases swaps are marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated asset or liability. Any resultant profit or loss on termination of hedge swaps is amortized over the life of the swap or underlying liability whichever is shorter. Upon ineffectiveness of hedge on re-assessment or termination of underlying, the Bank shall de-designate the derivative as trade.

Premium in option transaction is recognized as income / expense on expiry or early termination of the transaction. Mark to market gain / loss (adjusted for premium received / paid on options contracts) is recorded as other income. The amounts received / paid on cancellation of option contracts are recognized as realized gain / loss on options. Pursuant to the RBI guidelines, any receivables under derivative contracts which remain overdue for more than 90 days and mark to market gains on other derivative contracts with the same counter-parties are reversed in Profit and Loss Account.

Currency futures contracts are marked to market using daily settlement price on a trading day, which is the closing price of the respective futures contracts on that day. All open positions are marked to market based on the settlement price and the resultant marked to market profit/loss settled with the exchange. Charges receivable / payable on cancellation / termination of foreign exchange forward contracts is recognized as income / expense on the date of cancellation / termination under 'Other Income'.

Valuation of Exchange Traded Currency Options (ETCO) is carried out on the basis of the daily settlement price of each individual option provided by the exchange and valuation of Interest Rate Futures (IRF) is carried out on the basis of the daily settlement price of each contract provided by the exchange.

As per the RBI guidelines on 'Prudential Norms for Off Balance Sheet Exposures of Banks' a general provision is made on the current gross MTM gain of the contract for all outstanding interest rate and foreign exchange derivative transactions. For provisioning purpose, the credit exposure for all the counterparties except Qualified Central Counter Party (QCCP) are calculated at deal level, i.e. Gross Positive MTM after netting of margin to the extent of Positive MTM. The credit exposure reckoned for standard provisioning on QCCP is calculated at counterparty level i.e. Net Positive MTM.

17.7 FIXED ASSETS AND DEPRECIATION

Fixed assets are carried at cost of acquisition or construction less accumulated depreciation and impairment, if any. Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset.

Depreciation is charged over the estimated useful life of a fixed asset on a straight-line basis. The rates of depreciation for fixed assets, which are not lower than the rates prescribed in Part C of Schedule II of the Companies Act, 2013, are given below :

ASSET	ESTIMATED USEFUL LIFE
Building - RCC Frame	60 Years
Building - Other than RCC Frame	30 Years
Computers - Desktops, Laptops, End User Devices	3 Years
Computers - Server & Network	6 Years
Vehicles	4 Years to 8 years
Furniture	10 Years
Office Equipment	5 Years
Leasehold Improvements	Over the extended period of lease
Others (including software and system development)	5 years

All fixed assets individually costing less than ₹ 5,000 are fully depreciated in the year of installation.

Depreciation on assets sold during the year is recognized on a pro-rata basis to the Profit and Loss Account till the date of sale. The Holding Company appropriates the Profit on sale of premises net of taxes and transfer to statutory reserve to Capital Reserve as per the RBI guidelines. The Subsidiary Company recognises the gains or losses arising on the disposal of the tangible assets in the Profit and Loss Account within other income or other expenses, as the case may be.

17.8 INCOME TAX

Income tax expense is the aggregate amount of current tax and deferred tax charge. The current tax expense and deferred tax expense is determined in accordance with the provisions of the Income Tax Act, 1961 and as per Accounting Standard 22 - Accounting for Taxes on Income respectively.

Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future. In case of unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is virtual

certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and appropriately adjusted to reflect the amount that is reasonably / virtually certain to be realized. The impact of changes in the deferred tax assets / liabilities is recognised in the Profit and Loss Account.

17.9 EMPLOYEES' STOCK OPTION SCHEME

The Holding Company has formulated Employees' Stock Option Scheme - IDFC Bank Limited ESOS -2015 ('the Scheme') in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The ESOS provides for the grant of options to acquire equity shares of the Bank to its employees. The options granted to employees vest in a graded manner and these may be exercised by the employees within a specified period.

The Holding Company follows the intrinsic value method to account for its stock-based employee compensation plans. Compensation cost is measured by the excess, if any, of the market price / fair value of the underlying stock over the grant price as determined under the option plan. Compensation cost, if any is amortized over the vesting period on a straight line method. In case the vested stock options expire unexercised, the balance in stock options outstanding is transferred to the general reserve. In case the unvested stock options get cancelled, the balance in stock option outstanding account is transferred to the Profit and Loss Account.

17.10 EMPLOYEE BENEFITS

Defined contribution plan :

The contribution to provident fund, superannuation fund and pension fund are considered as defined plans and are charged to the Profit and Loss Account as they fall due, based on the amount of contribution required to be made and when services are rendered.

Defined benefit plan :

The net present value of obligations towards gratuity to employees is actuarially determined as at the Balance Sheet based on the projected unit credit method. Actuarial gains and losses are recognised in the Profit and Loss Account for the year.

Compensated absences :

Based on the leave rules of the Group, employees are not permitted to accumulate leave for encashment. Any unavailed privilege leave to the extent encashable is paid to the employees and charged to the Profit and Loss Account for the year.

17.11 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A provision is recognised when the Group has a present obligation as a result of past event where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

Provisions for onerous contracts are recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

A disclosure of contingent liability is made when there is :

- a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank; or
- a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

17.12 EARNINGS PER SHARE

The Group reports basic and diluted earnings per share in accordance with AS-20, Earnings Per Share, as notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014. Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per equity share is computed by dividing net profit after tax attributable to equity shareholders by the weighted average number of equity shares and weighted average number of dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

17.13 LEASES

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Amount due under the operating leases, including cost escalation, are charged on a straight line method over the lease term in the Profit and Loss Account. Initial direct cost incurred specifically for operating leases are recognised as expense in the Profit and Loss Account in the year in which they are incurred.

