

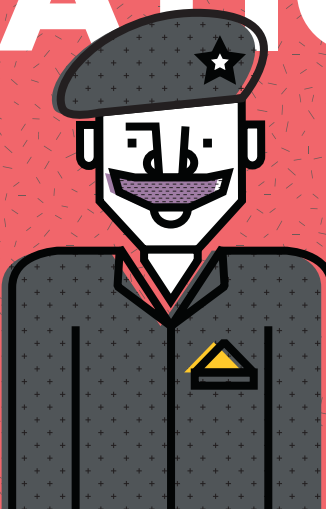
ONE BANK



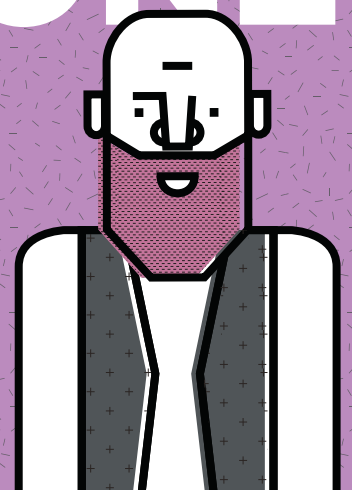
IDFC BANK

THIRD
ANNUAL
REPORT
2016 - 2017

ONE NATION



ONE SOLUTION



Contents

02 The Year in Brief

04 One Bank, One Nation, One Solution

24 Awards and Accolades

26 Company Information

28 Chairperson's Statement

30 Founder MD & CEO's Statement

34 Management Discussion and Analysis

56 Board's Report

81 Independent Auditors' Certificate

82 Corporate Governance Report

110 CEO & CFO Certificate

111 Standalone Financial Statements with Auditors' Report

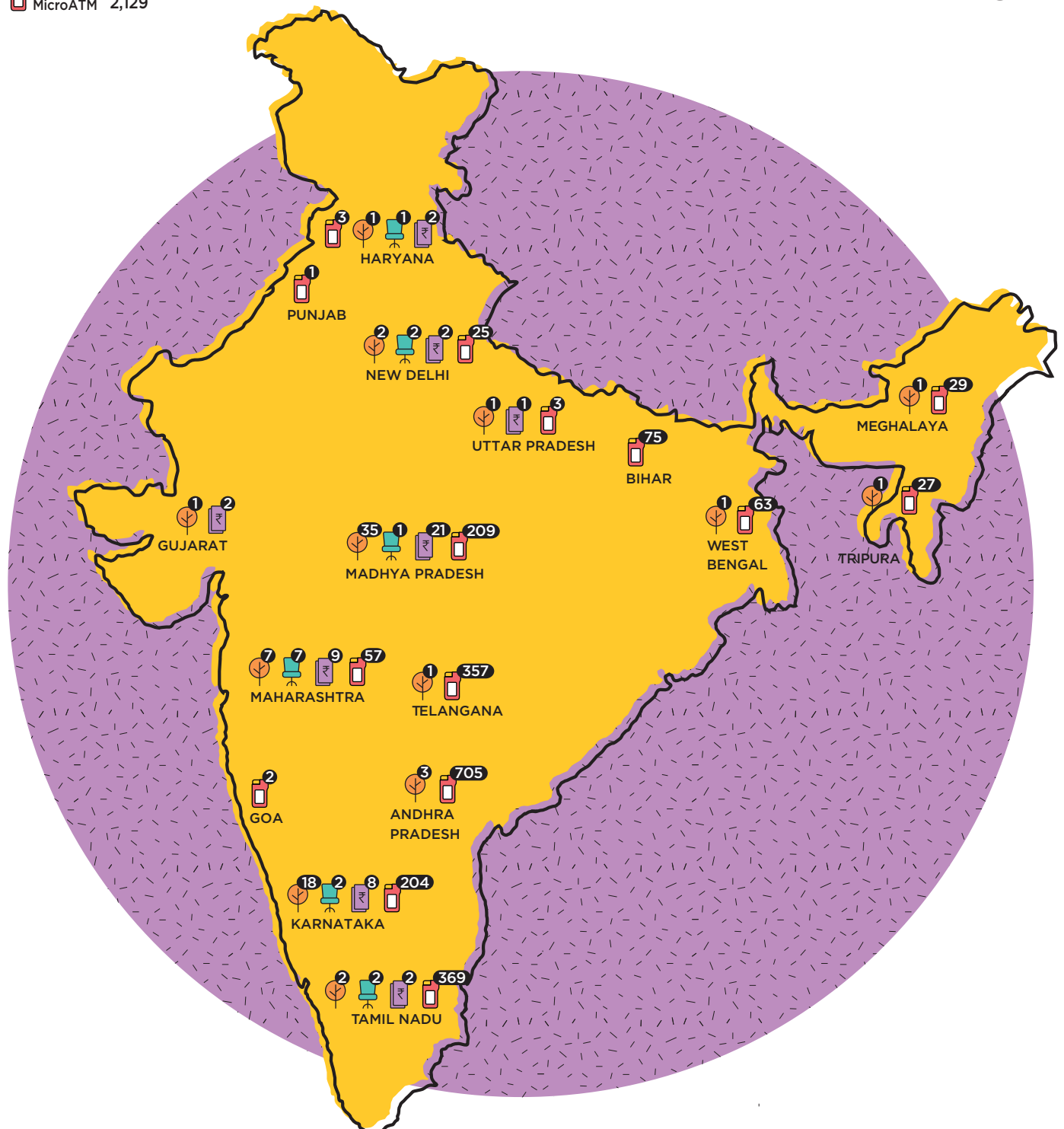
170 Consolidated Financial Statements with Auditors' Report

202 Basel Pillar III Disclosures

203 Notice

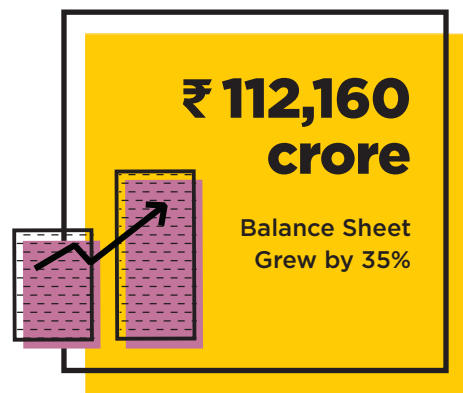
Branches 74
Offices 15
ATMs 47
MicroATM 2,129

A Widespread Network Across the Country



The Year in Brief 2016-17

as on March 31, 2017



₹ 1,020 crore

Profit After Tax

₹ 16,818 crore

Retailisation of Asset Book

₹ 4,906 crore

Deposit Base in CASA and Retail FD

4.1%

CASA / Gross Advances

25.2%

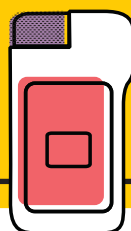
Retailisation of Funded Book

13.8 lacs

Customers, including 9.6 Lacs IDFC Bharat Limited customers

8,613

Points of Presence



27.9%

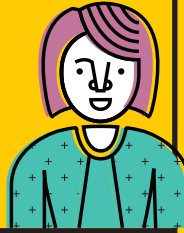
Non-Funded Book as a percentage of Funded Book

37.8%

Non Interest Franchise
Income / Total Non
Interest Income

3,905

Employees
on Board



11.9%

Non Interest Franchise
Income / Total
Operating Income

**13 marquee
transactions**

Completed by Investment
Banking group

**First bank to launch a
full range of Aadhaar-
based transactions**

Paperless instant account
opening, e-PIN, tab account
opening for businesses,
transactions on MicroATM for
non customers,

**Consistently among
top 3 banks in
volume of MicroATM
transactions**

**BXP revolutionized
virtual banking for
corporates**

First ever intuitive and all-
inclusive portal

**Significant strides in
Debt Capital Market
and Equity Capital
Market transactions**

**Multiple 'firsts' in the
banking sector**

Enabled FD & RD on microATM,
ONE savings and current account
for businesses, Direct Benefit
Transfers at scale, cashless PDS

33,000

Total Number
of Villages
Reached



**Acquired Grama
Vidiyal Micro Finance**

Now renamed IDFC Bharat
Limited

**Bringing the 'Sachet
Moment' to rural
banking**

Small ticket loans, Sakhi Shakti,
Sowbhagya Shakti, Micro
Enterprise Loans

29.1%

Successful
Diversification of the
Corporate Loan Book
into Non-Infrastructure
Segment

**Only bank to have all
non-metro branches
running on solar power**

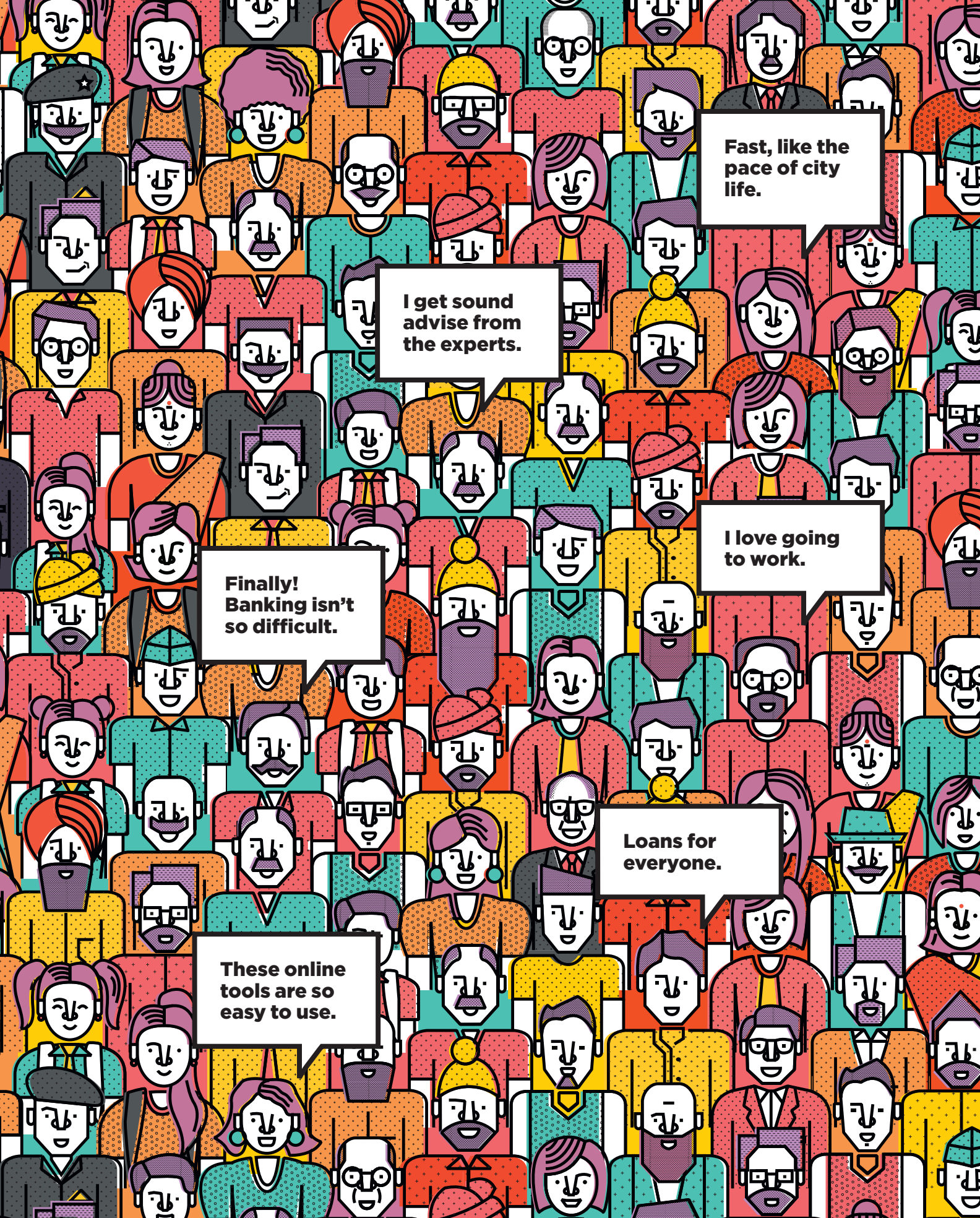


In its first full year of operations, IDFC Bank sought to change the face of banking in the country.

By using technology, both the underserved, unbanked customers and urban customers get banking that's best for them.

So simple and at my door step.

Meet some of India's people and see how we helped them bring banking better into their lives.



**Fast, like the
pace of city
life.**

**I get sound
advise from
the experts.**

**Finally!
Banking isn't
so difficult.**

**I love going
to work.**

**Loans for
everyone.**

**These online
tools are so
easy to use.**

3 Now all my transactions have become so easy with Aadhaar Pay

Whenever I have to withdraw money, deposit money or even buy things from a fair price shop, I only carry my Aadhaar card and use my thumb to make instant payments (it works at ePDS shops as well).



2 My account was created in a matter of 4 minutes

All it took was my Aadhaar card and thumb impression on the compact Bank-in-a-box microATM machine. I didn't have to fill any form. She told me I can start withdrawing or sending money instantaneously.



1 Just a phone call and a visit by an IDFC Bank representative—and all my doubts were cast away

She thoroughly explained the various options for savings accounts the Bank had to offer to me and my wife, Sunita.

A Pratham
Basic Savings Basic Deposit Account—zero balance account

B Shakti Account
Savings account to empower women. Requires an average quarterly balance of ₹100

C Param Account
Only requires an average quarterly balance ₹1,000

D Vishesh Account
Only requires an average quarterly balance ₹5,000



Sunita, and I opted to open an IDFC Param account each.

“Namaskar, I’m Bhagirath”

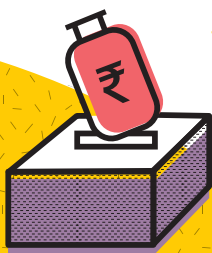
I am a farmer from Rampur, Madhya Pradesh.

My life changed after *sarpanchji* recommended me to open an account with IDFC Bank. I thought it would be impossible. How would I manage? Where’s the closest branch? I can’t read or write, who would fill out all that paperwork?

Bringing digital inclusion to rural India

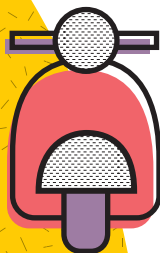
4 Even receiving subsidies has become convenient and timely

I don't have to travel to the town to receive my welfare benefits anymore. With Direct Benefit Transfer, my entitlements are directly transferred into my account and I can withdraw them using the microATM in my village. My neighbour also withdraws his DBT entitlement from the microATM even though his account is with another bank.



5 We recently got two loans with ease from IDFC Bank

Sunita needed to borrow a small amount of money to set up a grocery store and I wanted to buy a scooter to make visits to the mandi easier. IDFC Bank had specific loans for our needs—Sunita joined the IDFC Bank Sakhi Shakti group to take her loan and I got a 2-wheeler loan.



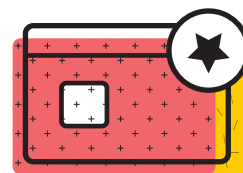
6 Far away in Kovilpatti village, Tamil Nadu, my sister also knew about IDFC Bank's services

She got a small loan to buy a cow, through IDFC Bharat Limited—a micro finance Business Correspondent and subsidiary of the Bank.



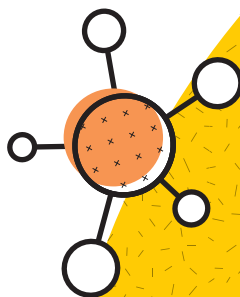
4 I was given a best-in-class Visa Signature debit card

Now I have a higher daily limit and access to loads of exciting offers. These limits can be altered through the app. I also feel safer knowing that any misuse of my card is insured by the bank.



3 The ability to access my account across devices gives me flexibility and a true omnichannel experience

This one time, I lost network in the middle of a transaction on the app, but was able to take off just where I left it using net banking on my laptop. My colleague had a similar experience and a Banker-on-Call completed the transaction for her.

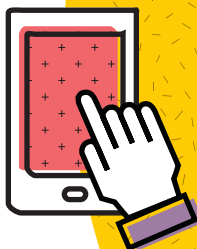


“Hi there, I’m Rita”

I work with an IT firm in Bengaluru.

2 The Bank’s mobile app took me by surprise. It’s the simplest, coolest and fastest banking app I’ve ever seen

It’s comprehensive, with three layers of security—MPIN, fingerprint, OTP—and also available to someone who just takes a loan. Its UPI feature takes away the drudgery of remembering account numbers, passwords and codes that are usually needed to transfer money.



Banking for me, despite digitisation, always felt complicated until my company switched to IDFC Bank for employee salary accounts. My experience with this new bank was quite different because it’s made banking simple and personalised.

1 I opened my account in just 4 minutes and began transacting

It was super quick, paperless and happened right at my office. All it took to get me started banking online was my Aadhaar number, biometric verification on a tab and a username!

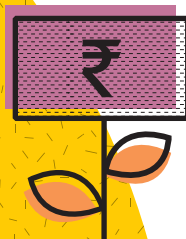


Next gen banking for the digitally savvy



5 The Bank offers flexible EMIs and tenure on all kinds of loans

When I needed a home loan, IDFC Bank helped me decide on whether to rent or buy a house and helped me through the process. My colleague, who got a personal loan, said the Bank has attractive interest rates with the flexibility of prepaying anytime.



6 After a few months of saving, I started exploring investment options

The first and the easiest was opening an FD online, all by myself—with one of the highest FD rates and no penalties on early withdrawal. I needed advise on what to invest in besides this—mutual funds? insurance? gold bonds? IDFC's advisors helped me see that mutual funds were the best option for a first time investor like me.

7 Whenever I want to speak to a banker, it's easy—an IDFC Banker-on-Call is available 24x7

No IVR, no waiting in queue, no need to visit the branch. Every time I call, a trained banker responds, even in the middle of the night or on public holidays. I don't even need to give my account number—the banker has all my details on the screen if I am calling from my registered mobile number.



3 He also said that they have a hassle-free method of disbursing loans

Whether it's for personal or business purposes, getting a loan is now easier and faster than ever. Loans are available to new-to-bank and new-to-credit customers, made possible by the bank's own technology platform and its fintech partners. I could possibly avail a Loan Against Property that meets my financial needs.

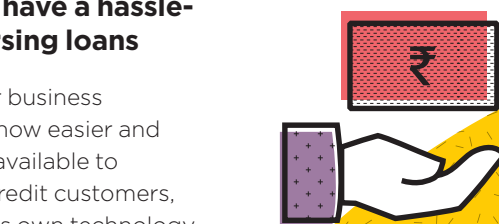
2 The OneX platform would enable me to perform trade, treasury, forex and cash operations all by myself

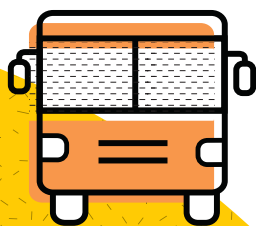
OneX collapses all the barriers between individual, small business and corporate banking. It's one experience for all on a portal where you can transact like a large corporate. It gives a unified control of savings and current accounts that can be accessed with one password and can be viewed on a single screen.

1 An IDFC Bank representative turned up at my doorstep and introduced all their services including the 'Truly One' account and World Business account

It's an account that combines a savings and a current account with the facility to sweep in cash from one account to another. It means one password, one interface, one control. The World Business account lets you manage domestic and international business with just one account.

Banking for professionals and small businesses





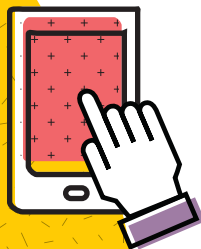
4 I learnt that the Bank's Commercial Vehicle Loan has been created specially for small and micro-enterprises

I could own a Commercial Vehicle for my own captive use, for renting or to start a small transport services business. No doubt, the Bank has customised products and services to suit small businesses.

"Hi, I'm Javed"

I am a web entrepreneur from Hyderabad.

Finding a bank that "gets it" has always been tough. Either they're not up to the mark with current needs or take up too much of my time. Some of my friends suggested I consider IDFC Bank because of their convenient and technology-driven services.



5 For my customers' needs, I could avail the facility of PoS offering

They support all kinds of payments—physical PoS, m-PoS, e-commerce and UPI. The merchant would handle this through a full self-service app, which would help my business prosper.



6 Their Fastag feature at toll plazas makes transactions safe, speedy and convenient

I can make digitized payments at over 350 toll plazas using RFID technology, with the Bank present as both issuer and acquirer.

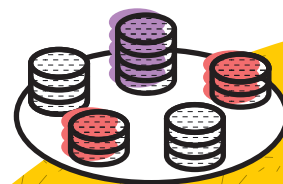


7 Completely convinced, I asked, "So when do I come to the bank?" He smiled, held out his tablet and said "Sir, your bank is right here."