17.14 SEGMENT REPORTING

The disclosure relating to segment information is in accordance with the guidelines issued by RBI and Accounting Standard as notified.

17.15 IMPAIRMENT OF ASSETS

The carrying amount of the assets at each Balance Sheet date is reviewed for impairment. If any indication of impairment based on internal / external factors exists, the recoverable amount of such assets is estimated and impairment is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and its value in use, which is arrived at by discounting the future cash flows to their present value, based on an appropriate discounting factor. If at the Balance Sheet date, there is an indication that previously recognised impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount, subject to a maximum of the depreciable historical cost and reversal of such impairment loss is recognised in the Profit and Loss Account, except in case of revalued assets.

17.16 FRAUD PROVISIONING

As per RBI guidelines, in case of frauds due to the Holding Company or for which the Holding Company is liable, provision needs to be immediately recognised in Profit and Loss Account. However, the banks have an option to make provisions over a period, not exceeding four quarters, commencing from the quarter in which the fraud has been detected.

17.17 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, balances with the RBI, balances with other banks and money at call and short notice.

17.18 CORPORATE SOCIAL RESPONSIBILITY

Expenditure towards corporate social responsibility, in accordance with Companies Act, 2013, are recognised in the Profit and Loss Account.

18 NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

Amounts in notes forming part of the financial statements for the year ended March 31, 2018 are denominated in ₹ crore to conform with the extant RBI guidelines.

18.01 EMPLOYEE BENEFITS

- i The Group has charged the following amounts in the Profit and Loss Account towards contribution to defined contribution plans which are included under schedule 16 (I) :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Provident fund	29.73	24.24
Superannuation fund	1.66	1.33
Pension fund	2.79	2.77

ii **Gratuity**

The following tables summarise the components of net benefit expenses recognised in the Profit and Loss Account and funded status and amounts recognised in the Balance Sheet for the gratuity benefit plan :

Profit and Loss Account

Net employee benefit expenses (recognised in payments to and provisions for employees) :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Current service cost	8.25	6.50
Interest on defined benefit obligation	3.72	2.95
Expected return on plan assets	(3.42)	(2.78)
Net actuarial losses / (gains) recognised in the year	(4.73)	5.96
Past service cost	0.32	-
Losses / (gains) on Acquisition / Divestiture	(0.71)	0.33
Total included in "Employee Benefit Expense" [Schedule 16(I)]	3.43	12.96
Actual return on plan assets	3.19	3.82

Balance Sheet

Details of provision for gratuity :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Fair value of plan assets	46.92	43.70
Present value of funded obligations	(48.14)	(46.38)
Unrecognised Past Service Cost	0.78	-
Net Liability	(0.44)	(2.68)
Amounts in Balance Sheet		
Liabilities	(0.44)	(2.68)
Assets	-	-
Net Liability (included under schedule 5 - other liabilities)	(0.44)	(2.68)

Changes in the present value of the defined benefit obligation are as follows :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Opening defined benefit obligation	46.38	33.40
Current service cost	8.25	6.50
Interest cost	3.72	2.95
Actuarial losses / (gains)	(4.49)	7.09
Past service cost	1.11	-
Actuarial losses / (gains) due to curtailment	(0.47)	-
Liabilities assumed on acquisition / (settled on divestiture)	(0.94)	0.33
Benefits paid	(5.42)	(3.89)
Closing defined benefit obligation	48.14	46.38

Changes in the fair value of plan assets are as follows :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Opening fair value of plan assets	43.70	31.78
Expected return on plan assets	3.42	2.78
Actuarial gains / (losses)	(0.24)	1.13
Contributions by employer	5.69	11.90
Assets acquired on acquisition / (distributed on divestiture)	(0.23)	-
Benefits paid	(5.42)	(3.89)
Closing fair value of plan assets	46.92	43.70
Expected Employers Contribution Next Year	7.93	6.00

Experience adjustments

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Defined benefit obligations	48.14	46.38
Plan assets	46.92	43.70
Surplus / (deficit)	(1.22)	(2.68)
Experience adjustments on plan liabilities	(1.68)	1.29
Experience adjustments on plan assets	(0.16)	1.13

Major categories of plan assets (managed by Insurers) as a percentage of fair value of total plan assets :

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
Government securities	28.84%	27.83%
Bonds, debentures and other fixed income instruments	51.75%	53.16%
Deposits and money market instruments	5.50%	5.89%
Equity shares	13.91%	13.12%

Principal actuarial assumptions at the balance sheet date:

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
Discount rate (p.a.)	7.45% to 8.05%	6.90% to 7.35%
Expected rate of return on plan assets (p.a.)	7.45% to 7.50%	7.50% to 8.20%
Salary escalation rate (p.a.)	8.00%	8.00%

18.02 SEGMENT REPORTING
Business Segments :

The business of the Group is divided into four segments : Treasury, Corporate / Wholesale Banking, Retail Banking and Other Banking Business. These segments have been identified and reported taking into account, the target customer profile, the nature of products and services, the differing risks and returns, the organisation structure, the internal business reporting system and the guidelines prescribed by the RBI.

SEGMENT	PRINCIPAL ACTIVITIES
Treasury	The treasury segment primarily consists of Group's investment portfolio, money market borrowing and lending, investment operations and entire foreign exchange and derivative portfolio of the Group. Revenue of treasury segment consist of interest income on investment portfolio, gains or losses from trading operations, fees on FX & derivative trades and capital market deals. The principal expenses consists of interest expenses from external sources, premises expenses, personnel cost, direct and allocated overheads.
Corporate / Wholesale Banking	The wholesale banking segment provides loans, non-fund facilities and transaction services to corporate relationship not included under Retail Banking, corporate advisory, project appraisal placement and syndication. Revenues of the wholesale banking segment consists of interest earned on loans to customers, interest / fees earned on transaction services, earnings from trade services and other non-fund facilities. The principal expenses of the segment consists of interest expense on funds borrowed from internal segments, premises expenses, personnel costs, other direct overheads and allocated expenses of delivery channels, specialist product groups, processing units and support groups.
Retail Banking	Retail Banking constitutes lending to individuals / business banking customers through the branch network and other delivery channels subject to the orientation, nature of product, granularity of the exposure and the quantum thereof. Revenues of the retail banking segment are derived from interest earned on retail loans and fees from services rendered. Expenses of this segment primarily comprise interest expense on deposits, commission paid to retail assets sales agents, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses of specialist product groups, processing units and support groups.
Other Banking Business	This segment includes revenue from distribution of third party products.
Unallocated	All items which are reckoned at an enterprise level are classified under this segment. This includes assets and liabilities which are not directly attributable to any segment. Revenue & expense of this segment includes income & expenditure which are not directly attributable to any of the above segments. Revenue includes interest on income tax refund and expense of this segment mainly includes employee cost, establishment & technology expense which is not directly attributable to any segment.

Segmental results for the year ended March 31, 2018 are set out below :

PARTICULARS	(₹ IN CRORE)					
	TREASURY	CORPORATE/ WHOLESALE BANKING	RETAIL BANKING	OTHER BANKING BUSINESS	UNALLOCATED	TOTAL
Revenue (i)	6,485.91	4,358.58	959.77	8.04	41.18	11,853.48
Less : inter segment revenue (ii)	-	-	-	-	-	(1,635.13)
TOTAL REVENUE (i-ii)						10,218.35
Segment Results before tax	1,123.74	834.76	(302.75)	(2.11)	(518.47)	1,135.17
Less: Provision for tax	-	-	-	-	-	(179.69)
Net Profit before earnings from Associate						955.48
Add: Share of loss in associate						(75.57)
Net Profit						879.91
Total Segment assets	69,176.49	45,325.99	9,294.72	7.09	2,577.70	126,381.99
Total Segment liabilities	58,918.42	43,448.80	8,615.45	2.11	123.11	111,107.89
Net assets	10,258.07	1,877.19	679.27	4.98	2,454.59	15,274.10
Capital expenditure for the year	0.64	9.09	64.22	0.12	102.27	176.34
Depreciation on fixed assets for the year	1.92	22.88	45.04	0.37	98.00	168.21

Segmental results for the year ended March 31, 2017 are set out below :

PARTICULARS	(₹ IN CRORE)					TOTAL
	TREASURY	CORPORATE/ WHOLESALE BANKING	RETAIL BANKING	OTHER BANKING BUSINESS	UNALLOCATED	
Revenue (i)	6,753.00	5,144.64	293.44	1.15	3.36	12,195.59
Less : inter segment revenue (ii)	-	-	-	-	-	(2,598.22)
TOTAL REVENUE (i-ii)						9,597.37
Segment Results before tax	828.63	1,426.88	(344.12)	1.15	(398.80)	1,513.74
Less: Provision for tax	-	-	-	-	-	(451.00)
Net Profit before earnings from Associate						1,062.74
Add: Share of loss in associate						(44.06)
Net Profit						1,018.68
Total Segment assets	57,962.99	47,658.74	3,961.31	1.15	2,480.12	112,064.31
Total Segment liabilities	49,463.75	44,197.79	3,649.72	-	75.72	97,386.98
Net assets	8,499.24	3,460.95	311.59	1.15	2,404.40	14,677.33
Capital expenditure for the year	0.84	12.95	54.41	-	213.59	281.79
Depreciation on fixed assets for the year	1.60	20.48	23.24	-	90.61	135.93

Geographic segments

The business of the Group is concentrated in India. Accordingly, geographical segment results have not been reported.

18.03 DEFERRED TAX

The major components of deferred tax assets and deferred tax liabilities arising out of timing differences are as under :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Deferred tax assets on account of provisions for loan losses	709.80	951.30
Deferred tax assets on account of provision for diminution in value of investments	426.11	435.39
Deferred tax assets on account of depreciation on fixed assets	0.89	1.35
Deferred tax assets on account of provision for employee benefits	0.53	1.04
Deferred tax assets on account of other contingencies	102.88	40.23
Deferred tax assets (A)	1,240.21	1,429.31
Deferred tax liabilities on account of depreciation on fixed assets	85.27	93.80
Others (special reserve under section 36(1)(viii) of Income Tax Act, 1961)	102.54	101.57
Deferred tax liabilities (B)	187.81	195.37
Net Deferred tax assets (A-B)	1,052.40	1,233.94

18.04 PROVISIONS AND CONTINGENCIES

'Provisions and contingencies' shown under the head expenditure in Profit and Loss Account comprise of :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Provision made towards income tax		
Current tax *	(1.85)	(3.70)
Deferred tax	181.54	454.69
	179.69	450.99
Provisions for / (release of) depreciation on investment	(171.39)	110.24
Write back of provisions for non-performing advances	(579.61)	(1,062.30)
Write back of provisions for restructured assets	(0.04)	(517.56)
Provision for unhedged foreign currency exposure	5.30	1.21
Provision / (write back) of specific provisions	(108.52)	22.06
Provision / (write back) of Standard Asset Provision	4.28	(30.92)
Loss on sale of loans to ARC	-	1,711.20
Bad-debts written off / technical write off	997.88	1.84
Provision and other contingencies	12.40	0.28
TOTAL	339.99	687.04

* net of tax adjustment of prior years of ₹ 62.57 crore (Previous Year ₹ 1.28 crore) relating to Financing Undertaking of IDFC Limited

18.05 DRAW DOWN FROM RESERVES

During the year ended March 31, 2018, the Holding Company has made a draw down out of the Investment Reserve account towards depreciation on investments in AFS and HFT categories in terms of RBI guidelines. During the year ended March 31, 2017, the Group has not undertaken any draw down from reserves.