For any further queries or advise, I now have a Banker on Call facility available 24x7. I can connect with experienced bankers anytime of the day or night, even on a public holiday.

3 As a new age universal bank, IDFC Bank is also actively lending to non-infrastructure corporates like mine

In fact, infra concentration in its funded book is now down to 54%. Even non-infra companies can get finance through corporate loans, project loans, subordinated debt, loans against shares, mezzanine finance and equity.



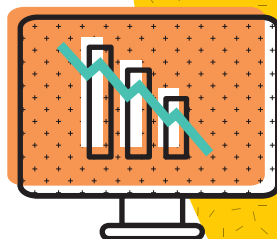
2 Every product and service can be customised, and the technology makes sure it all works

Whether it was a solution for cash management, financing or currency, or hedging solutions for currency risk, the Bank's customised solutions make a big difference to my life as a CFO.



1 IDFC Bank has taken digital banking for corporates to the next level. Its Business Experience Platform (BXP)—a single dashboard for data consolidation and analysis—speeds up and scales transactions

BXP is really intuitive. You can do everything yourself—from transactions for import, export, LCs, bank guarantees and remittances, or hedge forex. Its cash flow alerts give me peace of mind. What's more, it has a multi-bank reconciliation engine and an advanced report builder, that analyses and reproduces data in various formats so that my team can make effective presentations. Cool!



“Hi, I’m Rishi.”

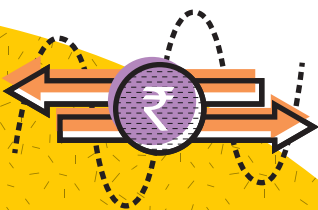
I am the CFO of a large consumer products conglomerate.

I’ve worked with many banks, but was looking for one that offered a blend of expert advisory, convenience banking, and innovative financing solutions. It had been hard to find it all in one bank until a friend suggested IDFC Bank for its unique solutions, first-of-a-kind deals and robust treasury operations.

Corporate banking, now without a banker

4 IDFC Bank has also simplified the complexities of commercial transactions

Be it in the M&As space, capital market or investment transactions, or even e-commerce and payment facilitation.



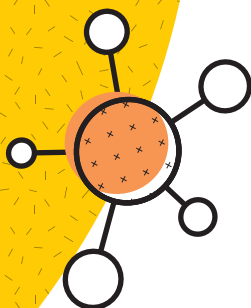
5 When my Group needed guidance on business expansion and related matters, the Bank's experienced team gave us useful solutions

IDFC Bank's Treasury and Capital Markets team addressed our needs for capital. The Fixed Income team offered solutions from short tenure instruments to long term financial structures. The Bank's team expertly protected us from currency and interest fluctuations, so that we could focus on our core business. They recommended managing short-term cash flows through treasury bills, Certificates of Deposit, and commercial papers.



6 IDFC Bank's Corporate Linked Finance (CLF) can help with supply chain finance for our vendors and dealers

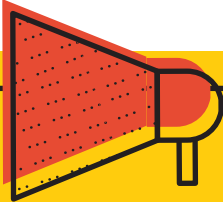
Linked to the comprehensive BXP, CLF enables e-payment and e-collection. It makes our supply chain more efficient by letting dealers, distributors and vendors easily access finance at competitive rates, improve cash flows and avail of purchase order finance.



Committed to transform banking

At IDFC Bank, our every feature, service and product has been designed to make banking simpler, faster and more efficient for you. Rooted in our service DNA, we have strived to develop a thoughtful, multi-channel banking experience that serves the customer at the heart of it.

In today's times, one can book tickets, order a meal, plan a holiday, transfer money and shop for groceries—whether online or on an app—in an instant. This is the world you live in. And this is why, this is the world we will live in too. In the world of now, we will be the Bank of Now. We will nurture and infuse this nowness in everything we do, with an endeavor to make banking better.



#BankingNibhao

Bringing the focus back to banking

Providing simple, quick, thoughtful and multi-channel banking services to customers is our priority over everything else. The *BankingNibhao* campaign brought this to the forefront by presenting a new way of banking that is ready to redefine the industry.

The campaign was launched in September 2016 with 3 TVCs that appeared on 29 channels across 3 weeks. It was further amplified through a hoardings campaigns in Mumbai and Delhi, PR and across our digital and social media assets.

The campaign was successful in firmly establishing IDFC Bank as an efficient bank that is focusing on delivering banking products and services to Indian consumers.

2.69 mn
video views
on social media

2,173
conversations
on social media

9.4 mn
impressions
on Facebook,
YouTube, Twitter

2x
traffic
on idfcbank.com

4.5 mn
potential reach
from PR activities



The Thumb jumps into prominence

The campaign *Angootha Uthao aur Payment Karte Jao* dramatizes our breakthrough product IDFC Aadhaar Pay which makes payment as easy as pressing a thumb.

Launched in March 2017, IDFC Aadhaar Pay reinforces our position as a bank that provides hassle-free solutions to today's customer.

Supporting the Government of India's Digital payments drive we rolled out the Aadhaar Pay as an innovative solution across the country. The campaign reinforced IDFC Bank's position as an innovative provider of products and services.



Social media is the tool of choice

262,097
FACEBOOK
FOLLOWERS

24,100
TWITTER
FOLLOWERS

23,948
LINKEDIN
FOLLOWERS

The changing paradigm of marketing, requires means to reach our users where they are.

The launch of our products, services and expansion of our Points of Presence have been accompanied by social media campaigns to engage, educate and empower both existing and prospective customers.

A strong and targeted digital and social presence has helped us immensely in acquiring customers at a faster rate and build the IDFC Bank brand.

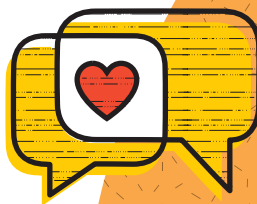
3 The Bank is building one large team that's dedicated to making a difference

It feels good to be a part of an energetic and cheerful team that collaborates to get work done. Our assignments are challenging, yet exciting and we are encouraged to think differently. As part of a big start-up, I'm happy doing something compelling, that no one else is going to get done.



2 My first day at work felt more reassuring than I had thought

I was included in the WhatsApp group for recruits before joining. On my first day, I was warmly greeted at the gate by name! All documentation was digitised and fast. My identity card, laptop and a desk with required stationary was ready on day one. The same week, I attended an induction programme, which comprised games, conversations with senior management and interactive sessions.



1 Just like a bank's customer is serviced by an RM (someone like me), a prospective employee is engaged with by an Employee Experience Relationship Manager (Ex RM)

I'd never heard of this concept before. Two weeks before I joined, I got a call from from my Ex RM, congratulating me. Even my mother received a bouquet of flowers and complimentary coffee coupons, which was a really thoughtful gesture.



Innovative approaches for an engaging workplace





4 Learning and development sessions at the Bank are helping me grow

Being a part of the management development session at the Bank is helping me learn more. What's great is that many of the sessions are online and make learning more interactive and engaging.

“Hello, I’m Ritika”

I recently Joined IDFC Bank’s Retail Team as a Relationship Manager.

I recall my first day at work. The new workplace didn't feel alien to me as my relationship with the Bank started soon after I received my offer letter. Everything that ensued was nothing short of a surprise.

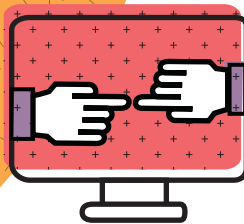


5 My colleagues are spread out geographically, but we stay connected

I was recently appreciated by a senior for my work. He posted a message on the Bank’s intranet and everyone, including my boss, got to know. It made me feel recognized and included. Sometimes, we also share stories about our experiences on the Bank’s online platform ‘Story Hatke’. It’s interesting to know what everyone in the other parts of the country has to say.

6 To work well as a team, it’s important to stay updated

We have an exciting web-based virtual townhall, which has monthly updates on the new products and other developments at the Bank. It helps to know all the new ways in which I can serve my customers.



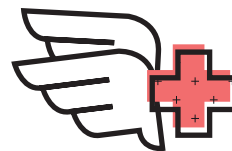
Building a healthier workplace

The majority of our employees work in low - risk environments and are not exposed to significant occupational health and safety hazards. In spite of this, we are committed to continuously improving of our collective health and safety quotient.

The Health & Safety Policy of IDFC Bank has been drafted in a way which assists the bank in identifying and mitigating the key health and safety risks at the workplace—like fire, natural and manmade emergencies, construction, air quality, water quality, food quality, work ergonomics, travel safety and pandemic response.



Staying well can be as simple as knowing the health risks where you live and how to prevent them. Our communication alerts keep them updated.



During the outbreak of avian influenza in October 2016, health advisories were sent out with the Do's and Don'ts to prevent infection.

As the last summer was predicted to be one of the hottest and longest, advisories were sent to all our employees on how to prevent heat exhaustion and strokes.

Delhi witnessed its worst spell of smog in 17 years in February 2017, N95 anti-pollution masks were distributed to employees and contract staff as a precautionary measure. In addition to this, advisories were sent regarding the precautions to be taken while outdoors.

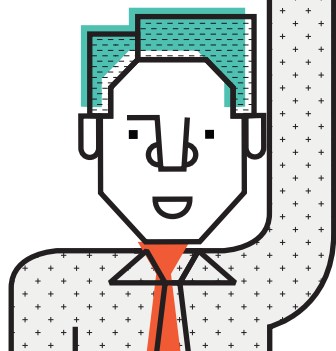
**Drive
carefully**



India has the highest number of road deaths in the world, losing over 1 lac lives every year.

That's why the Government's annual National Road Safety Week is critical, to encourage safe driving practices. We observed Road Safety Week from 11-17 January, 2017. The drive focused on six elements of safety—Slow, Sober, Secure, Silent, Sharp and Sustainable.

Programs were organized at IDFC offices and branches across India, engaging over 4,000 staff. These included a blood donation camps, road safety pledge ceremonies, quizzes, defensive driving training and encouraging the use of reflective tapes on cars.



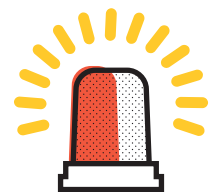
**Getting
smart
about
safety**



All employees are required to complete mandatory online Fire Safety training which covers topics like the basics of fire safety, types of fires, using fire extinguishers and reaction to fire emergencies.

Comprehensive fire audits were conducted for all major buildings of IDFC Bank. This was done to identify the fire hazards and risks present, propose control measures and make rectifications for the risks identified.

Biannual emergency evacuation drills are conducted in all major IDFC Bank facilities. This prepares employees to react to different types of emergencies. These drills are documented and the resulting recommendations are implemented to improve safety.



A Foundation that brings real change

Corporate Social Responsibility is a key element of our company's philosophy. Social engagement and community development have been woven into the fabric of our business through initiatives that benefit local communities.

These initiatives are carried out through our IDFC Foundation, a not-for-profit organization, dedicated to change at the grass root level. Our focus largely is on livelihood creation and learning initiatives.

Improving livelihoods and financial literacy

ACROSS THE COUNTRY
JANUARY 2017-JANUARY 2020



2,129

Mitras

received financial
& digital training

₹ 19.4 lacs

disbursed

in transactions

90,000

DBT beneficiaries

across 5,705 villages

₹ 67 lacs

**increase
in income**

of *Mitras*

₹ 22 lacs

income created

for previously
unemployed *Mitras*

IDFC Foundation's initiatives for rural development aim at generating livelihoods as well as improving financial literacy and inclusion in 200 districts across the country.

We aim to improve the penetration of banking by making more payment infrastructure available, a more effective use of PMJDY as well as better adoption of Direct Benefit Transfer (DBT).

ANDHRA PRADESH
PENSION PROJECT

317

Mitras

received financial
& digital training

₹ 46 crore

pension

payments disbursed

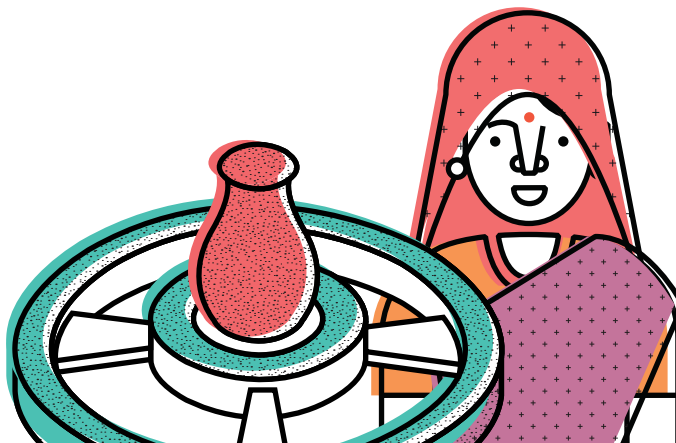
₹ 3.2 lacs

disbursed

in transactions

12,000

DBT beneficiaries



Better cattle care: better yields, better incomes

MADHYA PRADESH, KARNATAKA
MAY 2017–JANUARY 2020



The Shwethdharma initiative seeks to improve the income of small and marginal farmers in Madhya Pradesh and Karnataka by improving the milk yield of their cattle.

The programme aims to inform and sensitize rural Indians to livestock health. Apart from this, we are supporting farmers by providing high quality veterinary services at their doorstep and artificial insemination services through *Gopals* (trained para-vets).

IMPLEMENTATION PARTNER: JK TRUST GRAM
VIKAS YOJNA

1,36,839
households¹
across 9 districts

45
ILDCs
across 416 villages

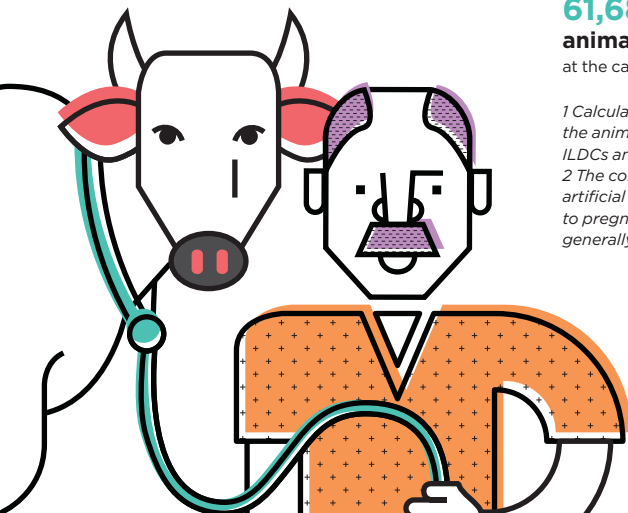
1,76,959
animals treated
at ILDCs

7,509
artificial
inseminations
with 3,311 pregnancies
confirmed² at ILDCs

291
camps
organised

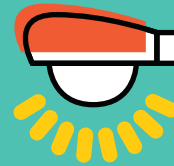
61,686
animals treated
at the camps

¹ Calculated as 70% of the animals treated in ILDCs and camps
² The conversion of artificial insemination to pregnancies is generally 30–40%



Boosting income with infrastructure

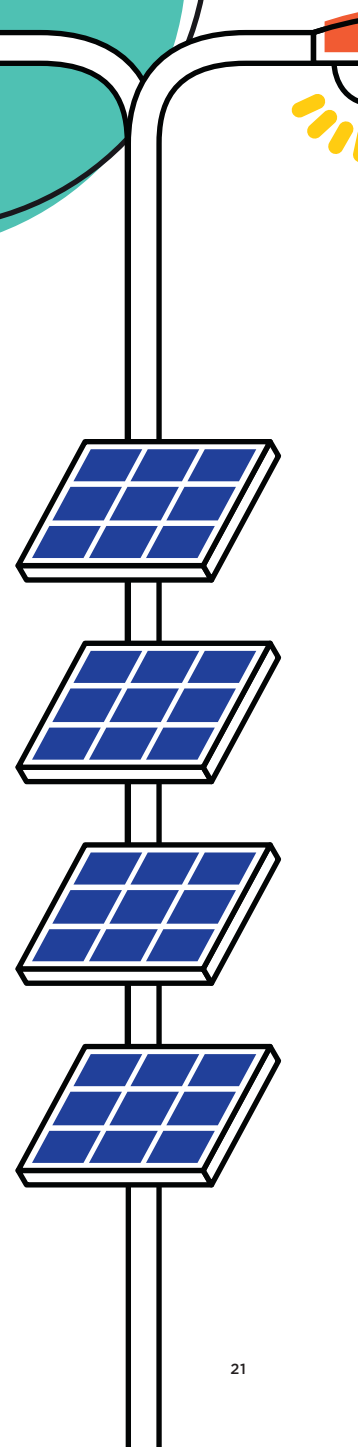
MAWLYNGBNA VILLAGE, MEGHALAYA
SEPTEMBER 2015–MARCH 2017



The Foundation worked under the guidance and support of the village community to improve their infrastructure, inspiring similar initiatives in neighboring villages.

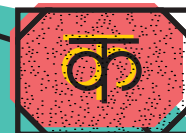
A major revamp of the street lighting, to convert it to a solar powered system was completed in December 2015. Villagers looking at earning a living from the Warehouse-cum-Economic Activity Centre, will soon have a continuous supply of electricity because of the Micro Hydel Plant planned at the community owned, multipurpose reservoir. Along with this, a project to create infrastructure to prevent the contamination of drinking water sources has also been successfully completed.

IMPLEMENTATION PARTNER: UNDER GUIDANCE OF
VILLAGE COMMITTEE



Computer assisted learning

MADHYA PRADESH
JANUARY 2016–DECEMBER 2017



Infrastructure for primary schools

SANGAKHEDA KALAN, HOSHANGABAD
DISTRICT, MADHYA PRADESH
COMPLETED IN 2017

IDFC Foundation's DigiShala initiative aims at improving the pedagogy and enhancing computer literacy for over 6,500 students over two years. This includes improving students' basic understanding of concepts in English and Mathematics.

Eventually, it foresees a positive impact on enrollment in schools and reduced dropout rates. With support and participation by parents and the community, the programme would be able to sustain itself by transferring its running costs to the school and the community.

IMPLEMENTATION PARTNER: PRATHAM INFOTECH FOUNDATION

18
DigiShalas
operational since
January 2016

6,346*
students enrolled
for the new academic
session started in July
2016 of which 59% were
girls

440
homes visited
to motivate parents of
irregular students to
send their children to
school regularly

4
days training
on digital literacy
organized for 36
Government teachers

**Enrollments for
Academic year 2016-17*

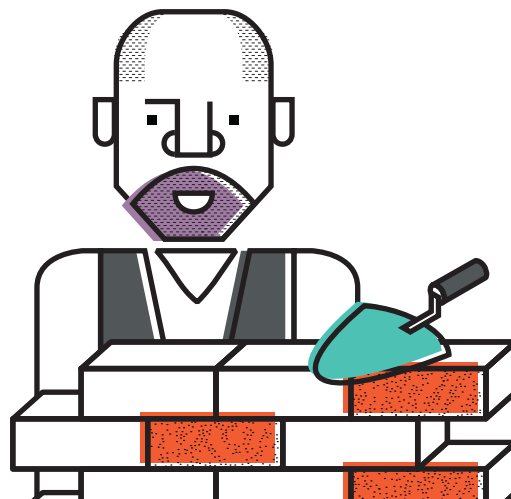
IDFC Foundation took the initiative to improve the physical infrastructure at two primary schools in villages covered by the Sansad Adarsh Gram Yojana.

The changes were made with the intent to make the schools children-friendly by improving safety measures, upgrading classrooms and ensuring access to electricity and running water, throughout the year.

IMPLEMENTATION PARTNER: HINDUSTAN LATEX FAMILY PLANNING PROMOTION TRUST

project features
Increasing the boundary wall; renovation of school building walls; replacement of the main gate; reconstruction of ramps and staircases; roof and ceiling repair; floor finish work & ground leveling

additional features
installation of a tube well; construction of drinking water and hand wash platform; rainwater harvesting system; provision of electric facility; children play equipment; medicinal garden and plantations; creative wall painting



Improving learning in primary schools

KISHANGARH BAS AND
RAMGARH BLOCKS,
ALWAR DISTRICT,
RAJASTHAN
SEPTEMBER 2014–SEPTEMBER 2017



We have been working to improve the learning levels of Class I to V students studying in government primary schools in parts of Rajasthan.

Starting with the physical infrastructure, our efforts extend to, increasing the engagement of students in school activities, improving pedagogy and working with School Management Committees (SMCs) to create a better learning ecosystem for students.