Appropriation to Reserves
i Statutory Reserve

As mandated by the Banking Regulation Act, 1949, all banking companies incorporated in India shall create a reserve fund, out of the balance of profit of each year as disclosed in the profit and loss account and before any dividend is declared and transfer a sum equivalent to not less than twenty five per cent of such profit. The Group has transferred ₹ 215.00 crore (Previous Year ₹ 255.00 crore) to Statutory Reserve for the year.

ii Investment Reserve Account (IRA)

As per RBI guidelines, if provisions created on account of depreciation in the 'AFS' or 'HFT' categories are found to be in excess of the required amount in any year, the excess shall be credited to the Profit and Loss Account and an equivalent amount (net of taxes, if any and net of transfer to Statutory Reserves as applicable to such excess provision) shall be appropriated to Investment Reserve Account. Further, the Holding company may draw down from the IRA to the extent of provision made during the year towards depreciation in investment in AFS and HFT categories (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provision). During the year ended March 31, 2018, as per RBI guidelines, the Holding company has transferred ₹ 0.55 crore from Investment Reserve Account to Profit and Loss Appropriation Account. During the year ended March 31, 2017, the Holding company has appropriated ₹ 0.55 crore to Investment Reserve Account.

iii Capital Reserve

As per RBI Guidelines, profit / loss on sale of investments in the 'Held to Maturity' category is recognised in the Profit and Loss Account and profit is thereafter appropriated (net of applicable taxes and statutory reserve requirements) to Capital Reserve. Profit / loss on sale of investments in 'Available for Sale' and 'Held for Trading' categories is recognised in the Profit and Loss Account. Accordingly, the Bank has appropriated ₹ 202.00 crore (Previous Year ₹ 5.50 crore) being profit on sale of investments in the HTM category net of applicable taxes and transfer to statutory reserve.

iv Special Reserve

As per the provisions under Section 36(1) (viii) of Income Tax Act, 1961, the specified entity like Banks are allowed the deduction in respect of any special reserve created and maintained by it, i.e. an amount not exceeding twenty per cent of the profits derived from eligible business computed under the head "Profits and gains of business or profession" (before making any deduction under this clause). This would be applicable till the aggregate of the amounts carried to such reserve account from time to time exceeds twice the amount of the paid up share capital (excluding the amounts capitalized from reserves) and general reserves of the entity. During the year, the Group has transferred an amount of ₹ 75.00 crore (Previous Year ₹ 325.00 crore) to Special Reserve.

v General Reserve

During the year, there were certain vested stock options that expired unexercised and hence the balance in stock options outstanding is transferred to the general reserve.

18.06 RELATED PARTY DISCLOSURE :

As per AS-18, Related Party Disclosure, the Group's related parties are disclosed below :

A. ULTIMATE HOLDING COMPANY

IDFC Limited

B. HOLDING COMPANY

IDFC Financial Holding Company Limited

C. FELLOW SUBSIDIARIES

IDFC Alternatives Limited

IDFC Asset Management Company Limited

IDFC AMC Trustee Company Limited

IDFC Finance Limited (Merged with IDFC Projects w.e.f. April 1, 2016)

IDFC Foundation

IDFC Infrastructure Finance Limited

IDFC Projects Limited

IDFC Securities Limited

IDFC Trustee Company Limited

IDFC Capital (USA) Inc.

IDFC Capital (Singapore) Pte. Ltd.

IDFC Investment Managers (Mauritius) Limited

IDFC Securities Singapore Pte. Limited

D. ASSOCIATES

i Direct

Feedback Infra Private Limited (Ceased to be an associate w.e.f. March 19, 2018)

Millennium City Expressways Private Limited

ii Indirect (through fellow subsidiaries)

Jetpur Somnath Tollways Private Limited

Delhi Integrated Multi-Modal Transit System Limited

Infrastructure Development Corporation (Karnataka) Limited

Uttarakhand Infrastructure Development Company Limited (Under Liquidation)

IndianOil LNG Private Limited

E. KEY MANAGEMENT PERSONNEL

Dr. Rajiv B. Lall (Founder Managing Director & Chief Executive Officer)

F. RELATIVES OF KEY MANAGEMENT PERSONNEL

Tara Lall, Ambika Lall, Indrani Gangadhar, Kishen Behari Lall, Bunt Chand, Reena Khanna

In accordance with paragraph 5 and 6 of AS - 18, the Group has not disclosed certain transactions with relatives of key management personnel as they are in the nature of banker-customer relationship.

The significant transactions between the Group and related parties for year ended March 31, 2018 are given below. A specific related party transaction is disclosed as a significant related party transaction wherever it exceeds 10% of all related party transactions in that category:

- **Interest Expense :**
IDFC Financial Holding Company Limited ₹ 6.72 crore (Previous Year ₹ 5.02 crore); IDFC Foundation ₹ 2.01 crore (Previous Year ₹ 2.62 crore)
- **Interest income earned :**
Feedback Infra Private Limited ₹ 13.38 crore (Previous Year ₹ 11.94 crore); Millennium City Expressways Private Limited ₹ 24.64 crore (Previous Year ₹ 38.94 crore)
- **Dividend Income earned:**
Feedback Infra Private Limited ₹ 0.70 crore (Previous Year ₹ 0.60 crore)
- **Receiving of services :**
IDFC Securities Limited ₹ 37.08 crore (Previous Year ₹ 12.66 crore)
- **Rendering of services :**
IDFC Securities Limited ₹ 3.95 crore (Previous Year ₹ 3.73 crore); IDFC Asset Management Company Limited ₹ 1.43 crore (Previous Year ₹ 2.13 crore); IDFC Infrastructure Finance Limited ₹ 1.55 crore (Previous Year ₹ 1.50 Crore)
- **Managerial Remuneration :**
Dr. Rajiv B. Lall ₹ 4.04 crore (Previous Year ₹ 4.65 crore)
- **Sale of investments :**
IDFC Infrastructure Finance Limited ₹ 100.51 crore (Previous Year Nil)
- **Purchase of investments :**
IDFC Limited ₹ 35.05 crore (Previous Year Nil)
- **Advance repaid :**
Millennium City Expressways Private Limited ₹ 28.76 crore (Previous Year ₹ 19.46 crore); Feedback Infra Private Limited ₹ 59.98 crore (Previous Year Nil)
- **Purchase of Fixed Assets :**
Delhi Integrated Multi Modal Transit System Limited ₹ 5.25 Crore (Previous Year Nil)
- **Non Fund based Exposure Issued:**
Feedback Infra Private Limited ₹ 2.74 crore (Previous Year ₹ 9.52 Crore)
- **Investment in related party by Bank :**
Millennium City Expressways Private Limited ₹ 8.10 crore (Previous Year 24.28 crore)
- **Investment of related party in the Bank :**
Dr. Rajiv B. Lall ₹ 0.82 crore (Previous Year ₹ 2.87 crore)
- **Corporate Social Responsibility:**
IDFC Foundation ₹ 14.23 crore (Previous Year ₹ 4.85 crore)

The details of the transactions of the Group with its related party during the year ended March 31, 2018 are given below :

PARTICULARS	(₹ IN CRORE)				
	RELATED PARTY				
	ULTIMATE HOLDING COMPANY	HOLDING COMPANY	FELLOW SUBSIDIARY COMPANIES	ASSOCIATES	KEY MANAGEMENT PERSONNEL
Interest expense	0.68	6.72	3.35	1.25	0.58
Interest income earned	-	-	0.14	38.02	-
Dividend Income earned	-	-	-	0.70	-
Investment of related party in the Bank	-	-	-	-	0.82
Investment in related party by Bank	-	-	-	8.10	-
Purchase of investments	35.05	-	-	-	-
Sale of investments	-	-	100.51	-	-
Managerial Remuneration	-	-	-	-	4.04
Purchase of fixed assets	-	-	-	5.25	-
Corporate Social Responsibility	-	-	14.23	-	-
Advance repaid	-	-	-	94.72	-
Receiving of services	0.25	-	42.46	2.19	-
Rendering of services	0.39	-	7.75	0.20	-
Non fund based exposure (Issued)	-	-	-	2.74	-

The balances payable to / receivable from the related parties of the Group as on March 31, 2018 are given below:

PARTICULARS	(₹ IN CRORE)				
	RELATED PARTY				
	ULTIMATE HOLDING COMPANY	HOLDING COMPANY	FELLOW SUBSIDIARY COMPANIES	ASSOCIATES	KEY MANAGEMENT PERSONNEL
Deposits with the Bank	3.61	105.82	100.47	13.52	15.40
Interest Accrued on Deposit	-	0.72	0.52	0.09	0.18
Advances	-	-	-	417.53	-
Investment of the Bank	-	-	-	241.43	-
Investment of related party in the Bank**	-	7,030.07	-	-	-
Security Deposit Outstanding	-	-	1.77	-	-
Other Payable (net)	-	-	4.27	-	-
Non Fund Based Exposure	-	-	0.08	9.96	-

The maximum balances payable to/receivable from the related parties of the Group during the year ended March 31, 2018 are given below:

PARTICULARS	(₹ IN CRORE)				
	RELATED PARTY				
	ULTIMATE HOLDING COMPANY	HOLDING COMPANY	FELLOW SUBSIDIARY COMPANIES	ASSOCIATES	KEY MANAGEMENT PERSONNEL
Deposits with the Bank	422.48	407.22	111.24	32.05	28.01
Advances	-	-	13.09	516.38	-
Investment of the Bank	-	-	-	246.47	-
Investment of related party in the Bank**	-	7,030.07	-	-	-
Security Deposit Outstanding	-	-	1.77	-	-
Other receivables (net)	1.21	-	2.97	-	-
Other payables (net)	-	-	15.38	-	-
Non Fund Based Exposure	-	-	0.08	9.99	-

**As at March 31, 2018, KMP holds 2,624,686 equity shares of the Holding Company.

The details of the transactions of the Group with its related party during the year ended March 31, 2017 are given below :