IMPLEMENTATION PARTNER: IBTADA

60
schools
covered

6,335
students
impacted, of which
3,380 are girls

10%
increase
in average school
attendance this year

5%
Increase in
enrollment

51
schools
with improved
pedagogy adopted and
implemented



Transforming night schools

MUMBAI, MAHARASHTRA
APRIL 2015–APRIL 2018

Over the past two years, we have been making improvements in the physical and academic infrastructure of schools in the Mumbai suburbs.

Efforts have been made to reduce dropouts, increase attendance and pass percentage in SSC by providing quality education. This has been possible by providing books, e-learning sessions, a moderator program, bridge courses and career guidance to SSC students.

IMPLEMENTATION PARTNER: MASOOM

771
students
from 10 schools

13%
increase
in enrollment

9*
schools
show improvement in
Grade since adoption

2%
increase in SSC
pass percentage
since adoption

251
students
given out of school and
in school skilling

11
students
granted a Higher
education scholarship

7
students
granted long term
scholarship

**Schools are graded based on the SSC Pass percentage scores. A > 81%, B 71–80%, C 61–70%, D ≤ 60%*



Awards and Accolades

Brandon Hall Group Gold Award 2016



Bharat Banking services recognised

BY TELENGANA & ANDHRA
PRADESH LOCAL
GOVERNMENTS



L&D League Awards 2016

PEOPLE MATTERS



National Payments Excellence Awards 2016

Domestic Bond Award Honour

BY IFR ASIA



Best Simulation Solution & Training Initiative in Banking

BY WORLD HRD CONGRESS



Innovative microATM Award

BUSINESS MOBILITY
SUMMIT 2016



Innovator & Disruptor in HR Technology

BY SHRM



Visual Merchandising & Retail Design Award



#BankingNibhao wins Effies 2016



Excellence in Social Media: People Practices

SHRM INDIA HR AWARDS

One of the Most Beautiful Brand Identities in Banking

THE FINANCIAL BRAND



Best Innovative Bank



Finnoviti Awards 2017

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. Vikram Limaye

NOMINEE DIRECTOR
IDFC LIMITED
(resigned w.e.f. July 15, 2017)



Mr. Avtar Monga

EXECUTIVE DIRECTOR
(appointed w.e.f. April 25, 2017,
subject to RBI approval)

Core Management Team



Dr. Rajiv B. Lall

FOUNDER MANAGING
DIRECTOR & CEO



Mr. Avtar Monga

EXECUTIVE DIRECTOR
(appointed w.e.f. April 25, 2017,
subject to RBI approval)



Mr. Ajay Mahajan

HEAD-WHOLESALE BANKING



Mr. Ravi Shankar

HEAD-BHARAT BANKING



Mr. Sunil Kakar*

CHIEF FINANCIAL OFFICER
(upto July 15, 2017)



Mr. Pavan Kaushal

CHIEF RISK OFFICER



Dr. Rajeev Uberoi

GENERAL COUNSEL AND
HEAD-LEGAL & AUDIT



Dr. NS Rajan

GROUP CHRO, GROUP CMO,
CEO - IDFC FOUNDATION

* Mr. Sunil Kakar has been appointed as a Nominee Director representing IDFC Limited w.e.f. July 16, 2017.

Registered Office

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Tel: +91 44 4564 4000
Fax: +91 44 4564 4022

Corporate Office

Naman Chambers, C-32, G-Block,
Bandra-Kurla Complex, Bandra (East),
Mumbai-400 051
Maharashtra, India.
Tel: +91 22 4222 2000
Fax: +91 22 2654 0354
CIN: L65110TN2014PLC097792
Website: www.idfcbank.com
E-mail: bank.info@idfcbank.com

Company Secretary & Chief Compliance Officer

Mr. Mahendra N. Shah

Statutory Auditors

Deloitte Haskins & Sells
Chartered Accountants

Debenture Trustee

IDBI Trusteeship Services Limited
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

Solicitors & Advocates

Shardul Amarchand Mangaldas & Co.
AZB & Partners
Wadia Ghandy & Co.

Registrar & Transfer Agents

Karvy Computershare Private Limited
Unit: IDFC Bank Limited
Karvy Selenium Tower B,
Plot No.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

02

Chairperson's Statement



It is a privilege and honour to address my first message to the shareholders of IDFC Bank as Chairperson of the Board of Directors. I have been associated with IDFC Bank as an Independent Director since July 2015.

I'm pleased to inform you that in just 18 months since the Bank started its operations, we have achieved a transformation from a predominantly infrastructure financing institution to a Universal Bank with a complete suite of products and services for the full spectrum of customers across the country.

FY17 was IDFC Bank's first full year of operations. During this year, our Bank consolidated its position as a new age bank focused on delivering financial services to all, particularly to the underserved, using technology at scale. An important strategic focus for the Bank is to accelerate our growth towards becoming a mass retail bank. A large customer base, a nationwide network and serving the financially underserved with banking products, are key to generating long term value. Harnessing the power of mobile and Aadhaar-based technology, our Bank is delivering basic financial services to even those without mobile phones.

Before I focus on the highlights of the year gone by along with details on financial performance, I would like to share with you two important aspects of the Bank that, I believe, will build a strong sustainable institution for the future. The first is the heart and soul of an institution—the philosophy that drives our strategy and our people. The second is the investment in physical and digital infrastructure for the long term. These lay the foundation for the Bank to deliver value on a sustained basis to you, our shareholders.

At IDFC Bank, our *dharma* for our customers is to materially deepen and broaden our reach, delivering differentiated service to the full range of customers - corporate and retail, urban and rural, through innovation in products, processes and technology, empowering the communities we serve, to grow and prosper.

This *dharma* is an important aspect of who we are, it drives the culture for our people and ensures values that we

stand for, get translated into a unique and differentiated customer experience. In the last 18 months, we have hired over 3,000 people from disparate backgrounds; our Bank has made a significant effort in training and development to ensure that a unique IDFC way of doing banking gets embedded amongst our people. As a young Bank, we are seeking to set new standards in customer experience, using technology and a service-oriented approach, that makes banking simple, accessible, anytime and from anywhere. We focus on solutions instead of products, delivered efficiently with speed, all backed by a service approach that feels personalised and is consistently offered across all customer segments.

Our employee values of Balance, Collaboration, Drive and Honesty form the backbone of this customer promise. I take this opportunity to thank all employees for their wholehearted support in the build-out of the Bank and its several achievements over the last 18 months. We believe in equal opportunities for personal and professional growth for all, building a performance and knowledge-based employee team, which strengthens our ability to deliver on our stated goals.

For the first time in the history of banking in India, the digital infrastructure

in the country makes it possible to deliver banking services to even the smallest business or individual, at an affordable cost. IDFC Bank's Points-of-Presence ('PoPs'), which combines bank branches, MicroATM network and Business Correspondent partnerships enables it to serve customers with / without phones, without sacrificing the customer connect. Our lack of legacy platforms allows us to be nimble, agile and flexible to meet the growing demands of today's digitally savvy and technologically accustomed clients. It also gives us the ability to innovate and launch new products for quick adoption.

We delivered a strong financial performance in our first full year of operations. The profit after tax for FY17 was ₹ 1,020 crore up 25% over the previous year's annualised profit. The Bank has acquired an active customer base of approx. 14 lacs and made rapid strides in spreading our network across the country. We have already established a network of over 8,613 PoPs across 20 states, 19 major cities, 150 districts and 33,000 villages across the country. The network comprises 74 bank branches, 47 ATMs, 350 corporate Business Correspondent branches (which include NBFCs and finance companies representing IDFC Bank for microlending) and 8,142 outlets, which include MicroATMs, cashless PDS outlets and Aadhaar Pay merchant points. This is reflective of the focus on overlaying a deep digital penetration on a lean branch structure.

We now have a complete set of solutions across all our businesses. From a diverse set of wealth management products, to a comprehensive lending product suite, to liability and asset products for rural customers. We endeavour to provide customised financial solutions to corporates, individuals, small and micro-enterprises, entrepreneurs, financial institutions and the government. This is supported by a customer experience that is delivered in a simple and transparent manner. Customers can speak to trained bankers through our Banker on Call facility, access the Bank and its products through MicroATMs placed in shops across the

country, or use any of our state of the art digital apps and solutions built to be intuitive and simplistic.

One of the key new developments was the launch of IDFC Aadhaar Pay. This unique payment solution leverages the power of Aadhaar to enable payments with your thumb. The solution is driving transformation in the payments space and is fully aligned to the government's agenda of a digitised India.

Being a digital organisation is strategic for the Bank. We deliver banking to customers based on her / his access to mobile telephony. Customers may have a smart phone, or a feature phone and some others who may have no phone at all. Our Bank is designed to deliver financial services to all three of these customer segments. The Bank serves the smartphone customer segment with a banking app that provides access to a whole range of services. For the phone-less and feature phone population, the Bank is reaching these customers through a countrywide network of Business Correspondents, using MicroATMs and apps such as Unified Payments Interface and Aadhaar Pay.

In line with the strategy of serving the mass market, particularly the underserved, the Bank acquired Grama Vidiyal Micro Finance Limited ('GVMFL'). GVMFL, now renamed as IDFC Bharat Limited, is a wholly owned subsidiary of IDFC Bank. GVMFL was a profitable entity with net profits of ₹ 42 crore in FY16, 319 branches, an active customer base of approx. 10 lacs and has been fully integrated into the bank as a Business Correspondent. This large customer base, which primarily received loans through GVMFL, now has access to a full range of financial products and services, customised for their needs.

Since inception, we have believed that good and effective Corporate Governance plays an important role in achieving the corporate vision and mission of the organisation. This is an area of strong focus and on behalf of the Board of Directors, I can assure you that we are committed to the highest standards of Corporate Governance and transparency. The Bank

in partnership with IDFC Foundation is committed to serving the communities we operate in through various rural livelihood programs. A key initiative launched this year is the Rural Livelihoods and Development program. This entails skilling rural youth to become Aadhaar-enabled Business Correspondent agents for improving financial inclusion and literacy.

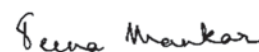
The Bank continues to be extremely well capitalised and is ideally placed to execute identified as well as emerging opportunities. The Bank also has a robust risk and compliance framework built around people, technology and processes.

The Executive Committee of the Bank comprises proven leadership led by the Founder Managing Director & CEO and has delivered a strong performance in FY17, while laying a robust base for the strategic way forward.

The Bank has received several awards and been recognised in various ways for its achievements in its first year of operations. These include the National Payments Excellence Award 2016 by National Payments Corporation of India, the Domestic Bond Award Honour by IFR Asia, and the Visual Merchandising and Retail Design Award, to name a few.

I believe that all of this is reflective of the foundation built for the future, in a manner that will enable the institution to remain relevant with the passage of time bringing alive our promise to always be 'The Bank of Now'. I'm confident that as we progress on our vision, we will deliver significant value to our shareholders, employees, as well as all the communities that we serve across the nation.

I thank all shareholders for their belief in the Bank's performance and plans. I look forward to your continued support.



VEENA MANKAR

Independent Non-Executive Chairperson

03

Founder MD & CEO's Statement



This year witnessed significant macroeconomic events both locally and globally, leading to deep impact on the financial markets.

The key global events were Brexit; the election of Donald Trump and the relatively more hawkish US Fed, after it hiked rates in December 2016. In India, the demonetisation exercise was critical, whereby the government replaced ₹15.44 trillion of ₹500 and ₹1,000 notes in circulation with new ₹500 and ₹2,000 notes. Broadly, by the end of FY17, indications were more robust for global economic activity improving and an easing of the recessionary conditions in the commodity exporting, large emerging market economies. Even as some deflation risks linger in certain parts of the world, broadly inflation is edging up in most advanced economies. India's macroeconomic fundamentals have continued to improve. Domestic macro-economic conditions continued on a stable footing with inflation coming down, current account deficits remaining in control and the central government achieving its fiscal deficit / GDP target of 3.5% for FY17 and targeting a lower deficit of 3.2% for FY18.

This positions us well among the leading emerging economies.

The Central Statistical Organisation ('CSO') has put the advance estimate for real Gross Value Added growth in FY17 at 6.6%. While demonetisation could have played a part in slowing growth, it must be noted that growth was already slowing over the first two quarters of FY17.

In April 2016, headline CPI was at 5.5% and it moderated to a historic low of 3.2% in January 2017, but rose to 3.9% in February 2017. Core CPI inflation (ex-food and fuel) averaged at 4.8% in FY17 (4.5% in FY16).

The monetary policy stance was "accommodative" in the initial part of the year. The repo rate was reduced by 25 bps on April 5, 2016, to 6.50% and was further reduced by 25 bps to 6.25% on October 4, 2016. The Reserve Bank of India changed its stance of monetary policy from "accommodative" to "neutral" at its monetary policy meeting in February 2017. Led by a surge in the low cost current and savings accounts with the banking sector,

IDFC Bank is not a “digital only” bank. It’s a “click and mortar” bank adapted for the unique circumstances and a vast range of customers in India. Its distribution model relies a lot less on regular bank branches, but rather seeks to extend reach using mobile technology and partnerships.

monetary policy transmission was stronger in H2FY17. Banks dropped their term deposit rates, thereby creating space for a reduction in the MCLR.

For IDFC Bank, FY17 was our first full year of operations. It has been an exciting eighteen months since launch and your Bank has shown steady progress towards our stated goal of becoming a mass retail bank. Your Bank acquired an active customer base of approx. 14 lacs. Your Bank has a network of 8,613 Points-of-Presence (‘PoPs’) across 20 states, 19 major cities, 150 districts, serving 33,000 villages across the country, including the North East. This network includes 74 bank branches, 47 ATMs, 350 corporate Business Correspondent branches (which include NBFCs and finance companies representing IDFC Bank for microlending), and 8,142 outlets which include MicroATMs, cashless PDS outlets and Aadhaar Pay merchant points.

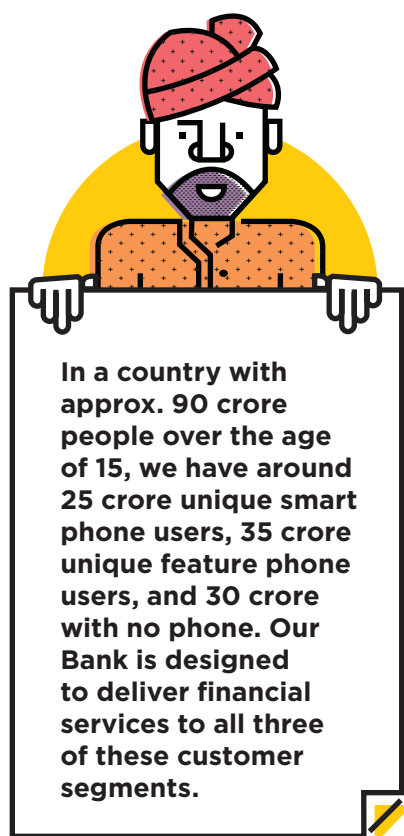
Our financial performance continued to be good, with the full year net profit of the Bank at ₹1,020 crore, a growth of 25% as compared to the annualised net profit in the previous year. Operating income for the year was ₹3,030 crore; and Operating expenses were at ₹1,277 crore, leading to a favourable cost-to-income ratio of 42.1%. The Balance Sheet grew y-o-y by 35% to

end the year at ₹112,160 crore. The Bank’s deposits stood at ₹40,208 crore, while CASA was at a healthy ₹2,094 crore, which in absolute terms is significant for a new bank. Despite starting with a large balance sheet, the bank delivered on its overall PSL target of ₹17,148 crore as on March 31, 2017.

IDFC Bank is not a “digital only” bank. It’s a “click and mortar” bank adapted for the unique circumstances and a vast range of customers in India. Its distribution model relies a lot less on regular bank branches, but rather seeks to extend reach using mobile technology and partnerships.

The business strategy of your Bank is embedded in the macro context governing assets, liabilities, financial savings and emerging competitive landscape. Developments in the areas of Aadhaar, mobile telephony, payments and fin-tech have transformational potential in terms of delivering banking and financial services to the masses. It provides IDFC Bank the opportunity to re-imagine banking and deliver innovative solutions to customers.

The macro context manifests extreme concentration of banking credit with the top 300 corporates (and even fewer groups) accounting for more than 45% of banking credit. Likewise, there is extreme concentration in the banking system’s depositary franchise with mass affluent,



affluent and HNIs contributing 86% and top 50 cities, contributing 81% to CASA deposits. Given the extreme concentration on assets and liabilities, the strategic direction for your Bank is to penetrate progressively deeper into the customer base on both sides of the balance sheet.

On corporate banking, the focus has been on:

1. Diversifying corporate customer base beyond the large corporate segment.
2. Diversifying corporate banking revenues beyond funded products to non-funded and fee based sources.

On retail banking, the focus is on:

1. Rapidly increasing the retail share in total advances across all customer segments.
2. Pursue cost effective acquisition at scale especially of mass affluent and mass retail customers for deposit mobilisation.

On the wholesale banking front, corporate investments remain slow as capacity utilisation continues to be modest, balance sheets are stretched and global growth environment remains uncertain. Our strategy of diversifying the business mix and sustained focus on deepening our low-cost deposit franchise has helped us deliver steady performance during the year.

The Bank's retail businesses grew steadily and there was healthy growth in both retail deposits and loans, supported by an expanding network that remains

critical to our retail franchise. Your Bank engaged with corporates and housing societies to assist existing and new customers with easy cash withdrawals using MicroATMs during demonetisation. Facilities such as immediate cash withdrawal at doorstep and 4 minute Aadhaar enabled account opening received an overwhelming response, enabling your Bank to make in-roads into many large and mid-sized corporates. Our investments in the most relevant technologies, the right talent and above all, a customer-centric approach, have helped us to successfully deliver on our strategy.

One of the key highlights in FY17 was the acquisition of Grama Vidiyal Micro Finance Limited ('GVMFL'), now renamed as IDFC Bharat Limited. This acquisition supports your Bank's vision of becoming a mass retail bank in 5 years. GVMFL had ₹ 1,502 crore of Assets Under Management ('AUM'), 319 branches in 7 states and over a million customers. It is a profitable entity with net profits of ₹ 42 crore in FY16, RoA of approx. 3+% and RoE of 31%. Its net worth was ₹ 155 crore and its portfolio at risk as of March 31, 2016 was 0.001%.

Post the acquisition:

- GVMFL is a 100% owned Business Correspondent ('BC') of IDFC Bank and is renamed as IDFC Bharat Limited.
- All employees of GVMFL have become employees of the BC.

- All incremental business originated by BC is being booked in IDFC Bank's balance sheet.

Digital is a strong thrust area for your Bank. As a new age bank, IDFC Bank is leveraging digital and using technology to deliver banking to customers in a simple and transparent manner. We are using digital to approach the Indian consumer based on her / his access to mobile telephony. In a country with approx. 90 crore people over the age of 15, we have around 25 crore unique smartphone users, 35 crore unique feature phone users, and 30 crore with no phone. Our Bank is designed to deliver financial services to all three of these customer segments.

IDFC Bank serves the smartphone customer segment with a Banking App that provides access to a whole range of services. IDFC Bank allows smartphone customers with Aadhaar cards to open a savings account and / or a fixed deposit account using a completely digital process that requires no paperwork and takes under 4 minutes.

For the phone-less and feature phone population, the Bank is reaching these customers through a countrywide network of BCs that will include kirana stores, chemists, other small merchants and suitable Distribution Agents ('DAs') such as, leaders of Women's Self Help Groups, Fair Price Shops (PDS) stores, e-commerce merchandise delivery agents etc., each using a MicroATM and / or mobile device

with an IDFC Bank MicroATM App (branded IDFC Aadhaar Pay).

Your Bank was the first bank to launch IDFC Aadhaar Pay which is an Aadhaar-linked interoperable banking software application that can be downloaded on any smartphone for free on any Android mobile device. Any customer with an Aadhaar-linked bank account can make a cashless purchase from a BC agent cum merchant that has Aadhaar Pay on an android device with a dongle. Upon biometric authentication, money is transferred from customer to BC agent-cum-merchant account in a secure manner and the customer need not have a phone or a debit / credit card to make the purchase.

In the past year, we have made significant progress on our objective to transform into a mass retail bank. Partnerships and alliances will play a critical role in this journey. Delivering banking products and solutions across networks owned by business correspondents and partners to customers will play an important role in fulfilling this vision. On all these fronts your Bank is progressing well.

Another important change is Mr. Vikram Limaye has 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 ('NSE'). We all owe a huge debt of gratitude to Vikram for his commitment, loyalty, integrity and his contribution

towards building the IDFC Group as it is today. The Board of IDFC Limited has appointed Mr. Sunil Kakar as the new Managing Director & CEO effective July 16, 2017. Consequently, Mr. Sunil Kakar will step down as the Chief Financial Officer of IDFC Bank effective July 15, 2017.