PARTICULARS	(₹ IN CRORE)				
	RELATED PARTY				
	ULTIMATE HOLDING COMPANY	HOLDING COMPANY	FELLOW SUBSIDIARY COMPANIES	ASSOCIATES	KEY MANAGEMENT PERSONNEL
Interest expense	4.37	5.02	4.67	0.88	0.08
Interest income earned	-	-	0.02	50.88	-
Dividend Income earned	-	-	-	0.60	-
Investment of related party in the Bank	-	-	-	-	2.87
Investment in related party by Bank	-	-	-	24.28	-
Sale of investments	14.34	-	-	-	-
Managerial Remuneration	-	-	-	-	4.65
Purchase of fixed assets	0.01	-	0.01	-	-
Sale of fixed assets	0.03	-	0.05	-	-
Corporate Social Responsibility	-	-	4.85	-	-
Advance granted (net)	-	-	-	65.96	-
Advance repaid	-	-	-	19.46	-
Sell down of loans	-	-	73.62	-	-
Receiving of services	-	-	17.74	2.10	-
Rendering of services	0.61	-	8.61	0.10	-
Notional Principal amount of foreign exchange and derivative contract	-	-	85.00	-	-
Contingent exposure on derivative contracts as per RBI guidelines	-	-	2.30	-	-

The balances payable to / receivable from the related parties of the Group as on March 31, 2017 are given below:

PARTICULARS	(₹ IN CRORE)				
	RELATED PARTY				
	ULTIMATE HOLDING COMPANY	HOLDING COMPANY	FELLOW SUBSIDIARY COMPANIES	ASSOCIATES	KEY MANAGEMENT PERSONNEL
Deposits with the Bank	398.81	75.44	67.91	13.45	1.97
Interest Accrued on Deposit	0.14	0.74	0.15	0.09	0.02
Interest Accrued on advances	-	-	-	3.50	-
Advances	-	-	-	512.25	-
Investment of the Bank	-	-	-	238.37	-
Investment of related party in the Bank**	-	7,030.07	-	-	-
Security Deposit Outstanding	-	-	1.77	-	-
Other Payable (net)	-	-	0.35	0.01	-
Non Fund Based Exposure	-	-	0.08	9.52	-

The maximum balances payable to/receivable from the related parties of the Group during the year ended March 31, 2017 are given below:

PARTICULARS	(₹ IN CRORE)				
	RELATED PARTY				
	ULTIMATE HOLDING COMPANY	HOLDING COMPANY	FELLOW SUBSIDIARY COMPANIES	ASSOCIATES	KEY MANAGEMENT PERSONNEL
Deposits with the Bank	702.87	319.70	188.81	15.67	1.97
Advances	-	-	-	515.92	-
Investment of the Bank	-	-	-	238.37	-
Investment of related party in the Bank**	-	7,030.07	-	-	-
Security Deposit Outstanding	-	-	1.77	-	-
Other receivables (net)	0.35	-	4.72	-	-
Other payables (net)	-	-	3.07	0.01	-
Non Fund Based Exposure	-	-	0.08	9.52	-

** As at March 31, 2017, KMP holds 2,444,984 equity shares of the Holding Company.

OTHER DISCLOSURES
18.07 EARNING PER SHARE ('EPS')

Basic and diluted earnings per equity share are computed in accordance with AS 20 - Earnings Per Share. Basic earnings per equity share is computed by dividing net profit after tax attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share is computed by dividing net profit after tax attributable to equity shareholders by the weighted average number of equity shares and weighted average number of dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive. Dilution of equity is on account of stock options granted to employees by the Bank.

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
BASIC		
Weighted average number of equity shares outstanding (in crore)	340.18	339.55
Net Profit after Tax (₹ in crore)	879.91	1,018.68
Basic earning per share (₹)	2.59	3.00
DILUTED		
Weighted average number of equity shares outstanding (in crore)	341.13	341.96
Net Profit after Tax (₹ in crore)	879.91	1,018.68
Diluted earning per share (₹)	2.58	2.98
Nominal value of shares (₹)	10.00	10.00

18.08 MOVEMENT IN STOCK OPTIONS GRANTED BY HOLDING COMPANY IS AS UNDER:

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
Outstanding as at beginning of the year	90,712,744	74,651,161
Granted during the year	20,419,100	31,387,500
Forfeited during the year	(15,157,900)	(6,988,043)
Expired during the year	(193,563)	(1,955,026)
Exercised during the year	(5,068,721)	(6,382,848)
Outstanding at the end of the year	90,711,660	90,712,744

18.09 UNCLAIMED SHARES

Details of unclaimed shares as of March 31, 2018 are as follows :

PARTICULARS	MARCH 31, 2018	MARCH 31, 2017
Aggregate number of shareholders at the beginning of the year	100	100
Total outstanding shares in Unclaimed Suspense Account at the beginning of the year	28,453	28,453
Number of shareholders who approached to issuer for transfer of shares from Unclaimed Suspense Account during the year	1	-
Number of shareholders to whom shares were transferred from Unclaimed Suspense Account during the year	1	-
Aggregate number of shareholders at the end of the year	99	100
Total outstanding shares in Unclaimed Suspense Account at the end of the year	28,253	28,453

18.10 LEASES

In accordance with Accounting Standard 19 on 'Leases' as specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014, the following disclosures in respect of operating leases are made:

(This comprise of office premises / branches / ATMs taken on lease)

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2018	MARCH 31, 2017
Future lease rentals payable as at the end of the year :		
Not later than one year	84.19	80.44
Later than one year and not later than five years	222.36	249.25
Later than five years	71.90	80.86
Total of minimum lease payments recognised in the Profit and Loss Account for the year	86.88	97.38
Total of future minimum sub-lease payments expected to be received under non-cancellable subleases	-	-
Sub-lease payments recognised in the Profit and Loss Account for the year	-	-

The Group has not sub-leased any of its properties taken on lease. There are no provisions relating to contingent rent. The terms of renewal / purchase options and escalation clauses are those normally prevalent in similar agreements. There are generally no undue restrictions or onerous clauses in the agreements.