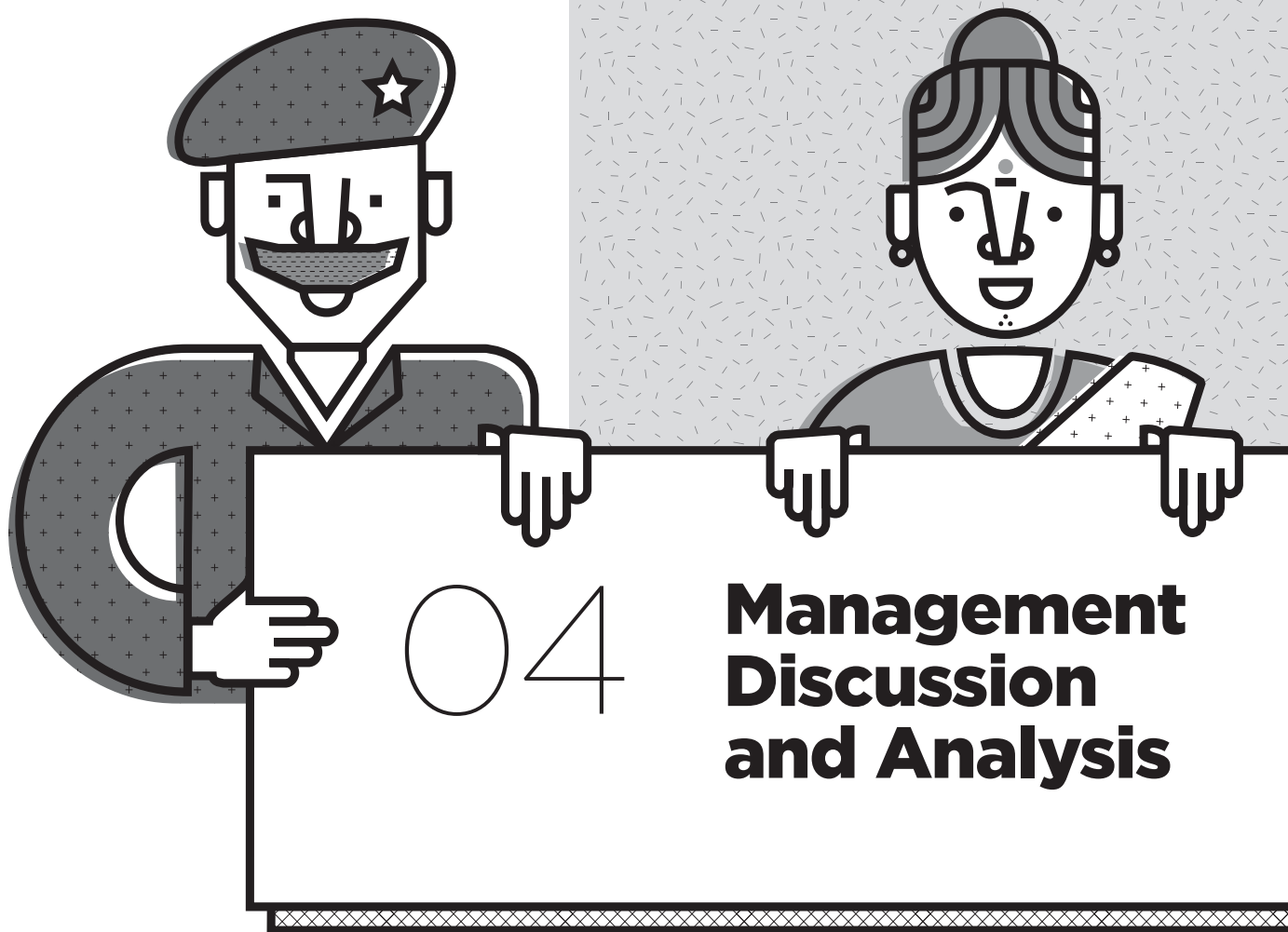
No organisational objective can be achieved without the spirit of teamwork and strong collaboration of its employees. The various awards that the Bank has won are a testament to the wholehearted commitment of our 3,000+ employees spread across the country.

With a growing entrepreneurship culture, digitisation, public payments infrastructure and a supportive proactive government, we are well poised for strong economic development. We are confident of our ability to leverage our click and mortar retail franchise and our established corporate business to take advantage of the opportunities that may emerge as the economy gains momentum; while continuing to invest in technology and human capital to support our business growth.

I wish to take this opportunity to thank all our stakeholders for supporting us; and reiterate our commitment to delivering value to all our stakeholders.



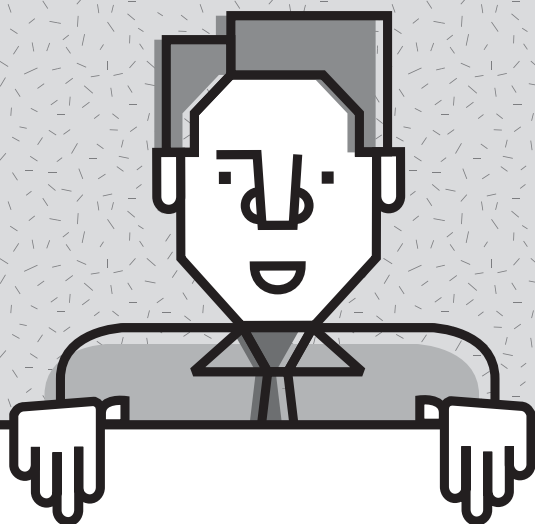
RAJIV B. LALL
Founder Managing Director & CEO



MACRO-ECONOMIC ENVIRONMENT

The global and domestic economic landscape witnessed significant shifts in FY17, leading to wide ranging implications on the banking sector and financial markets. The key global events were Brexit; the unexpected election of Donald Trump and the tilt towards a hawkish tone at the US Federal Reserve. In India, the demonetisation exercise was unforeseen and unexpected, whereby the government replaced ₹ 15.44 trillion of notes in circulation with new notes. However, towards the end of the FY17, global economic activity picked up and conditions improved in commodity exporting

countries and emerging markets. Even as some deflation risks linger in certain parts of the world, inflation picked up in most advanced economies. In India, macro-economic conditions continued to be on a stable footing with slowing inflation, Current Account Deficits remaining in control and the central government achieving its Fiscal Deficit / GDP target of 3.5% for FY17 and targeting a lower deficit of 3.2% for FY18. Notwithstanding stable macro-economic conditions, most forecasts expect private capital expenditure in India to remain subdued,



The global and domestic economic landscape witnessed significant shifts in FY17, leading to wide ranging implications on the banking sector and financial markets. The key global events were Brexit; the unexpected election of Donald Trump and the tilt towards a hawkish tone at the US Federal Reserve. In India, the demonetisation exercise was unforeseen and unexpected, whereby the government replaced ₹ 15.44 trillion of notes in circulation with new notes.

thereby bringing focus onto the need for higher government investment.

Growth-inflation Dynamics in India

Central Statistical Organisation's ('CSO') Gross Value Added ('GVA') growth in FY17 is 6.6%, marking a significant slowdown from last year's 7.9%. While demonetisation could have played a part, it must be noted that growth was already weakening over the first two quarters of FY17. On the production side, growth in FY17 was led by agriculture (GVA growth in agriculture at 4.9%). Industry lost momentum, growing at 5.6% in FY17 while services sector GVA growth decelerated to 7.7% from 9.7% in FY16. Effect of demonetisation was evident in this sector with growth being pulled down by largely cash driven segments such

as trade, hotels, transport and real estate. This drop was buffered by robust private consumption demand and an increase in government expenditure. This meant that growth in the economy continued to be led by consumption rather than investments. This is evidenced by the expenditure component of the GDP, where Gross Fixed Capital Formation rose by only 2.4% in FY17, witnessing a sharp downturn from 6.5% in FY16. On the other hand, private consumption demand grew by 8.7% in FY17 (6.1% in FY16) and government consumption expenditure rose by 20.8% in FY17 (3.3% in FY16).

The trajectory of Headline CPI inflation remained southbound for the most part of FY17. In April 2016, Headline CPI was at 5.5% and moderated to a historic low of

3.2% in January 2017, but rose to 3.9% in March 2017. The principal reason for the drop in Headline retail inflation was a drop in food prices, that moved down to 1.4% in January 2017 from around 8% in July. The key components that led to this drop were vegetables and pulses. To a certain extent prices of perishables dropped in the aftermath of demonetisation as lack of hard cash led to subdued demand. Like in the past, services inflation was elevated, especially, in areas of Household goods & services, Healthcare, Education and Recreation & Amusement and also Personal Care & Effects. Core CPI inflation (ex-food and fuel) averaged at 4.8% in FY17 (4.5% in FY16). Led by a firming up of the global crude oil prices in the second part of the year, inflation in Transport and Communication (that encompasses the movements in domestic prices of petrol and diesel) rose to 6% in March 2017 from 1.8% in April 2016.

Monetary Policy, Liquidity and G-sec Yields

The monetary policy stance was "accommodative" in the initial part of the year with two 25 bps rate cuts – one in April and one in October bringing the repo rate down to 6.25%. The RBI abstained from reducing the rates further in December and raised concerns over inflation trends going ahead, despite a slowing Headline CPI. In February of 2017, contrary to market expectations, RBI changed its stance of monetary policy to

“neutral” from “accommodative”, signalling a shift towards a more hawkish RBI. Due to a surge in low cost current and savings deposits with the banking sector, monetary policy transmission was stronger in H2FY17. Banks dropped term deposit rates, thereby creating space for a reduction in the MCLR. The 1-year median MCLR declined by 70bps after November 2016 (with no reduction in Repo rate), against a decline of just about 15bps during April-October 2016.

Asset quality concerns continued to dominate the banking sector narrative in 2016-17. The GNPA (gross non-performing advances) ratio of Schedule Commercial Banks (‘SCBs’) increased to 9.1% in September 2016 from 7.8% in March 2016, pushing up the overall stressed advances ratio to 12.3% from 11.5%. The large borrowers registered significant deterioration in their operating metrics amplifying the pressure on the banking sector. As part of the reduction of stress levels in the banking sector and with an aim to improve the performance of State Electricity Boards, the government had launched the Ujwal DISCOM Assurance Yojna (‘UDAY’) in 2015-16. The scheme gained further momentum in 2016-17 with 27 States and Union territories signing up vs 10 states in the previous year. The scheme will result in a ₹ 2.7 trillion of distribution company debt to be converted into bonds issued by respective state governments. Out of this, state governments have already issued UDAY Bonds worth ₹ 2.3 trillion. Government of India and RBI are evaluating further options to reduce and resolve the stress levels in the banking system.

There were sharp gyrations in money market liquidity throughout the year – with a structural break caused by the demonetisation exercise in early November. In the first part of the year, in response to the sharp increase in Currency in Circulation (‘CIC’), RBI eased money market tightness by injecting liquidity into the system via Open Market Operations (‘OMO’). Q2FY17 witnessed some surpluses in money market liquidity due to a pick-up in government

expenditures and proactive front-loading of liquidity by RBI, in anticipation of pressures associated with the FCNR(B) redemptions. Money market liquidity conditions moved into an unprecedented surplus position after the announcement of demonetisation. To mop up the additional liquidity, RBI directed all banks to maintain (effective November 26, 2016) an incremental CRR of 100% on the increase in Net Demand and Time Liabilities (‘NDTL’) between September 16, 2016, and November 11, 2016. This measure was withdrawn from the fortnight beginning December 10, 2016, subsequent to which RBI used Market Stabilisation Scheme (‘MSS’) issuances to mop up excess liquidity. Despite remonetisation, the significant liquidity surplus position continued into Q4FY17, leading to Weighted Average Call Money Rate (‘WACR’) to be 25 bps lower than the Repo rate. Even the 3-month Treasury Bill rate, mostly stayed close to the fixed reverse repo rate of 5.75%. To reduce the volatility in the overnight call money rates, RBI has now narrowed the corridor between the reverse repo and the repo rate to only 25 bps.

The 10-year benchmark G-sec yields ended the previous financial year at 7.5% and remained almost unchanged in the first 3 months of the year. Yields dropped steadily thereafter and closed at 6.70% on October 6, 2016, with RBI delivering a repo rate cut at its monetary policy meeting. G-sec yields softened significantly after the announcement of demonetisation, which not only led to a liquidity surge in the system, but also created expectations of further monetary policy easing as growth was expected to soften post demonetisation. 10-year benchmark G-sec yield thus dropped from 6.80% on November 8, 2016, to an intra-day low of 6.1% on November 25, 2016. Yields hardened in December 2016 with an imposition of incremental CRR domestically and debt portfolio outflows from India on account of a rise in the US bond yields. This was after the US Fed delivered a rate increase and signalled a hawkish stance for future rate rises on the expectations of fiscal stimulus in the

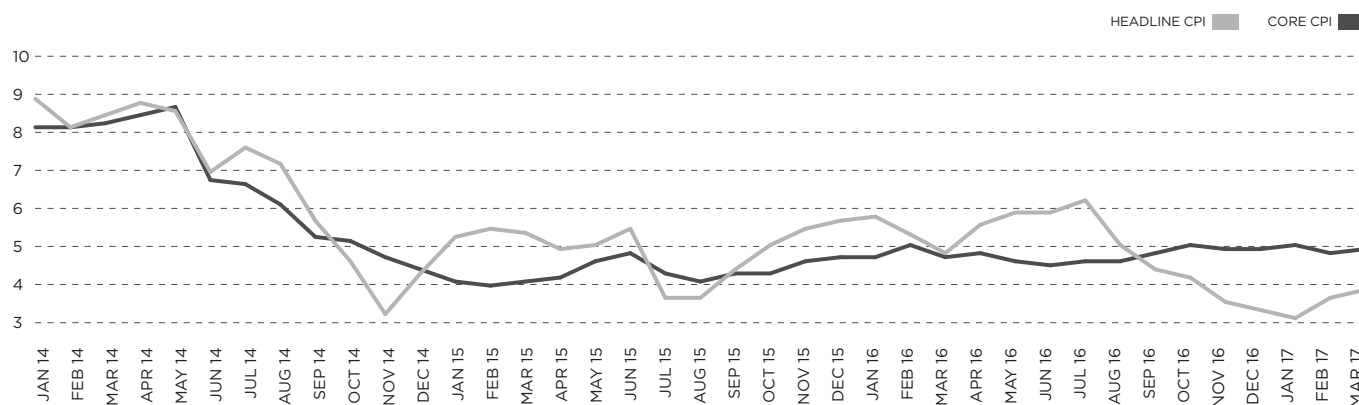
US. Caught unaware, the market switched tracks with the unexpected change in the monetary policy stance by RBI in February 2017, leading to a steepening of the yield curve with the 10-year yield reaching 6.9%.

External Accounts and Currency Dynamics

The Current Account Deficit (‘CAD’) remained in a comfortable territory with the first three quarters of FY17 recording a deficit of US\$ 11.6 bn, or 0.7% CAD / GDP. On a comparative basis, in a similar period in FY16, the CAD was at US\$ 21.8 bn (1.4% of GDP). The principal reason for contraction in the CAD was the trade deficit that was lower at US\$ 83 bn in the first three quarters of FY17, compared to US\$ 105 bn in the same period last year. While both oil and non-oil imports contracted, there was a small boost to exports, as the global economy gained momentum. However, the services sector flows were largely muted in FY17, as private transfers suffered.

On the capital flows side, foreign direct investments (‘FDI’) dominated the headlines with cumulative inward flows amounting to US\$ 39.8 bn between April and February 2017. On the other hand, inflows via the portfolio route remained volatile during the year with phases of global risk-off momentum affecting flows into India. While cumulative flows through equity and debt routes were around US\$ 8.2 bn in the first half of the year, outflows were to the tune of US\$ 11.3 bn in the third quarter. This was based on expectations of a more hawkish Fed on the back of expectations of higher fiscal spending after the election of Donald Trump and the expected consumption slowdown due to the demonetisation exercise in India. The FCNR(B) repayments that were due in Q3FY17 however did not create any pressure on the system. Furthermore, the tide turned again with the Fed signalling a slightly less hawkish stance than expected in its policy statement, as well as reversal of the trades that were put on the basis of Trump’s campaign rhetoric. For India, the pro-reforms Budget and the win for the

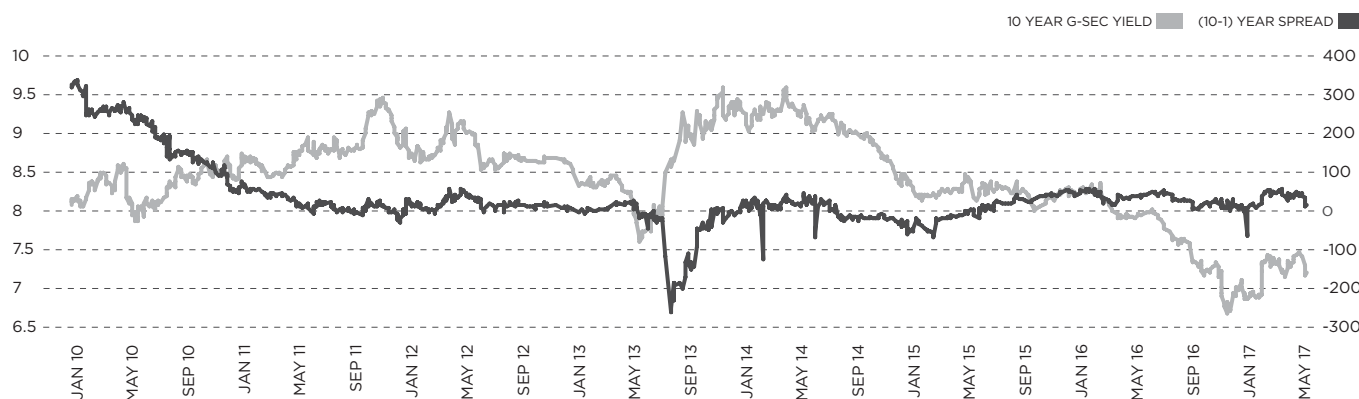
A Headline CPI dipped in the initial part of FY17, likely to have bottomed out



B USD/INR closes FY17 with an appreciation bias



C Trends in the 10 year benchmark yields and spreads





Talent pool of employees to manage the operations efficiently.

BJP in 4 out of 5 State elections (especially in Uttar Pradesh) built up the momentum for flows in renewed expectations of economic reforms. Thus, FPI flows turned positive in February (at US\$3.4bn) and surged in March (US\$9.1bn).

The USD / INR trend through most of the year was determined by the volatility, triggered by unanticipated events discussed earlier. USD / INR had closed in FY16 at 66.26 but depreciated to 67.90 after the Brexit referendum. Thereafter it reversed to its earlier trend-line with fears of an immediate pull-out by the UK abating. However, US election results again led to the USD / INR to move to 68.70. Recently, USD / INR exhibited a sharp appreciation bias as a confluence of factors leading to a weaker USD against all major currencies and large inflows into all emerging market economies including India. USD / INR closed FY17 at 64.85, an appreciation of 2.2% over the year.

DEMONETISATION: IMPLICATION FOR FINANCIAL SECTOR AND OTHER SECTORS

Demonetisation led to a withdrawal of almost 86% of the currency in circulation from the economy. Given that this was a massive exercise, the implications of the same on the banking sector as also on other sectors are still evolving. For the banking sector, this led to a sharp increase in the liquidity – deposits of the banking sector increased sharply while the credit growth witnessed a large decline. Pre-demonetisation, deposit growth was at 9.8% and peaked at 16% in early December 2016. On the other side, credit growth was at 9% pre-demonetisation and dropped to 4.6% by mid-February 2017.

Consequent to the surge in deposits, banks brought their deposit rates down. 1-year rate is now at 7.0-7.3%. On the other hand, the liquidity burden and the lack of adequate good quality assets led the Marginal Cost Lending Rate ('MCLR') to drop from 7.60-12% to 6.95-10.50% now.

Such sharp drop in the MCLR is likely to have affected the margins of the banking sector, especially as the liquidity surge was spread unevenly across the sector. Banks were however protected by a sharp dip in government security yields. The banking sector also withstood some pains out of their exposures to the SME / MSME sector – as this sector was heavily reliant on cash transactions.

However, demonetisation could lead to some beneficial impact for the banking sector as the dust settles. With implementation of the GST, a large extent of the informal sector is likely to be converted into the formal sector and hence would have to rely more on the banking sector for its financial needs. Further, with a push towards digitisation of payments, banks are likely to benefit through larger usage of debit and card transactions and also usage of its payment platforms.

The situation for the NBFCs and specially micro-finance institutions were more complicated. This sector is likely to have weathered a bigger implication from the overall drop in consumption demand

post demonetisation. Micro-finance organisations faced problems so far as their collections were concerned as most of these were on a cash basis. The industry was pushed towards digitisation, leading to the use of innovative channels for payment collection. While the situation is believed to have largely improved, there could still be some pockets of worry due to varied reasons, including socio-political. Over the long term, however, demonetisation is expected to benefit the organised micro-credit segment.

Overall, impact of demonetisation was, in general, more on the unorganised sector that had erstwhile large dealings in cash. The manufacturing sector was probably more affected by demonetisation than the services sector. Logistics (road transport) witnessed pains as this segment required cash for its day-to-day activities (such as payments for tolls / fuel etc). Toll collection was stopped for 24 days after demonetisation and NHAI decided to compensate upto 90% of only interest cost and O&M expenses for the 24-day period.

Real estate as also gems and jewellery sectors were impacted as these sectors traditionally have a large dealing in cash. In the longer term, lower interest rates on home loans and transparency in real estate transactions are expected to be positive for the banking sector.

The transition to a cashless economy is expected to improve transparency and savings in financial assets. It has already induced a change in customer mindset and a behavioural shift towards transacting digitally.

Vision and Strategy

The strategy we scripted keeping in view the future of banking, has turned up encouraging results. In the first full year of operations, we witnessed banking unfold just the way we had envisioned it, against the backdrop of evolving customer preferences, technology disruptions, a growing need for digital inclusion and an enabling regulatory and policy environment.

Your Bank's growth strategy and product pipeline played out seamlessly in response to these anticipated changes. As a new-age bank that chose to be branch-light, we made a successful start to delivering anytime, anywhere banking at scale, using technology. In its first year, the Bank established significant reach, scale, a comprehensive product suite and a unique service proposition. In many aspects, your Bank's approach was transformative, especially in the way services were delivered to the last mile customer.

BUILDING REACH

In line with the strategy of building a mass retail bank, your Bank effectively reached out to serve all segments of customers, especially the financially excluded. This was achieved through a combination of physical as well as digital infrastructure.

As a click-and-mortar bank, our customer proposition is unique, characterised by 24x7 access, doorstep banking, assisted digital channels and community engagement. The Bank's completely integrated technology architecture makes this possible, rendering digital banking to all segments of customers - ranging from the phone-less to those with feature phones and smartphones, comprising salaried individuals, the population in the hinterland, merchants, small businesses, mid-sized as well as large corporates.

Your Bank was among the first to use Aadhaar at scale, for opening of accounts, enabling transactions, direct benefit transfers and payments.

The digital ecosystem built by your Bank in rural and semi-urban geographies, has for the first time in the history of Indian banking, proven that it is now financially viable to reach out to and service the customer in the hinterland. Use of digital and integrated technology architecture has helped to drastically cut the cost-to-serve customers, thus making it possible for us to drive financial inclusion in greater magnitude.

DRIVING SCALE

Your Bank adopted a multi-pronged strategy to establish retail scale. It started with the building of a digital ecosystem which consisted of a payment acceptance infrastructure and interoperable MicroATMs across the hinterland as well as urban geographies. These channels are meant to complement the traditional branch network. The MicroATMs are operated by Business Correspondents ('BCs') who service customers in remote and far-flung locations.

Fintech partnerships have been a key aspect of our plan to reach out to customers on the payments side, to merchants for working capital, and to expand our retail asset and liability franchise.

Acquisitions have also been part of your Bank's strategy to increase customer base. The acquisition of the micro-finance institution, Grama Vidiyal Micro Finance Limited ('GVMFL'), now renamed as IDFC Bharat Limited, ties in with the Bank's plans of not only building scale and reach, but also driving financial inclusion in a feasible manner.

GVMFL had ₹ 1,502 crore of Assets under Management ('AUM') as on June 30, 2016, 319 branches in 7 states and over a million customers. It is a profitable entity with net profits of ₹ 42 crore in FY16, with RoA of approx 3+% and RoE of approx 30%. Its net worth was ₹ 155 crore and its portfolio at risk as on March 31, 2016, was 0.001%. After the acquisition, GVMFL is a 100% owned subsidiary of IDFC Bank. Post surrender of NBFC-MFI registration, it is acting as a BC of IDFC Bank. All incremental business originated by BCs is being booked in IDFC Bank's Balance Sheet.

Thus, in the first eighteen months of operation, your Bank acquired an active customer base of 1.4 million, serviced through a network of 8,613 Points-of-Presence ('PoPs'), 74 bank branches, 47 ATMs, 350 corporate Business Correspondent branches (which include NBFCs and finance companies representing IDFC Bank for micro-lending) and 8,142



outlets, which include MicroATMs, cashless PDS outlets and Aadhaar Pay merchant points. The Bank established a presence in 20 states, 19 major cities, 150 districts and 33,000 villages across the country, including the North East.

ENHANCING SERVICE THROUGH TECHNOLOGY

Your Bank's digital framework has nurtured innovations in product, channel and most importantly, service. These elements come together to create a customer engagement and experience that is unique to IDFC Bank.

In the hinterland, this is manifested in the "Phygital" form (digitally enabled physical point of presence) of an 'assisted digital' offering delivered through our BCs using interoperable MicroATMs, termed as 'Bank-in-a-Box' and doorstep banking through our branch sales force.

For the digitally savvy, it is evidenced through a banking app, net banking, digitised branches and Banker-on-Call – all of which has an accent on user experience and agility. IDFC Bank allows smartphone customers with Aadhaar cards to open a savings account using a completely digital process that requires no paperwork and takes under 4 minutes.

The Bank's technology systems are built to be intuitive and highly flexible and responsive to customer needs. The technology architecture creates an omnichannel, omnidevice experience for customers – as all verticals and businesses are connected to one master database.

REVOLUTIONISING LAST MILE PAYMENTS

In the months ensuing demonetisation, the country saw a surge in digital transactions. The volume of transactions for small retail systems more than doubled between October 2016 and December 2016, while the value transacted rose by 56%. The sharp rise in usage of digital payment modes has sustained even as the economy has significantly remonetised.

During this period, the government pursued digitisation on a war footing. As people switched to mobile wallets

and cards for payments, a large section of the population had no access to digital payment methods. This led to the introduction of digital payment mechanisms including the Bharat Interface for Money ('BHIM') app and the Bharat QR code. While the BHIM app made bank-to-bank payments simple, easy and quick, using Unified Payments Interface ('UPI'), the BharatQR code was the world's first interoperable payment acceptance solution. Bharat Net, high-speed digital highway was launched to connect 250,000 gram panchayats of the country through the internet.

In support of the government's digitisation initiatives, IDFC Bank pioneered IDFC Aadhaar Pay, India's first Aadhaar-linked cashless merchant solution. The initiative enabled customers without a phone or having a feature phone in cities as well as the hinterland, to make cashless payments at no cost, using their fingerprint as a digital identity. The interoperable banking software application was developed by IDFC Bank under the guidance of the Ministry of IT, NITI Aayog, Unique Identification Authority of India ('UIDAI') and National Payments Corporation of India ('NPCI'). The convenience of Aadhaar Pay is expected to encourage a behavioural shift towards digital payments at merchant points, as it does away with barriers to digital transacting i.e. it can be used by individuals without a phone, debit card, password or signature. In future, IDFC Aadhaar Pay points will serve the Bank's extended Points-of-Presence.

The government also launched the BHIM-Aadhaar Pay app, which was a significant intervention and enabled real time money transfers from consumers' to merchants' bank accounts based on biometric authentication.

FUTURE OUTLOOK: FAVOURABLY POSITIONED IN THE CURRENT BANKING CONTEXT

The business strategy of your Bank is embedded in the macro context governing assets, liabilities, financial savings and

emerging competitive landscape. Given the thrust on Aadhaar-linked payments, developments in mobile telephony and the evolution of the fintech space, your Bank is advantageously positioned in the industry's growth curve.

Performance

The financial year 2016-17 marked the first full year of operations for IDFC Bank and its transition from an infrastructure finance company to a full-fledged universal bank. During this period, the focus was on building a mass retail bank with differentiated distribution architecture, while simultaneously diversifying risk in wholesale business by increasing exposure to emerging corporates and mid-sized corporates.

Despite a challenging business environment, your Bank gained material traction on its journey towards diversifying its business. The first year saw significant franchise value creation on the retail side, both in terms of assets as well as liabilities.

Your Bank successfully reduced the concentration risk it earlier carried as a mono-line financial entity focussed on infrastructure. As of March 31, 2017, over 25% of the Bank's funded credit was 'retailised' and your Bank's infrastructure concentration was lower by 15 percentage points relative to last year. Client-based fees contributed 12% to its operating income.

To develop into a mass retail bank, your Bank aims to accelerate the pace of retail lending and retail liability acquisition. In order to achieve this, your Bank plans to double the share of its retail book, systematically bring down the proportion of the corporate funded book, and further reduce exposure to infrastructure over the next two to three years. Within the corporate franchise, your Bank is quickly diversifying its product suite and focusing on fee income from advisory, transaction banking and cash management services to improve returns.

Your Bank ended the financial year with 1.4 million customers (including IDFC Bharat Limited customers), served

through its 8,613 Points-of-Presence across 20 states, 150 districts, 19 major cities and 33,000 villages.

Financial Highlights

The full year net profit of the Bank was at ₹ 1,020 crore, representing a growth of 25% as compared to the (annualised) net profit in the previous year. Operating income for the year was ₹ 3,030 crore; and Operating expenses were at ₹ 1,277 crore, leading to a favourable cost-to-income ratio of 42.1%.

The consolidated net profit of IDFC Group (including associates and subsidiary) stood at ₹ 1,019 crore and the Balance Sheet size was ₹ 112,064 crore as at March 31, 2017.

The Balance Sheet grew y-o-y by 35%. Despite tough business conditions with overall bank credit growth at multi-decade lows, IDFC Bank ended the year with an outstanding funded and non-funded credit growth of 58%. Your Bank's funded outstanding credit was up 36% at ₹ 66,567 crore, from ₹ 48,813 crore in the previous year. Furthermore, the incremental funded credit growth has largely been outside of the large corporate and infrastructure space.

Directionally, your Bank is also moving towards reducing its dependence on trading income.

Deposits

As on March 31, 2017, the Bank's deposits stood at ₹ 40,208 crore. More importantly, we gained significant momentum in acquiring CASA deposits which ended the year at ₹ 2,094 crore, significant for a newly established bank. This reflects your Bank's strong distribution reach and ability to mobilise low-cost liabilities from depositors around the country.

PSL Target

Despite starting with a large balance sheet, the Bank delivered on its overall PSL target of ₹ 17,148 crore as on March 31, 2017.

Shareholders' Funds and Capital Adequacy

Shareholders' funds of the Bank stood at ₹ 14,678 crore as on March 31, 2017. Capital Adequacy Ratio ('CRAR') of the Bank, computed as per Basel III guidelines stood at 18.90% as at the end of the year. Tier 1 Capital adequacy ratio stood at 18.54%.

Improving Asset Quality

The Gross NPL and Net NPL of the Bank was at ₹ 1,542 crore and ₹ 576 crore respectively. In FY 2017, your Bank sold 14 loan accounts with a net carrying value of ₹ 2,070 crore to an Asset Reconstruction Company ('ARC'). This helped in lowering your Bank's Gross NPL ratio (as a percentage of Gross Advances) to 3.0% and Net NPL (as a percentage of Net Advances) to 1.1%.

Strengthening Human Capital

The Bank's employee base grew by 62%, as compared to the previous year reaching total team strength of 3,905 employees as of March 31, 2017. This employee count does not include your Bank's partnerships, which would be an additional 3,432 employees through IDFC Bharat Limited.

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 Indian Accounting Standards ('Ind AS') for banks and Non-Banking Financial Companies ('NBFCs'). The roadmap requires the preparation of Ind AS based financial statements for accounting periods beginning April 1, 2018, onwards, with comparatives for the period beginning April 1, 2017, or thereafter.

The Reserve Bank of India ('RBI') vide its circular DBR.BP.BC.No.76/21.07.001/2015-16 dated February 11, 2016 also requested all banks to take note of the press release for implementation of Ind AS and disclose it in the annual report, the strategy for Ind

Financial Results

2016-17

STANDALONE



Income Statement

IN ₹ CRORE

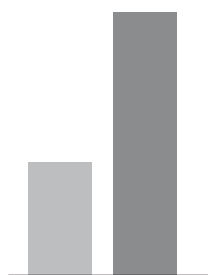
PARTICULAR	FY16 ¹	FY17	% GROWTH (YOY) FY17 VS FY16 ²
Operating Income	1,251	3,030	31%
Net Interest Income	900	2,076	28%
Non Interest Income	351	954	36%
Operating Expenses	511	1,277	25%
Pre-Prov Op Profit (Ppop)	740	1,753	35%
Provisions & Contingencies	24	282	488%
Profit Before Tax	716	1,471	18%
Tax	249	451	4%
Profit After Tax	467	1,020	25%

¹ The Bank commenced its banking operations w.e.f. October 01, 2015.

² % Growth is based on annualised figures of financial performance of the Bank w.e.f. October 01, 2015.

Net Interest Income

+28%



FY16
₹ 900
crore

FY17
₹ 2,076
crore

AS Implementation and progress in this regard.

As guided by the RBI in its circular, your Bank has formed a steering committee comprising of Chief Financial Officer ('CFO'), Chief Risk Officer ('CRO') and Chief Operating Officer ('COO') of the Bank to review the entire process of Ind AS implementation. The 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 the steering committee, your Bank has also formed a technical committee and working group comprising of members from cross-functional areas of the Bank. The technical committee and working group has carried out the 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. The working group of the Bank has prepared the pro-forma Ind AS financials as on September 30, 2016, including transition balance sheet considering April 1, 2016, as notional date of transition as requested by the RBI vide its circular DBR.BP.BC. No.106/21.07.001/2015-16 dated June 23, 2016. The pro-forma Ind AS financials

Key Ratios

PARTICULAR	FY16*	FY17
Return on Assets	1.0%	1.0%
Return on Equity	6.0%	7.2%
EPS (₹)	2.3	3.0
Book Value Per Share (₹)	40.2	43.2
NIMs	2.0%	2.1%
Cost/Income	44.0%	42.1%
Capital Adequacy Ratio	22.0%	18.9%
Of which Tier I	21.5%	18.5%
Gross NPL (% of Loans)	6.2%	3.0%
Net NPL (%)	2.4%	1.1%

* Based on annualised figures of financial performance of the Bank w.e.f. October 01, 2015.

Balance Sheet

IN ₹ CRORE

PARTICULARS	MAR-16	MAR-17	% GROWTH (YOY)
Shareholders' Funds	13,633	14,678	8%
Deposits	8,219	40,208	389%
Borrowings	57,160	50,262	-12%
Other liabilities and provisions	4,204	7,012	67%
Total Liabilities	83,216	112,160	35%
Cash and Bank Balances	984	2,202	124%
Net Retail and Corporate Assets	48,813	66,567	36%
Statutory Investments	12,977	19,264	48%
Trading Investments	15,558	16,942	9%
Fixed and Other Assets	4,884	7,185	47%
Total Assets	83,216	112,160	35%

Deposits

+389%



were also presented before the steering committee and Audit committee of the Bank before final submission to the RBI.

Your Bank has evaluated the system change / process change required for implementation of Ind AS. Your Bank is presently coordinating with technology vendors, information technology officials of the bank and various stakeholders involved in the project to explore different alternatives available for system

change requirement under Ind AS and for development of appropriate solution which will enable smooth implementation. Your Bank is in the process of drafting the significant accounting policy and processes as per the requirements of Ind AS.

Your Bank has also appointed consultants for their expert advice on various topics such as identification of key GAAP differences, evaluation of accounting policy choices, Ind AS accounting

treatment of various items, drafting of Ind AS significant accounting policy, development of ECL methodology etc. Your Bank has conducted training sessions for officials from different departments of the Bank in order to develop the understanding of Ind AS so as to ensure smooth implementation from April 1, 2018, as per the roadmap issued by MCA.

BUSINESS OVERVIEW

WHOLESALE BANKING

The macro banking context manifests extreme concentration of banking credit with the top 300 corporates (and even fewer groups) accounting for more than 45% of the outstanding banking credit.

In the Wholesale Banking business, IDFC Bank's focus has been to diversify the corporate customer base beyond the large corporate segment with a focus on emerging large corporates; as also to diversify corporate banking revenues beyond funded products to non-funded and fee-based products.

Your Bank's Wholesale Banking thus caters to the needs of both mid-sized as well as large corporate clients. During the year, your Bank took significant strides towards transforming its loan book by offering a full range of banking products to existing and new-to-bank clients groups.

Given the continued softness in greenfield capital expenditure, focus

remained on refinancing of quality project assets. Your Bank successfully leveraged its strong relationships, digital technology, expert advisory and innovative products to onboard new corporates in the infrastructure and non-infrastructure space. Within infrastructure, the Bank was able to utilise its deep-rooted experience to diversify into new segments – especially renewable energy, with a focus on solar energy.

With this, we have significantly broad-based our product penetration and made non-fund based exposures a significant proportion of the overall product suite.

In its first full year of operations, your Bank has successfully diversified its balance sheet to non-infrastructure segments, with growth largely driven by superior product offerings, backed by a robust technology platform.

With a short gestation period and no fuel risk, these projects have offered a unique opportunity to grow the book with cautious optimism. The Bank was able to add marquee names in this sector as clients. The Bank continues to be cautious in increasing its exposure to the infrastructure sector while pursuing growth primarily from the non-infrastructure space. Our platforms, built on advanced digital technology, are well-positioned to help the Bank continue its journey towards broad basing its portfolio, both in terms of sectors as well as products.

Your Bank's Investment Banking team successfully executed prestigious and high profile mandates in the IPO, QIP, OFS and M&A space.

BCP - Helps our customers to perform trade, treasury, forex and cash operations



SSMG Group

The slowdown in the economy led to stress on the corporate sector, resulting in both pressure on asset quality as well as limited growth opportunities in the corporate segment for the banking sector. Your Bank has effectively placed a robust team of professionals who focus on identifying the early stress in the Bank's loan book portfolio, addressing the stress through various measures and striving to maintain a strong balance sheet.

In fiscal 2017, the weak economic environment has adversely impacted borrowers in certain sectors like power, steel and cement. While the lenders, and RBI, through its guidelines, are working towards resolution of stress, it may take some time for solutions to be worked out, given the weak operating and recovery environment. In this difficult environment, IDFC Bank's SSMG Group has significantly progressed in resolution of the stressed asset book by taking various measures. The group continues with its endeavours towards resolution of stressed assets.

Treasury

The Bank's Treasury carries out Financial Markets business for its clients apart from managing Asset Liability gaps (ALM function) and Investments of the Bank.

The Financial Markets group provides solutions to meet (a) their interest rates & foreign exchange conversion and risk hedging needs and (b) their debt capital markets financing needs. Treasury manages asset-liability mismatches and interest rate sensitivities of the Bank's portfolio by utilising various market investments, money markets and permitted derivative products. It also ensures that the bank meets its regulatory requirements on CRR and SLR through efficient liquidity management and sovereign bonds position management.

In its first full year of operation, the Bank has successfully grown its client franchise, through expanding client footprint as well as by offering and transacting in the full suite of product solutions covering clients' foreign exchange and interest rate needs.

Another key area of opportunity was the Debt Capital Markets ('DCM') segment, where the bank leveraged its well-established presence in bond markets. The DCM business has been credited with putting together some unique bond offering solutions which have been accepted by our issuer clients as well as the investor community.

As a leading domestic bond house, IDFC Bank identified, structured, underwrote and distributed numerous bond deals, with many of its deals being first-of-its-kind. The test of the innovative structure of the deals was the acceptance by a wider investor segment. IDFC Bank ranked 3rd on the League Tables (source: Prime Database) as Arrangers (& direct investors) to bonds issued by private non-financial sector corporate issuers, this issuer-category constitutes 80% of fee-pool of all bond deals.

Transaction Banking

Your Bank's Transaction Banking Group ensures a customer-centric approach to providing innovative solutions across business segments. It caters to Cash Management, Trade & Supply Chain Finance and Capital Market & Escrow Services offerings.

The Cash Management Services offer value added solutions for working capital management and aim to optimise the payables and receivables cycles for customers along with providing superior liquidity management options.

Your Bank offers a complete suite of Trade and Supply Chain products, both on the domestic as well as international front coupled with multiple underlying financing structures. IDFC Bank has ensured differentiated end-to-end solution in the Corporate Linked Finance arena with capability of straight-through handling of dealer and vendor finance.