18.11 OTHER FIXED ASSETS (INCLUDING FURNITURE & FIXTURES)

The movement in fixed assets capitalised as Intangible assets is given below :

PARTICULARS	(₹ IN CRORE)			
	MARCH 31, 2018		MARCH 31, 2017	
	SOFTWARE	GOODWILL	SOFTWARE	GOODWILL
COST				
At the beginning of the year	424.97	12.24	269.32	-
Additions during the year	73.42	-	152.45	-
Additions on acquisition of subsidiary	-	-	3.20	12.24
Deductions during the year	-	(12.24)	-	-
TOTAL (i)	498.39	-	424.97	12.24
DEPRECIATION				
Accumulated depreciation at the beginning of the year	115.52	12.24	36.86	-
Depreciation charge for the year	90.82	-	76.57	-
Depreciation transfer on acquisition of subsidiary	-	-	2.09	12.24
Deductions during the year	-	(12.24)	-	-
TOTAL (ii)	206.34	-	115.52	12.24
Net Value (i-ii)	292.05	-	309.45	-

18.12 CORPORATE SOCIAL RESPONSIBILITY (CSR)

- Amount required to be spent by the Group on CSR during the year ₹ 14.97 crore (Previous Year ₹ 5.51 crore).
- Amount spent towards CSR during the year and recognised as expense in the statement of profit and loss on CSR related activities is ₹ 15.09 crore (Previous Year ₹ 5.52), which comprise of following :

Year ended March 31, 2018

NATURE OF ACTIVITIES	(₹ IN CRORE)		
	IN CASH	YET TO BE PAID IN CASH (i.e. PROVISION)	TOTAL
Construction / acquisition of any asset	-	-	-
On purpose other than above	15.09	-	15.09

Year ended March 31, 2017

NATURE OF ACTIVITIES	(₹ IN CRORE)		
	IN CASH	YET TO BE PAID IN CASH (i.e. PROVISION)	TOTAL
Construction / acquisition of any asset	-	-	-
On purpose other than above	5.52	-	5.52

18.13 PROPOSED DIVIDEND

The Board of Directors, in their meeting held on April 24, 2018 have proposed dividend of ₹ 0.75 (Previous Year ₹ 0.75) per equity share amounting to ₹ 307.78 crore (Previous Year ₹ 307.01 crore), inclusive of dividend distribution tax. The proposal is subject to the approval of shareholders at the Annual General Meeting. In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, dated March 30, 2016, proposed dividend is not recognised as a liability as on March 31, 2018 and March 31, 2017.

Dividend paid during the year ended March 31, 2018 represents dividend of ₹ 307.05 crore pertaining to previous year. Dividend paid during the year ended March 31, 2017 of ₹ 0.03 crore represents dividend paid pursuant to exercise of employee stock options after the previous year end but before the record date for declaration of dividend.

18.14 SMALL AND MICRO INDUSTRIES

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments.

18.15 DISCLOSURE OF PENALTIES IMPOSED BY RBI

During the year ended March 31, 2018, the RBI has imposed a monetary penalty of ₹ 2 crore (Previous Year Nil) on the Holding company for non compliance with para 2.2.1.2 of Master Circular DBR.No.Dir.BC.10/13.03.00/2015-16 dated July 1, 2015 on Loans and Advances - Statutory and Other Restrictions w.r.t. appropriate approving authority for granting of loans to any company in which any of the directors of other banks holds substantial interest or is interested as a director or as a guarantor.

18.16 DESCRIPTION OF CONTINGENT LIABILITIES

i Claims against the Group not acknowledged as debts

The entities under the Group are parties to taxation matters which are in dispute and are under appeal. The demands have been partly paid / adjusted and will be received as refund if the matters are decided in favour of the Group.

ii Liability for partly paid investments

This represents amounts remaining unpaid towards liability for partly paid investments. These payment obligations of the Group do not have any profit / loss impact.

iii Liability on account of forward exchange and derivative contracts

The Group enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest / principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. Interest rate futures are standardised, exchange-traded contracts that represent a pledge to undertake a certain interest rate transaction at a specified price, on a specified future date. Forward rate agreements are agreements to pay or receive a certain sum based on a differential interest rate on a notional amount for an agreed period. A foreign currency option is an agreement between two parties in which one grants to the other the right to buy or sell a specified amount of currency at a specific price within a specified time period or at a specified future time. An exchange traded currency option contract is a standardised foreign exchange derivative contract, which gives the owner the right, but not the obligation, to exchange money denominated in one currency into another currency at a pre-agreed exchange rate on a specified date on the date of expiry. Currency Futures contract is a standardised, exchange-traded contract, to buy or sell a certain underlying currency at a certain date in the future, at a specified price.

iv Guarantees given on behalf of constituents

As a part of its banking activities, the Group issues guarantees on behalf of its customers to enhance their credit standing. Guarantees represent irrevocable assurances that the Group will make payments in the event of the customer failing to fulfill its financial or performance obligations.

v Acceptances, endorsements and other obligations

These includes documentary credit issued by the Group on behalf of its customers and bills drawn by the Group's customers that are accepted or endorsed by the Group.

vi Other items

Other items represent estimated amount of contracts remaining to be executed on capital account.