The Capital Markets & Escrow Services division caters to a range of corporate customers' requirements of Bankers to Issue services, Interest / Dividend Pay-out Services and Escrow Account Services

for capital market and non-capital market transactions.

Your Bank has always been one of the pioneers in leveraging the latest technology to deliver banking products and services addressing the diverse requirements of corporates. Your Bank has been recognised as a forerunner in industry-defining initiatives such as:

- Being a pilot bank along with four leading institutions for participating in the National Payment Corporation of India ('NPCI')-led initiative – E-Tolling.

The Bank has participated as an Issuer and Acquirer in the FASTag initiative by National Highway Authority ('NHAI') and NPCI. Through the FASTag initiative, the Government has taken the first step to digitise toll charges collection across over 300 toll plazas, making them interoperable. Through this program, the Bank has already issued 12,000 plus tags to customers and has acquired 25 toll plazas.

The Business Experience Platform ('BXP'), a user-intuitive and interactive digital transaction banking solution, continued to gain favour with mid-sized and large corporates, enabling them to perform trade, treasury, forex and cash operations on one platform.

PERSONAL BANKING

From a macro perspective, there is an extreme concentration in the banking system's depository franchise with mass affluent, affluent and HNIs contributing 86% and top 50 cities contributing 81% to CASA deposits.

Given the concentration on assets and liabilities, the strategic direction for your Bank is to penetrate progressively deeper into the customer base, via both asset and liability products, where we believe lies a significant opportunity and lower competitive dynamics.

In personal banking, your Bank's focus has been on rapidly increasing the retail share in total advances across all customer segments and pursuing cost-effective acquisition at scale, especially of mass affluent and mass retail customers for low-cost deposit mobilisation.

Your bank has built a strong Personal Banking franchise in a short period of time. The two segments within Personal Banking that your bank caters to are referred to as Bharat Plus and Bharat Banking.

We believe digital technology is for all. The Bank has deployed technology at scale and in a concentrated manner; significantly widening the country's digital net to include first-time users and offering a simpler and faster experience to those who were always digitally savvy.

Bharat Plus Banking

Bharat Plus Banking serves individuals, who are salaried and self-employed customers in the largest cities across the country, by delivering multi-channel user friendly access that leverages digital technology and relies less on physical infrastructure.

Our 'click-and-mortar' model combines state-of-the-art branches with an easy-to-use digital platform, doorstep banking and 'Banker on Call' services.

Your Bank has been at the forefront of leveraging Aadhaar-based technology for acquiring customers digitally. Your Bank

launched an online portal to open Savings Account and Fixed Deposit. Individuals holding a valid Aadhaar number & PAN can open a savings account real time with your Bank, completely online. The digital channel with these innovations has contributed over 21% of open market account acquisition. Over 20,000 customers were acquired digitally who opened more than 30,000 accounts and balances in excess of ₹ 400 crores were mobilised through these digital accounts.

Your Bank engaged with corporates and housing societies to assist existing and new customers with easy cash withdrawals using MicroATMs during demonetisation. Facilities such as immediate cash withdrawal at doorstep and 4-minute Aadhaar-enabled account opening received an overwhelming response, enabling your Bank to make in-roads into many large and mid-sized corporates.

Your Bank launched the wealth management business in FY17. In the first few months itself, the bank has garnered Assets Under Management ('AUM') of close to ₹ 250 crore across various investment products. Your Bank tied up with HDFC Life and ICICI Lombard for its insurance distribution business.

With a clear focus on Small and Medium Enterprises, which are at the forefront of the Government's 'Make in India' initiative, your Bank has developed innovative tech-enabled solutions to meet the unique requirements of this segment. Customers have been extended banking facilities such as the 'Truly One Account' for self-employed individuals & professionals and a 'World Business Account' for exporters and importers which cater to their, domestic

and international business and personal needs.

Your Bank has digitised banking for the MSME segment by launching a unique Internet banking platform for these businesses - 'OneX'. This platform provides multi-solution online banking access to our MSME customers, thereby saving time and simplifying the banking experience for them. We've fully digitised the account opening process by introducing a paperless 90-minute current account opening platform. Several digital partnerships have also been established for lending and cross-border transactions.

Our fintech partnerships under the Bank-as-a-Platform ('BaaP') strategy are also yielding good results. Working capital loans extended to merchants via these partnerships now account for 16% of our total disbursements in this segment.

Your Bank is one of the few banks enabled on all the payment networks (cards, UPI, AEPS, Adhaar Pay and Bharat Bill Payment System). Over 6,000 merchants use our UPI & card acceptance platform.

Bharat Plus Banking also enhances its payment infrastructure through IDFC Aadhaar Pay merchants, catering to the feature phone and phone-less populations in urban India. MicroATM outlets in larger cities serve as Bank-in-a-Box outlets across the cities, taking banking to customers where they need it.

Your Bank added two more lending products to its retail product suite in the current year - personal loans and loans against property, in addition to the home loans launched last year. Our core lending proposition of 'save interest with us' complemented by several self-assist tools, has generated a favourable response from customers. Your Bank has disbursed ₹ 700 crore of consumer assets (home loans, personal loans, loans against property). Your Bank is one of the few banks in the country to meet all loan service requirements on mobile banking and will continue to leverage technology to offer differentiated products. Your Bank also plans to launch a number of

service initiatives to further enhance this proposition.

Your Bank now offers over 70 types of transactions through its Internet Banking and Mobile Banking Application platform. IDFC Bank customers can access their account details - across any liability or loan accounts, conduct financial transactions and pay bills along with many other activities offered on this platform. This ensures availability of digital products and services to customers across any device type. We have conducted over 1 million financial transactions through this platform already.

Your Bank has a dedicated number and email id available 24/7 for addressing customer grievances. This desk handles all communication with efficiency offering swift resolution.

Your bank's goal for Bharat Plus banking is to set new industry benchmarks for simplicity of service and customer orientation. It is our belief that technology can help deliver more personalised and better quality service, at scale, to a customer base in our cities, where there is a rapid shift towards conducting banking transactions outside the branch.

Bharat Banking

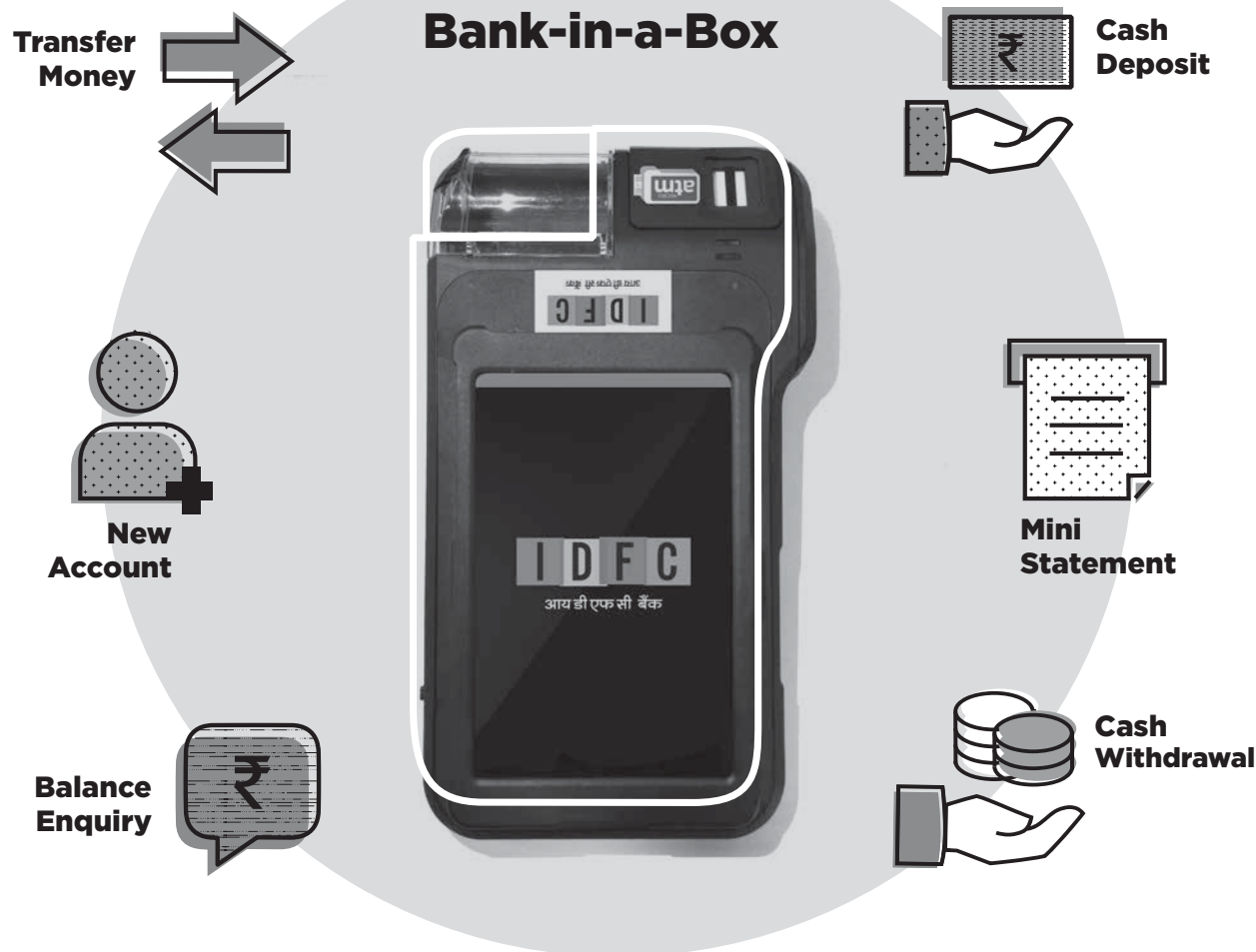
IDFC Bank provides banking services customised for the unserved and under-served segments in India's urban and rural markets, using a differentiated service approach through its mass retail banking business, referred to as Bharat Banking.

During the year, your Bank made significant progress in not only taking formal banking to unbanked semi-urban and rural households, but also including them in the country's digital ecosystem. This is a key target customer segment for your Bank and the goal is to drive financial inclusion digitally and achieve rapid scale in a relatively short span of time. Towards this end, the Bank is building a large digital network linking India's vast hinterland and the under-served in urban mass markets to formal banking.

The Bank's products are customised to the needs of people in both urban and rural



Facilities such as immediate cash withdrawal at doorstep and 4-minute Aadhaar-enabled account opening received an overwhelming response, enabling your Bank to make in-roads into many large and mid-sized corporates.



mass market segments. Its interoperable MicroATMs, weave digital banking into the day-to-day lives of rural citizens, serving both customers of the Bank as well as non-customers. For most citizens in the segment, the MicroATM has been the first interface with digital banking.

Your Bank has actively fostered a savings habit among rural citizens while also offering better access to credit and ability to make remittances from their neighbourhoods.

Your Bank opened 57 branches, spread across 36 districts, including under banked and unbanked locations. IDFC Bank is working with the state governments to

make PDS outlets cashless in three districts of Andhra Pradesh and 14 districts in Maharashtra.

IDFC Bank's Bharat Banking unit is dedicated to providing banking and financial services to citizens in the under-banked locations of India as well as underserved segments of the economy. IDFC Bank's Bharat Banking remains committed to making its mark in the inclusive growth story in the following ways:

INNOVATING A PUBLIC ECOSYSTEM FOR BANKING

Pioneering the concept of a Bank-in-a-Box – IDFC Bank's MicroATM is a unique interoperable banking outlet. Your Bank has set-up a network of MicroATMs in towns and villages, providing real-time banking services in many remote and inaccessible areas. This is, in turn, supplemented by an extensive outreach by the Bank's officers in each branch, who provide doorstep financial services.

Envisioned as an efficient tool for banking transactions, bill payment, mobile / DTH recharges, the MicroATM also serves as a two-way payment channel between the

government and citizens, facilitating easy access to direct benefit transfers to citizens and for utility payments by citizens to the government.

IDFC Bank also launched IDFC Aadhaar Pay - a unique mobile application which helps small merchant establishments become cashless payment acceptance points instantly. The Bank enabled cashless transactions through 2,672 Aadhaar Pay merchants and 3,341 PDS outlets.

Using multiple identifiers including Aadhaar, mobile and card for authentication, the MicroATM has enabled access to financial services at 2,129 locations. These Bank-in-a-Box outlets have brought banking to the doorstep of customers, obviating the need and hassle associated with visiting a far-flung branch. From opening an account to deposits, withdrawals and fund transfers, a host of transactions can be conducted at these MicroATMs. During the year, IDFC Bank's MicroATM, cashless PDS and IDFC Aadhaar Pay merchant network performed 3.8 million transactions with a Gross Transaction Value of over ₹ 363 crore, which included servicing of more than 3.2 million customers of other banks.

Living up to its innovative outlook, India's first mandi MicroATM for cashless purchase was set up at the Rythu Bazaar in Hyderabad, which provided great relief to customers during the demonetisation period when cash was in short supply for small ticket transactions.

TRANSFORMING BHARAT

With the objective of providing banking services to towns and villages, a contiguous distribution network is being built out. This will be in turn supported through an extensive MicroATM / ATM network. Bharat Banking is now present in 33,000 villages across 20 states, 150 districts and 19 major cities.

GEOGRAPHICAL REACH THROUGH STRATEGIC AND SYMBIOTIC PARTNERSHIPS

In order to expand its reach beyond the catchment of its branches, the Bank

has partnered with NBFCs and financial services companies who act as corporate business correspondents across the country. These partnerships have enabled the Bank to significantly accelerate the expansion of its customer base by leveraging its existing network and the reach of its partners to distribute its payments, savings and lending products. These also include 326 branches of IDFC Bharat Limited (erstwhile Grama Vidiyal Micro Finance Limited).

CUSTOMISED PRODUCTS

IDFC Bank has also customised products for different mass segments to meet their credit and savings needs. Its micro loan offering to women from rural and urban households is called Sakhi Shakti and is provided for advancement of household-based livelihoods. Other loan products include Vyapaar Vridhhi loans for micro-enterprises, two wheeler loans, commercial vehicle loans, equipment loans and working capital for MSMEs and SMEs. Its liability products include savings and current account products especially designed for the mass market retail segment.

IDFC Bank launched another innovative product called Sowbhagya Shakti, to inculcate the savings habit among women in rural and semi-urban households. This is a doorstep service that the bank provides to customers enabling them to deposit amounts as low as ₹ 100.

IDFC BHARAT LIMITED

IDFC Bharat Limited (erstwhile Grama Vidiyal Micro Finance Limited), a wholly owned subsidiary of IDFC Bank acts as a dedicated BC of the Bank, and has helped deepen reach and widen the delivery mechanism for our banking services.

Customer households of IDFC Bharat Limited, in turn, benefited from IDFC Bank's full range of liability products, customised credit offerings, innovative digital services and doorstep banking solutions. Its employee base of 3,432, with an understanding of the needs of local communities, now represents IDFC Bank, at their branch locations.

Similar to the Bharat Banking philosophy of embedding financial inclusion in its business model, the 30-year-old, Trichy-headquartered Grama Vidiyal is also known for its double-bottom-line approach, focusing on the sustainability of financial inclusion programmes and the development of women and their families.

GOVERNMENT BANKING

IDFC Bank's Government Business Group works closely with Government entities to advise and assist them in formulating solutions that support their complex cash management and accounting needs using customised technology platforms.

The Government Banking Group has onboarded 147 Government relationship accounts, including appointment as the Nodal Bank for the Prime Minister Relief Fund, Goods & Services Tax Network ('GSTN'), Swachh Bharat Mission at Karnataka and National Health Mission at Mumbai.

IDFC Bank has partnered with the government in providing digital solutions. Some of these projects are the Electronic Toll Collections for NHAI, implementation of cashless transactions at the agriculture procurement centers at Hyderabad, an online platform for Government institutions to collect fees from students and online collections for the Municipal Corporation

of Gurgaon and Greater Noida Industrial Development Authority ('GNIDA').

Your Bank has also provided banking solutions for the Meghalaya Directorate of Community & Rural Development at Shillong and West Bengal's Mission Nirmal Bangla Account (Rural Development).

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 experience 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 Straight Through Protocol ('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 same focus on technology and processes has enabled us to deliver

Balance, Collaboration, Drive and Honesty are basis of our culture



consistently with a fast turnaround time, across identified key products. Client feedback through a Voice of the Customer Survey has demonstrated an extremely high degree of satisfaction with our service delivery.

The first full year of operations has illustrated your Bank's ability to deliver its customer promise through rapid volume and product suite build-out.

TECHNOLOGY

Your Bank has adopted cutting-edge and market-leading technology. This approach runs through all internal and external solutions implemented for customers and also through solutions for the back-office staff.

The technology architecture implemented is service oriented on a middle ware and is completely deployed on a STP transaction mechanism, which delivers real-time transaction updates. The Bank has progressed from having 20 applications at the beginning of the fiscal to over 80 applications by the end of the year. Of these, a Data Recovery ('DR') setup was completed for 80 applications in line with regulation.

Your Bank has a state-of-the-art data processing centre (Tier IV certified) at Control-S, Mahape, Navi Mumbai & a DR site at Chennai.

The Bank was subjected to a rigorous IT audit in January 2017. Most of the observations were either closed or are near closure. In addition, your Bank's debit card business has also completed the PCI DSS audit in March 2017, which is a standard for the cards industry.

The Bank continues to invest in digitisation. The bank is at the forefront of leveraging Aadhar-based technology for acquiring customers digitally. The bank launched the first-of-its-kind online portal to open and transact in savings & fixed deposit accounts. Its fintech partnerships under the Bank-as-a-Platform ('BaaP') strategy are also yielding encouraging results. The Bank's Payments

Implementation has been above par relative to rest of the industry.

The Bank has also implemented the Unified Payment Interface ('UPI') and has been one of the few initial banks to participate in NPCI's flagship program. Using the Bank's UPI platform, it has around 10,000 customers who have registered for its UPI PSP Application and the number is increasing every day. The Bank is also participating in the merchant acquisition program on UPI and a good number of merchants have been successfully integrated on the Bank's UPI platform.

HUMAN RESOURCES

Your Bank's People Agenda is guided by five themes – culture, diversity, capability, employee experience and community building. These are the key underlying philosophies that your Bank follows in acquiring and nurturing talent. We believe that putting these into play will help motivate our people to transform banking for the better.

Culture is central to the Bank's hiring strategy

The culture of your Bank is spelt out in its values: balance, collaboration, drive and honesty. We realise that the active involvement of senior management is necessary to facilitate adoption of these values and nurture the desired culture across the hierarchy. In keeping with this view, your Bank has put in place a leadership competencies framework, mapping behaviours to these competencies to enable quicker adoption of values.

A diverse and inclusive workplace

We believe a diverse and inclusive work environment will help develop varied talents and increase efficiency. It will also enable us to attract and retain good talent, giving us a competitive edge. Diversity at your Bank includes gender diversity as well as talent from outside the traditional banking space.



Enhancing capability for better careers

Your Bank provides opportunities for employees to learn and grow, and build better careers. Being part of a new age bank that is determined to bring innovation to banking, gives employees an opportunity to think differently and contribute to the exciting changes being witnessed by the banking industry.

Your Bank places emphasis on re-orienting and skilling new hires. As the bank ramps up its workforce, it is also strengthening capability and redirecting the thinking of its employees. As frontline managers play a critical role in motivating employees, we have introduced a specially designed managerial program, titled 'Param' and 'Manager of Now', for them. This, we believe, will enhance managerial effectiveness and capability.

Delivering superior employee experience for better customer experience

We strive to create a great place for our people to do great work. We believe that satisfied and motivated employees will be more productive and will deliver a superior service to customers. Thus, the entire framework of employee-facing processes and systems is designed around the thought of employee experience.

Routine HR processes and data analysis have been digitised. The Bank is using technology to support learning and performance management processes, thereby enabling the HR team to focus on the qualitative aspects of its function – such as employee engagement, experience and assessment.

Building a sense of community

It's a theme that flows from the culture and values journey. As the employee strength continues to grow, various modes of interaction have been used to encourage employees to communicate, collaborate and share experiences – irrespective of their geographical location. This has encouraged a spirit of collaboration and team work.

RISK

IDFC 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 risk management 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. 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 a comprehensive and well defined 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 the provisioning of stressed assets and has adopted a stringent approach in providing provisions 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 focusing on increasing the proportion of shorter tenure and non-funded exposures. With these slew of measures, we have sought to reduce the concentration risk in the loan portfolio. The Bank is therefore well poised to take advantage of expected improvement in the Indian economy.

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

The objective of operational risk management is to identify and manage operational risk in a cost effective manner within targeted levels as defined in the risk appetite. Your Bank has put in place Board approved governance and organisational structure. 'Operational Risk & InfoSec Risk Management Committee' comprising of senior management personnel is responsible for overseeing implementation of Board approved Operational Risk Management policy and framework. Operational Risk Management Department engages with the First Line of Defence (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 our Bank's expansion strategy is 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 the Risk function and operates under the Information Security Management System framework ('ISMS') which is aligned to ISO 27001 and RBI's applicable guidelines. Our Bank is a ISO 27001: 2013 and PCI DSS 3.2 certified organisation. ISG follows systematic approach through people, process and technological security controls to manage sensitive company information such that it remains secure. This team also conducts Information security awareness at periodical intervals (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 levels 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 has adapted the standardised 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.

ICAAP

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 II) envisages the establishment of appropriate risk and capital management processes in banks and their review by the supervisory authority. ICAAP is a structured approach



IDFC Aadhaar Pay proves that technology can revolutionise last mile payments



Committed to enhance the well-being of the communities in the areas of health, education and livelihood creation

to assess the risk profile of the Bank and determine the level of capital commensurate with the scale and complexity of operations. As part of the Basel II implementation, the Bank has developed a comprehensive ICAAP policy and document, in line with regulations prescribed by the RBI. The ICAAP policy aims to assess the risk profile of the Bank and assess whether the capital maintained is commensurate with the scale and complexity of operations. The document also contains financial projections for the Bank, and its capital adequacy projections for next 3 years under normal and stress conditions. It also contains relevant details of plans and strategies for meeting capital requirements.

Stress Testing

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 board reviews the Bank's Stress Testing framework and the periodic stress testing results. 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-risk 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 prudent decision making. It also assists the Bank in improving its risk monitoring processes.

INTERNAL CONTROLS AND THEIR ADEQUACY

The Company has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition and that the transactions are authorised, recorded and reported correctly. Such internal controls are supplemented by an extensive programme of internal audits, reviewed by the senior management and documented policies, guidelines and procedures. These are designed to ensure that financial and other

records are reliable for preparing financial information and other reports and for maintaining regular accountability of the bank's assets. Internal Audit Department provides independent and objective assurance to the Audit Committee of the Board of Directors ('ACB') and Management of the organisation on the design and operating effectiveness of internal controls and risk management framework. Internal Audit Department presents their findings on a quarterly basis to the ACB.

ENVIRONMENT & SOCIAL POLICY AND APPRAISAL PROCESS

Over the past few decades, there is increasing awareness and sensitivity towards addressing the environmental and social impact of business.

Your Bank has framed an environment and social policy and 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 legislation.

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.

CORPORATE SOCIAL RESPONSIBILITY ('CSR') & IDFC FOUNDATION

CSR is a key element of our bank's philosophy. Initiatives to benefit local communities are carefully woven into the fabric of our business. These initiatives are carried out through IDFC Foundation, a not-for-profit organisation, dedicated to bringing about change at the grass root level. Dedicated initiatives include focussed interventions in the areas of education and livelihood creation.

A key initiative launched this year is the Rural Livelihoods and Development program. This entails skilling rural youth to become Aadhaar-enabled BC agents for improving financial inclusion and literacy.

The project envisages creating a completely interoperable payment ecosystem in the rural areas (Tier 2 - 6 villages as per RBI definition) of approx. 200 districts in India by March 2020.

For delivering on this vision, IDFC Foundation will educate between 30,000 - 40,000 people on the RBI mandated content of financial literacy, skill the people to operate Aadhaar-enabled, digitally connected tablets and grant fund (in the form of a free MicroATM) to all individuals who are selected to become Business Correspondent Agents ('BCA'). When all these three activities are delivered as an

integrated program by the Foundation under its flagship project - Rural Livelihoods & Development Program, it will enable these individuals to generate meaningful, sustainable income and become fully contributing members of our rural society.

The goal of the Foundation is to enable approximately 30,000 fully educated, skilled BCA's to be brought into the rural financial & payment ecosystem by March 2020. The creation of this ecosystem, will provide a strong impetus to financial inclusion thereby enabling rural populations in these districts to significantly improve their lifestyle through access to formal credit channels and enhancement of livelihood opportunities.

Community engagement

IDFC Foundation's initiatives are focussed in areas where the bank establishes its operations. The bank's staff is closely involved in implementing IDFC Foundation's initiatives at locations where the intervention is in the vicinity of its branches. To engage with the local communities, IDFC Foundation in conjunction with the bank has identified requirements such as digital education for children and cattle care for livelihood enhancement.

Community engagement is a key component of our transformation agenda, because we believe that districts can be transformed only when individual lives stand improved. This ties in with our legacy of building the nation - now, serving the community.

Your Bank's staff supports the IDFC Foundation in implementing its initiatives, which include 'Digishala' and 'Shwetdhara'- so far successfully launched in Madhya Pradesh.

'Digishala' is a computer education programme for primary school children. The bank's staff supports Digishalas in 18 schools.

'Shwetdhara' helps improve the income levels of small and marginal farmers engaged in dairy activities. This is done through permanent cattle care centres and cattle camps.

Other programs that IDFC Foundation has been associated with are:

■ Improvement of Learning Outcome in 60 government primary schools in the district of Alwar, Rajasthan. The programme aims at improving the teaching-learning processes through the use of effective pedagogic tools and enhancing the overall school management through strengthening of School Management Committees.

■ The Company has been supporting Masoom, an NGO, to implement the "Night School Transformation Programme" in Mumbai suburbs. This programme aims at improving enrolment and attendance of students and learning outcomes at 10 night schools.

■ In a unique Public Private Community Partnership initiative, the Foundation has partnered with the Government of Meghalaya and members of Mawlyngbna village on solar street lighting, clean drinking water and Micro Hydel initiatives.

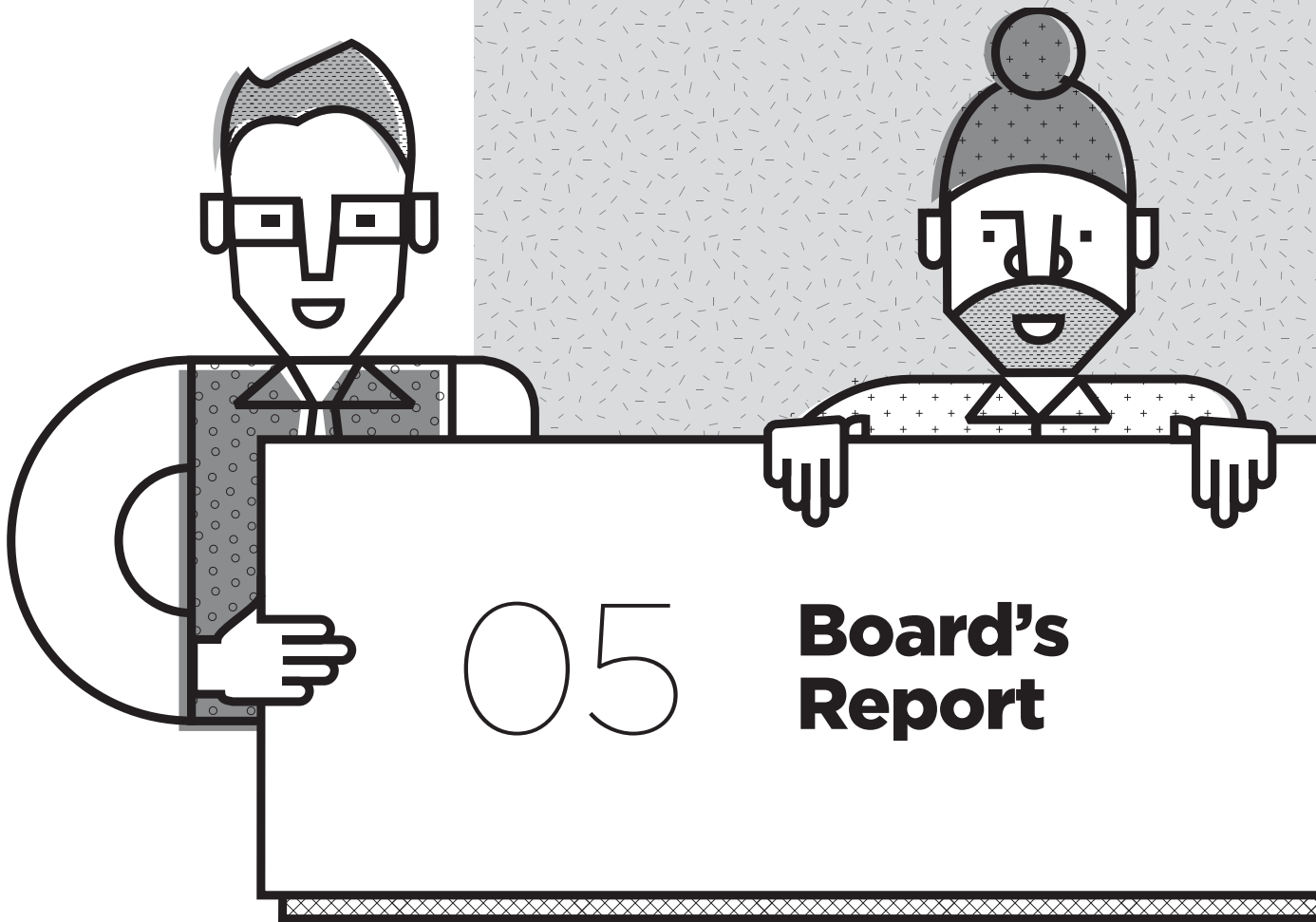
IDFC Institute

IDFC Institute is, an independent, not-for-profit, think / do tank, with a mandate to investigate issues related to economic development and growth, keeping in mind the political context.

Specifically, the IDFC Institute identifies and provides solutions to bottlenecks that hold back rapid and inclusive economic development in India, as it makes the transition from a low-income, state-led economy to a prosperous, market-based one.

With a focus on the political economy of implementation, the Institute provides quality, in-depth and actionable research and recommendations to multiple stakeholders, including government, academia and civil society. Through its research and partnerships with those who implement, the IDFC Institute seeks to develop toolkits for execution and fresh perspectives on difficult problems.

The Institute convenes the IDFC Institute Dialogues and IDFC Institute Conversations as private and off-the-record platforms to foster cutting-edge and innovative thinking in an informal setting, focusing on the 'what' and 'how' of policy formulation and implementation.



Dear Members,

**Your Directors are
pleased to present the
Third Annual Report of
IDFC Bank together with
the audited financial
statements for the
financial year ended
March 31, 2017**

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.

Your Bank is building a national footprint with presence across 20 States, 150 districts, 19 major cities and 33,000 villages.

As on March 31, 2017, your Bank's network comprised of 74 branches, 57 of which were Bharat branches, 13 were Bharat Plus branches and 4 were Wholesale Bank branches. Your Bank had a total of 47 ATMs, out of which 26 were White Label ATMs. Further, your Bank had a total of 8,142 outlets, which include



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.

MicroATMs, cashless PDS outlets and Aadhaar Pay merchant points.

As on March 31, 2017, your Bank had a total of 13.8 lacs customers out of which 9.6 lacs were customers of subsidiary company of the Bank i.e. IDFC Bharat Limited (formerly known as Grama Vidiyal Micro Finance Limited).

Your Bank is now offering 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.

During the year under review, your Bank was recognised in various ways and the significant awards presented to your Bank are highlighted at the beginning of this Annual Report.

ACQUISITION

During FY17, your Bank acquired 100% equity stake of Grama Vidiyal Micro Finance Limited ('GVMFL') thereby making it a wholly owned subsidiary of the Bank.

GVMFL had ₹ 1,502 crore of Asset Under Management, over 300 branches in 7 states and over a million customers. It was a profitable entity with net profits of ₹ 42 crore in FY16, with Return on Assets of 3.4% and Return on Equity of 31%. Its net worth was ₹ 155 crore and its portfolio at risk as on March 31, 2016 was 0.001%.

Post-acquisition, GVMFL surrendered its NBFC-MFI Licence issued by the Reserve Bank of India ('RBI').

GVMFL has now been renamed and is known as IDFC Bharat Limited.

IDFC Bharat Limited ('IDFC Bharat') is presently acting as a Business

Correspondent for distribution of the products of IDFC Bank and has given an added momentum to the financial inclusion plan of the Bank.

As on March 31, 2017, IDFC Bharat had a widespread network comprising of 326 branches, with operations in seven states namely Tamil Nadu, Maharashtra, Madhya Pradesh, Puducherry, Kerala, Karnataka and Gujarat.

DEMONETISATION

On November 08, 2016, the Government of India announced the demonetisation of all ₹ 500 and ₹ 1,000 bank notes ('Specified Bank Notes'). The exchange of the Specified Bank Notes for bank notes of other valid denominations or depositing the Specified Bank Notes for crediting to the customers' accounts, was permitted up to December 30, 2016. Your Bank ensured timely compliance with RBI notifications issued in this regard from time to time.

In the days following the demonetisation, the country faced severe cash shortages.

Your Bank took various steps to support this initiative of the Government of India and helped the general public in various ways. Some of them were separate counters at all branches for senior citizens and differently abled sections of the society, door step facility for exchanging notes, extra working hours put in by employees to meet the requirement of cash, faster account opening procedures, etc.

In the weeks following government's decision to demonetise currencies, the

Financial Highlights 2016-17

Summary IN ₹ CRORE

PARTICULARS	STANDALONE		CONSOLIDATED
	FY17	FY16*	FY17
Deposits	40,208	8,219	40,098
Borrowings	50,262	57,160	50,262
Advances	49,402	45,699	49,402
Total Assets / Liabilities	112,160	83,216	112,064
Total Income	9,546	4,052	9,597
Profit before Depreciation & Tax	1,605	757	1,650
Net Profit	1,020	467	1,019
Amount available for appropriation	2,233	1,661	

Appropriations IN ₹ CRORE

PARTICULARS	STANDALONE	
	FY17	FY16
Transfer to Statutory Reserve	255	118
Transfer to Capital Reserve	6	83
Transfer to Investment Reserve	1	-
Transfer to Special Reserve	325	145
Proposed dividend (incl. tax on dividend)**	-	102
Balance in P&L account carried forward	1,646	1,213

Key Performance Indicators

PARTICULARS	STANDALONE	
	FY17	FY16
Capital Adequacy Ratio (Basel III)	18.90%	22.04%
Gross NPA	2.99%	6.16%
Net NPA	1.14%	2.39%
Return on Assets	1.04%	1.04%

* The Bank commenced its banking operations w.e.f. October 01, 2015.

**The Board of Directors, at their meeting held on April 25, 2017, have proposed a dividend of ₹ 0.75 per equity share of ₹ 10 each amounting to ₹ 307.11 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, 2017. Proposed dividend was however accounted for as a liability as at March 31, 2016 in line with the existing accounting standard applicable at that time.

Government initiated digitisation of payments on a war footing. As people switched to mobile wallets and cards for payments, a large section of the population had no access to digital payment methods.

Subsequently, your Bank officially launched IDFC Aadhaar Pay, India's first Aadhaar-linked cashless merchant solution. IDFC Aadhaar Pay proves that technology can revolutionise last mile payments. By using the fingerprint as digital identity, it empowers even individuals without a phone to pay electronically for small value transactions. The convenience of Aadhaar Pay is expected to encourage a behavioural shift towards digital payments.

Further, details on Financial Summary and Business Review are appearing in the Chapter 'Management Discussion and Analysis', which forms part of this Annual Report.

Dividend

In accordance with Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('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.

IDFC Bank started its banking operations on October 01, 2015. After completion of just 18 months of operations, your Directors are pleased to recommend a dividend for the 2nd consecutive year at the rate of ₹ 0.75 per equity share of ₹ 10 each (i.e. 7.5%) for the year ended March 31, 2017 as against ₹ 0.25 per equity share for FY16.

The Register of Members and Share Transfer Books will remain closed from Saturday, July 22, 2017 to Friday, July 28, 2017 (both days inclusive) for the purpose of payment of dividend for the financial year ended March 31, 2017.

Dividend will be paid to those Members whose names appear in the Register of Members as on Friday, July 21, 2017; 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.

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

Capital Raising & Capital Adequacy Ratio

During FY17, 6,382,848 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, 2017, the issued, subscribed and paid-up share capital of your Bank was ₹ 33,990,061,840 comprising of 3,399,006,184 equity shares of ₹ 10 each.

Subsequently on April 17, 2017, May 16, 2017 and June 15, 2017, the Bank issued and allotted 351,921; 1,121,338 and 519,411 equity shares of ₹ 10 each respectively, which resulted in an increase in share capital and the share capital as on the date of this report stands at ₹ 34,009,988,540 i.e. 3,400,998,854 equity shares of ₹ 10 each.

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

During the year ended March 31, 2017, your Bank had issued 4,800 Senior Unsecured Redeemable Long Term Bonds in the nature of Non-Convertible Debentures aggregating to ₹ 480 crore. These Bonds were rated 'IND AAA' (Stable Outlook) by India Ratings & Research Private Limited and '[ICRA] AAA' (Stable Outlook) by ICRA Limited.

Your Bank is well capitalised and has a Capital Adequacy Ratio ('CAR') under Basel III as at March 31, 2017 of 18.90% as against RBI norms of 13.00%, with Tier I being 18.54%.

During the year, your Bank has not issued any instrument eligible under Tier II.

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.

Subsidiary / Associate Companies

IDFC Bank acquired 100% equity stake of Grama Vidiyal Micro Finance Limited (now renamed as IDFC Bharat Limited) on October 13, 2016, thereby making it a wholly owned subsidiary of the Bank.

Post acquisition, IDFC Bharat surrendered its NBFC-MFI Licence issued by the RBI and has discontinued its micro finance business. IDFC Bharat is presently acting as a Business Correspondent for distribution of the products of IDFC Bank and has given an added momentum to the financial inclusion plan of the Bank.

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

The Annual Report of IDFC Bank and IDFC Bharat is also available for inspection 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 any of the aforesaid Annual Report may write to the Company Secretary & Chief Compliance Officer of the Bank on: mahendra.shah@idfcbank.com or send an email on bank.info@idfcbank.com.

IDFC Bank has two associate companies namely Feedback Infra Private Limited and Millennium City Expressways Private Limited in which it holds 24.61% and 29.98% equity stake respectively.

A statement containing salient features of the financial statement of subsidiary and associate companies in Form AOC-1 is appended as **Annexure 1**.

The highlights of performance of subsidiary and associate companies and their contribution to the overall performance of the Bank can be referred in Form AOC-1 as well as Consolidated Financial Statements, which forms part of this Annual Report.

Employees

Your Bank considers gender diversity during its recruitment process. Your Bank has grown significantly with a talent base of 3,905 permanent employees as on March 31, 2017 out of which 686 were women employees. Also, IDFC Bharat, subsidiary company of the Bank, had a strong employee base of 3,432 employees as on March 31, 2017.

Your Directors are proud to inform that your Bank has been officially listed in LinkedIn's Top Companies list where India wants to work now. This is an incredible

recognition and indeed a proud moment for all of us at IDFC Bank as we contribute to build the 'Bank of Now'.

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 Company Secretary & Chief 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

reduction in the ESOP pool from 7% to 6% of the paid up share capital of the Bank.

There were 74,651,161 Options outstanding at the beginning of FY17. During FY17, 31,387,500 Options were granted to the eligible employees under IDFC Bank ESOS-2015. Further, 8,943,069 Options were lapsed / forfeited and 6,382,848 Options were exercised during the year ended March 31, 2017. Accordingly, 90,712,744 Options remain outstanding as on March 31, 2017. 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.

During FY17, there has been no material change in IDFC Bank ESOS-2015 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.

Directors and Key Managerial Personnel

APPOINTMENTS

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 to Private Sector Banks.

Based on the recommendations of the NRC and subject to the approval of the Shareholders, the Board accorded its consent to appoint **Mr. Anand Sinha** (DIN: 00682433) as an Independent Director for a period of three (3) years w.e.f. August 01, 2016.

The Board further appointed **Ms. Anindita Sinharay** (DIN: 07724555) as a Nominee Director representing the Ministry of Finance, Government of India w.e.f. February 01, 2017.

Mr. Avtar Monga (DIN: 00418477) was appointed as the Executive Director of the Bank for a period of three (3) years w.e.f. April 25, 2017, subject to approval of the RBI and Shareholders.