18.17 STATEMENT OF NET ASSETS AS PER SCHEDULE III TO THE COMPANIES ACT, 2013
Year ended March 31, 2018

NAME OF THE ENTITY	NET ASSETS, i.e. TOTAL ASSETS MINUS TOTAL LIABILITIES		SHARE OF PROFIT OR (LOSS)	
	% OF TOTAL NET ASSETS	AMOUNT (₹ IN CRORE)	% OF TOTAL NET PROFIT / (LOSS)	AMOUNT (₹ IN CRORE)
IDFC Bank- Consolidated	100.00	15,274.10	100.00	879.91
IDFC Bank- Standalone	99.40	15,182.82	125.85	1,107.39
Subsidiaries				
IDFC Bharat Limited	1.09	167.08	(17.26)	(151.91)
Associates Companies				
Feedback Infra Private Limited	-	-	0.03	0.22
Millennium City Expressways Private Limited	(0.50)	(75.80)	(8.61)	(75.79)

Note: Amount of net assets and net profit or loss are after considering inter-company elimination.

Period ended March 31, 2017

NAME OF THE ENTITY	NET ASSETS, i.e. TOTAL ASSETS MINUS TOTAL LIABILITIES		SHARE OF PROFIT OR (LOSS)	
	% OF TOTAL NET ASSETS	AMOUNT (₹ IN CRORE)	% OF TOTAL NET PROFIT / (LOSS)	AMOUNT (₹ IN CRORE)
IDFC Bank- Consolidated	100.00	14,677.33	100.00	1,018.68
IDFC Bank- Standalone	98.75	14,493.36	109.23	1,112.76
Subsidiaries				
IDFC Bharat Limited	1.55	228.03	(4.91)	(50.02)
Associates Companies				
Feedback Infra Private Limited	0.02	2.60	0.26	2.60
Millennium City Expressways Private Limited	(0.32)	(46.66)	(4.58)	(46.66)

Note: Amount of net assets and net profit or loss are after considering inter-company elimination.

18.18 ADDITIONAL DISCLOSURE

Additional statutory information disclosed in the separate financial statements of the Bank and subsidiary have no material bearing on the true and fair view of the Consolidated Financial Statements and the information pertaining to the items which are not material have not been disclosed in the Consolidated Financial Statements.

18.19 COMPARATIVE FIGURES

Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

For Deloitte Haskins & Sells
Chartered Accountants

Kalpesh J. Mehta
Partner
(Membership No. 48791)

Mumbai | April 24, 2018

For and on behalf of the Board of Directors of
IDFC Bank Limited

Veena Mankar
Chairperson

Abhijit Sen
Director

Bipin Gemani
Chief Financial Officer

Rajiv B. Lall
Founder Managing Director & CEO

Sunil Kakar
Director

Mahendra N. Shah
Company Secretary & Chief Compliance Officer

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BASEL PILLAR III DISCLOSURES

AS AT MARCH 31, 2018

Pillar 3 disclosures as at March 31, 2018 as per Basel III guidelines of Reserve Bank of India have been disclosed separately on the Bank's website under "Regulatory Disclosures" on the home page.

THE SECTION CONTAINS FOLLOWING DISCLOSURES:

1. Qualitative and Quantitative disclosures as at March 31, 2018

- Scope of Application
- Capital Adequacy
- Risk Management at IDFC Bank
- Credit Risk - General Disclosure
- Credit Risk - Disclosure under standardised Approach
- Market Risk in Trading Book
- Operational Risk
- General Disclosure for exposures related to Counterparty Credit Risk
- Interest rate risk in the Banking Book ('IRRBB')
- Equities - Disclosure for Banking Book Positions

2. Leverage Ratio as at March 31, 2018

3. Liquidity Coverage Ratio as at March 31, 2018

4. Capital Disclosure

- Composition of Capital
- Composition of Capital & reconciliation requirements
- Main Features of Regulatory Capital Instruments March 31, 2018
- Terms and Conditions of Equity Shares

The link to this section is <http://www.idfcbank.com/regulatory-disclosures.html>



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Shareholders have already asked for a paperless annual report. Join them and save paper. Just drop us an e-mail.

The Companies Act, 2013, as a part of Green Initiative, allows companies to go for paperless compliances by sending Notice, Annual Report and other related documents by e-mail to its Shareholders. Many of the Shareholders have registered their e-mail address and we thank them for the same. Shareholders, who have not registered their e-mail address so far, may, as a support to this initiative, register their e-mail address by sending an e-mail to 'bank.info@idfcbank.com' quoting their Name, Folio No. / DP ID / Client ID and e-mail address to be registered with us for enabling us to send documents in electronic form.

Also registering your e-mail address with us will ensure that we directly connect with you and no important communication from our side is missed by you as a Shareholder of the Bank.

Pursuant to SEBI Circular no. SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated April 20, 2018, Shareholders and Bondholders (Section 80CCF Infrastructure Bonds) of IDFC Bank whose ledger folios do not have or have incomplete details with regard to PAN and Bank particulars are required to compulsorily furnish the details to Karvy / Bank for registration in the folio. The names of Equity Shareholders and Bondholders who are holding the securities in physical form and have provided incomplete KYC details are available on the website of the Bank viz. <https://www.idfcbank.com/investor-relations.html>. These Equity Shareholders and Bondholders whose KYC is incomplete are requested to send a self-attested copy of PAN Card, Cancelled Cheque leaf with name (if name is not printed, self-attested copy of the pass book first page) and Address proof (Aadhaar-card) to Karvy or alternatively send it to the Company Secretary of IDFC Bank at the earliest.

In case you have any queries or need any assistance in this regard, please contact Karvy on 1800 345 4001.

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