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 by the Board and Shareholders 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. **Mr. Kakar** is presently serving as the Chief Financial Officer of IDFC Bank and would resign from this position on his taking charge as the Managing Director & CEO of IDFC Limited. As a result, **Mr. Limaye** resigned from the Board of IDFC Bank w.e.f. July 15, 2017. IDFC Limited has now nominated **Mr. Sunil Kakar** on the Board of IDFC Bank w.e.f. July 16, 2017 in place of **Mr. Limaye**.

Your Directors appointed **Mr. Sunil Kakar** as a Nominee Director representing IDFC Limited (Ultimate Holding Company) w.e.f. July 16, 2017, subject to approval of the Shareholders.

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 Independent Directors, at the time of appointment and also before the first meeting of the Board of Directors held in FY17, 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 Independent Director and that they shall abide by the 'Code for Independent Directors' as per Schedule IV of the Companies Act, 2013.

In terms of Section 160 of the Companies Act, 2013, your Bank has received notice in writing from Members along with requisite deposit of ₹ 100,000 each proposing candidature of **Mr. Anand Sinha**, **Ms. Anindita Sinharay**, **Mr. Avtar Monga** and **Mr. Sunil Kakar**. The Board recommends the appointment of the aforesaid directors to the Shareholders at the ensuing AGM.

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

CESSATION

During the year, **Mr. Vinod Rai** (DIN: 01119922), Nominee Director on the Board of the Bank representing IDFC Limited, resigned w.e.f. July 31, 2016 on being appointed as the Chairman of the Banks Board Bureau.

Mr. Anil Bajjal (DIN: 01608892) resigned from the Board as a Director and Non-Executive Chairman w.e.f. December 08, 2016, pursuant to completion of his RBI approved tenure. **Mr. Bajjal** is now serving as the 21st Lieutenant Governor of Delhi.

Subsequently, **Ms. Veena Mankar** (DIN: 00004168) was appointed as the Independent Non-Executive Chairperson of the Bank in his place w.e.f. December 09, 2016. The RBI accorded its approval to **Ms. Veena Mankar** for holding the position of Independent Non-Executive Chairperson of the Bank w.e.f. January 30, 2017. **Ms. Veena Mankar** has been with the Bank as an Independent Director since July 27, 2015.

Dr. Ashok Gulati (DIN: 07062601) resigned from the Board w.e.f. February 10, 2017 pursuant to being nominated by the Government as part-time, non-official Director on the Central Board of RBI.



Mr. Vikram Limaye has resigned from the Board of IDFC Bank w.e.f. July 15, 2017 consequent to his appointment as the Managing Director & CEO by the Board and Shareholders of National Stock Exchange of India Limited.

The Board placed on record its appreciation for the valuable services rendered by Mr. Vinod Rai, Mr. Anil Bajjal, Dr. Ashok Gulati and Mr. Vikram Limaye during their tenure as Directors of the Bank.

RETIREMENT BY ROTATION

As on date of this report, your Bank has nine (9) Directors as follows:

Five (5) IDs - Ms. Veena Mankar, Mr. Anand Sinha, Mr. Abhijit Sen, Mr. Ajay Sondhi and Mr. Rajan Anandan

Two (2) Nominee Directors - Mr. Vikram Limaye and Ms. Anindita Sinharay

Two (2) Executive Directors - Dr. Rajiv B. Lall and Mr. Avtar Monga

In accordance with the Articles of Association of the Bank and pursuant to the provisions of Section 152 of the Companies Act, 2013, IDs are not liable to retire by rotation.

Out of the Two (2) Executive Directors, Dr. Rajiv B. Lall, Founder Managing Director & CEO is not liable to retire by rotation as per his terms of appointment. Mr. Avtar Monga, Executive Director is an Additional Director who was appointed w.e.f. April 25, 2017 and his appointment is placed for approval at the ensuing AGM in accordance with Section 160 and Section 161 of the Companies Act, 2013. Hence, he is not liable to retire by rotation at the ensuing AGM.

Out of the Two (2) Nominee Directors, Ms. Sinharay is an Additional Director who was appointed during FY17 and her appointment is placed for approval at the ensuing AGM in accordance with Section 160 and Section 161 of the Companies Act, 2013. Accordingly, she is not liable to retire by rotation at the ensuing AGM. Mr. Vikram Limaye, Nominee Director was eligible to retire by rotation at the ensuing AGM to be held on July 28, 2017. However, Mr. Limaye has resigned from the Board of IDFC Bank w.e.f. July 15, 2017.

In view of these circumstances, there would be no director who would be liable to retire by rotation at the ensuing AGM.

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. Sunil Kakar

Chief Financial Officer
(resigned w.e.f. July 15, 2017)

Mr. Mahendra N. Shah

Company Secretary & Chief Compliance Officer

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

Pursuant to Listing Regulations and Companies Act, 2013, the process

indicating the manner in which annual evaluation 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 the period under review, seven (7) 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 Committees have been constituted to delegate matters that require greater and more focused attention.

The details of the constitution, terms of reference and meetings 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

The Audit Committee as constituted under Section 177 of the Companies Act, 2013 has the following members:

Mr. Abhijit Sen

Chairman | Independent Director

Mr. Ajay Sondhi

Member | Independent Director

Mr. Anand Sinha

Member | Independent Director

Ms. Veena Mankar

Member | Independent Director

Mr. Vikram Limaye

Member | Nominee Director

The Audit Committee met five (5) times during FY17 i.e. on April 26, 2016; July 26, 2016; October 25, 2016; November 28, 2016 and January 25, 2017.

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

Corporate Social Responsibility Committee

The Corporate Social Responsibility ('CSR') Committee as constituted under Section 135 of the Companies Act, 2013 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

The CSR Committee of the Bank met two (2) times during FY17 i.e. on April 26, 2016 and November 25, 2016.

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

The CSR initiatives undertaken by IDFC Bank through IDFC Foundation, a Section 8 company under the Companies Act, 2013, 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

The Bank has a process in place for identification of independence,

qualifications and positive attributes of Directors.

Your Bank's remuneration policy seeks to provide a framework for the remuneration of the following categories of people at IDFC Bank:

1. Whole Time / Executive Directors
2. Non-Executive / Independent Directors
3. Key Managerial Personnel and Senior Management Personnel.

The aforesaid remuneration policy is in line with the provisions of the Companies Act, 2013 and RBI guidelines issued in this regard, from time to time.

Taking into consideration the aforesaid remuneration policy, the NRC recommends remuneration of Executive Directors, Key Managerial Personnel and Senior Management Personnel 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 which 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 certification. 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.

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 3rd AGM till the conclusion of 4th 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 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, 2017.

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, 2017.

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, 2017.

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 Policy

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 Risk Management Policy approved by the Board.

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,

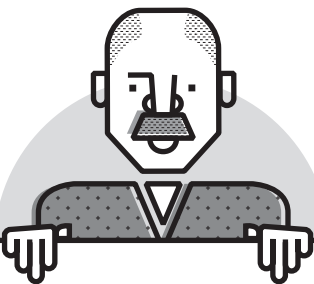
corruption, safety and misappropriation or misuse of Bank funds / assets etc. Further, the mechanism adopted by the Bank encourages the Whistle Blower to report genuine concerns or grievances and provides for adequate safeguards against victimisation of Whistle Blower to those who avail such mechanism 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 periodically communicated to the employees and is also posted on the Bank's intranet.

In addition to the above, IDFC Bank has formulated Vigilance Policy for effectively managing the risks faced by the Bank on account of corruption, malpractices and frauds. Dr. Rajeev Uberoi, General Counsel and Head - Legal and Audit, is the Chief Vigilance Officer of the 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 undertakes ongoing trainings to create awareness on this policy. During FY17, employees were given training on the subject through intranet quiz and lectures 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.

For details on initiatives taken by your Bank in this regard, sexual harassment cases etc., please refer the Business Responsibility Report, which is hosted on the Bank's website: www.idfcbank.com.



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.

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 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, 2017 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 the back-drop of Bank's philosophy on such matters, the Bank has in place 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. Appointment of Mr. Anand Sinha as an Independent Director.
3. Appointment of Ms. Anindita Sinharay as a Nominee Director representing Government of India.
4. Appointment of Mr. Sunil Kakar as a Nominee Director representing IDFC Limited (Ultimate Holding Company).
5. Appointment of Mr. Avtar Monga as a Director.
6. Appointment of Mr. Avtar Monga as the Executive Director.

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. Sunil Kakar, 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. Any Member interested in obtaining a physical copy of the same may write to the Company Secretary & Chief 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, 2017 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 on the Bank, which has helped your Bank gain momentum in just 18 months of its operations.

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, Government of India, State Governments, various Ministries, RBI, SEBI, Stock Exchanges, Depositories, Rating Agencies, 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') and all other regulatory agencies and associations with which the Bank interacts.

Your Directors recognise the commitment, drive and hard work put in by each employee of the Bank as well as its subsidiary company to help your Bank towards achieving its "*dharma*" to materially deepen and broaden our reach, delivering differentiated service to the full range of customers - corporate and retail, urban and rural - through innovation in products, processes and technology, empowering the communities we serve to grow and prosper.

For and on behalf of the Board of Directors

VEENA MANKAR

Independent Non-Executive Chairperson

JUNE 30, 2017

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, 2017

[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 (formerly known as Grama Vidiyal Micro Finance Limited)	5.58	161.61	233.94	66.75 ^(Note 3)	-	262.95	20.90	8.49	12.41	-	100.00

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.

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 COMPANIES	FEEDBACK INFRA PRIVATE LIMITED	MILLENNIUM CITY EXPRESSWAYS PRIVATE LIMITED
1.	Latest audited Balance Sheet Date	March 31, 2017	March 31, 2017
2.	Shares of Associate held by the Bank on the year end		
	Number of Equity Shares	4,026,689	218,287,481
	Amount of Investment in Associate Company (₹ in crore)	20.09	218.29
	Extent of Holding (%)	24.61	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)	23.12	95.54
6.	Profit / (Loss) attributable to Bank's Shareholding for the year ended March 31, 2017 (₹ in crore)		
	I. Considered in Consolidation	2.60	(46.66)
	II. Not Considered in Consolidation	-	-

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: Not Applicable.

3. The financials of Feedback Infra Private Limited and Millennium City Expressways Private Limited 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

SUNIL KAKAR
Chief Financial Officer

ABHIJIT SEN
Director

VIKRAM LIMAYE
Director

MAHENDRA N. SHAH
Company Secretary & Chief Compliance Officer

MUMBAI | APRIL 25, 2017

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 Dr. Rajiv B. Lall (Founder Managing Director and CEO) to the median remuneration of the employees of IDFC Bank Limited for FY17 was 63X. (Refer Notes)

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

Founder Managing Director and CEO: 5%
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 5% in the financial year.

The calculation of % increase in median remuneration is done based on comparable employees.

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

3,905 as on March 31, 2017

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 5.83%.

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.

- Notes: 1. Fixed pay has been considered for the computation of ratios as the performance bonus for the previous year for Founder Managing Director & CEO is subject to RBI approval.
2. Fixed pay includes - Salary, Allowances, Retiral Benefits as well as value of perquisites excluding ESOPs.

ANNEXURE 3

Corporate Social Responsibility Report

[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 Bank'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.

IDFC Bank's 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 Bank's business strategy for overall value creation for all stakeholders. IDFC Bank 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 Bank operates. At the same time, it ensures 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 implementing agency, namely, IDFC Foundation, a not-for-profit Company within the meaning of Section 8 of the Act, 2013 (erstwhile Section 25 of the Companies Act, 1956). 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. Mr. Abhijit Sen: Member
- c. Ms. Veena Mankar: Member

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

₹ 242.34 crore.

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

₹ 4.85 crore.

5. Details of CSR spent during FY17

- a. Total amount to be spent for the financial year: ₹ 4.85 crore.
- b. Amount spent during the financial year: ₹ 4.85 crore.
- c. Amount unspent, if any: NIL
- d. Manner in which the amount spent during the financial year is detailed in Exhibit 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 Bank hereby confirms that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Bank.

For IDFC Bank Limited

RAJIV B. LALL
Chairman CSR Committee

VEENA MANKAR
Member

MUMBAI | APRIL 25, 2017

EXHIBIT 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.	Improvement in the learning environment in night schools-which cater to underprivileged students.	Cl.(ii) promoting education
2.	Improvement in learning outcomes and universalisation of primary education for a set of 60 schools in the backward blocks of Ramgarh and Kishangarh through an identified set of interventions and infrastructure improvements.	Cl.(ii) promoting education
3.	Promoting Digital Literacy amongst School Students to enable access to universal knowledge, quality education, healthcare, transparent governance and economic opportunities.	Cl.(ii) promoting education
4.	Support towards strengthening and improving the quality of life in Indian cities and towns.	Cl.(ii) promoting education Cl.(ii) livelihood enhancement projects
5.	Improvement of infrastructure facilities at Anganwadi centre and Primary Schools at Sanghakheda Kalan Village	Cl.(ii) promoting education
Total		
6.	Providing economic and affordable service delivery on water and sanitation to the community.	Cl.(i) Sanitation & Safe Drinking water
7.	Support for affordable and accessible healthcare services.	Cl.(i) promoting health care including preventive health care
8.	Support for elimination of Open Defecation and achieving Open Defecation Free Status in Machlipatnam division of Krishna District	Cl.(i) Sanitation
Total		
9.	Cattle Care program for breed improvement by providing services such as Artificial Insemination ('AI') & other Veterinary Services to enhance the livelihoods of small and marginal farming families in rural districts	Cl.(ii) livelihood enhancement projects
10.	Improving the aspired quality of life for the people through the development of infrastructure projects (i) Setting up of Micro Hydel for supply of electricity, (ii) Solar street light and (iii) clean drinking water in Mawlyngbwa Village, Meghalaya	Cl.(ii) livelihood enhancement projects; Cl. (iv) ensuring environmental sustainability; Cl.(x) rural development projects.
11.	Setting up a Centre of Excellence for developing Handloom and Crafts as a means of sustainable livelihoods for the women in the remote areas of Uttarakhand	Cl.(ii) livelihood enhancement projects
12.	Support on improving the competitiveness of Indian economy through jobs and livelihood creation.	Cl.(ii) livelihood enhancement projects
13.	Financial inclusion through channelising Interoperable MicroATMs Network to improve access to basic banking & payments network services after providing financial literacy and digital skilling program under Rural Livelihoods & Development Program	Cl.(ii) livelihood enhancement projects; Cl.(x) rural development projects.
Total		
14.	Research & studies on various Programmes	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 IDFC Limited, is the implementing agency for IDFC Limited and its Group Companies. IDFC Foundation engages in Corporate Social Responsibility ('CSR') activities as per the CSR policy adopted by IDFC Limited and its Group Companies which is in line with Schedule VII of the Companies Act, 2013.

(₹ in crore)

PROJECTS OR PROGRAMS: (1) LOCAL AREA OR OTHER (2) SPECIFY THE STATE AND DISTRICT WHERE PROJECTS OR PROGRAMS WAS UNDERTAKEN	AMOUNT OUTLAY (BUDGET) PROJECT OR PROGRAMS WISE	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		0.05	0.05	Implementing Agency - IDFC Foundation *
Rajasthan-Alwar		0.07	0.07	
Madhya Pradesh-Hoshangabad		0.03	0.03	
Gujarat-Ahmedabad & Surat, Karnataka-Bangalore, Madhya Pradesh-Bhopal, Odisha-Bhubaneswar, Chandigarh, Tamilnadu-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	1.19	0.04	0.04	
Madhya Pradesh-Hoshangabad		0.02	0.02	
	1.19	0.21	0.21	
Odisha		0.02	0.02	
All India coverage	1.36	0.03	0.03	
Andhra Pradesh-Krishna district		0.15	0.15	
	1.36	0.20	0.20	
Madhya Pradesh-Hoshangabad, Harda, Khandwa, Khargone, Dhar, Bhopal, Raisen, Dewas and Indore Karnataka-Hubbali (Dharwad), Haveri, Koppal, Bagalkot, Belgaavi		0.16	0.16	
Meghalaya-Across State		0.01	0.01	
Uttarakhand-Almora	1.17	0.01	0.01	
All India coverage		0.02	0.02	
Rural India coverage		0.12	0.12	
	1.17	0.32	0.32	
All India coverage	1.13	0.49	0.49	
	1.13	0.49	0.49	
		1.22	1.22	
		0.03	0.03	
	4.85	1.25	1.25	

The Company is primarily focussing 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.

ANNEXURE 4

Secretarial Audit Report

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2017

[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 authorised 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, 2017** 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, 2017 according to the provisions of:

i. 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 is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, 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 2nd Annual General Meeting held on July 27, 2016 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 ₹15,000 crore, outstanding at any point of time, within the overall borrowing limits of ₹150,000 crore.

ii. Member's approval has been obtained at the 2nd Annual General Meeting held on July 27, 2016 for 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 ('Scheme').

iii. Member's approval has been obtained at the 2nd Annual General Meeting held on July 27, 2016 for ratification of IDFC Bank Limited Employee Stock Option Scheme 2015 ('Scheme') and grant of Options to the Eligible Employees / Directors of the Subsidiary Company(ies) of the Bank under the Scheme.

iv. Board of Directors at their meeting held on July 05, 2016 has approved to acquire

100% Equity Share Capital of IDFC Bharat Limited (formerly known as Grama Vidiyal Micro Finance Limited).

v. During the period under review, the Bank has bought back Long Term Infrastructure Bonds issued under Section 80CCF of the Income Tax Act, 1961, aggregating to ₹5,67,46,75,000.

For Bhandari & Associates Company Secretaries

S. N. BHANDARI

Partner

FCS NO: 761; C P NO. : 366

MUMBAI | APRIL 20, 2017

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, 2017 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 20, 2017

ANNEXURE 5

Form No. MGT-9

Extract of Annual Return as on the Financial Year ended on March 31, 2017

[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
2.	Registration Date
3.	Name of the Company
4.	Category / Sub-Category of the Company
5.	Address of the Registered Office and contact details
6.	Whether listed company Yes / No
7.	Name, Address and Contact details of Registrar and Transfer Agent, if any

L65110TN2014PLC097792

October 21, 2014

IDFC BANK LIMITED

Company Limited by shares
Indian Non-Government Company

KRM Tower, 7th Floor,
No. 1 Harrington Road, Chetpet,
Chennai - 600 031, Tamil Nadu, India.
Tel: +91 44 4564 4000, Fax: +91 44 4564 4022

Yes

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 Tower, 7 th Floor, No.1 Harrington Road, Chetpet, Chennai - 600 031, Tamil Nadu, India	U65900TN2014PLC097942	Holding Company	52.88	Section 2(46)
2.	IDFC Limited KRM Tower, 7 th Floor, No.1 Harrington Road, Chetpet, Chennai - 600 031, Tamil Nadu, India	L65191TN1997PLC037415	Ultimate Holding Company	Indirectly 52.88	Section 2(46)
3.	IDFC Bharat Limited (formerly known as Grama Vidiyal Micro Finance Limited) No.9, Paripoorna Towers, Manoranjitham Street Annamalai Nagar, Tiruchirappalli - 620 018, Tamil Nadu, India	U65929TN2003PLC050856	Subsidiary Company	100.00	Section 2(87)
4.	Feedback Infra Private Limited 311, 3 rd Floor, Vardhaman Plaza Pocket 7, Plot No. 6, Sector 12, Dwarka, New Delhi - 110 078, India	U74899DL1990PTC040630	Associate Company	24.61	Section 2(6)
5.	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, 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		
A. PROMOTERS										
1. Indian										
a.	Individual / HUF	-	-	-	-	-	-	-	-	-
b.	Central Govt.	-	-	-	-	-	-	-	-	-
c.	State Govt(s)	-	-	-	-	-	-	-	-	-
d.	Bodies Corp.	1,797,512,608	60	1,797,512,668	52.98	1,797,512,668	-	1,797,512,668	52.88	(0.10)
e.	Banks / FI	-	-	-	-	-	-	-	-	-
f.	Any Other	-	-	-	-	-	-	-	-	-
	Sub-total A. 1.	1,797,512,608	60	1,797,512,668	52.98	1,797,512,668	-	1,797,512,668	52.88	(0.10)
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.	1,797,512,608	60	1,797,512,668	52.98	1,797,512,668	-	1,797,512,668	52.88	(0.10)
B. PUBLIC SHAREHOLDING										
1. Institutions										
a.	Mutual Funds	57,896,594	-	57,896,594	1.71	43,045,076	-	43,045,076	1.26	(0.45)
b.	Banks / FI	8,488,245	-	8,488,245	0.25	7,548,072	-	7,548,072	0.22	(0.03)
c.	Central Govt.	261,400,000	-	261,400,000	7.70	261,400,000	-	261,400,000	7.69	(0.01)
d.	State Govt(s)	-	-	-	-	-	-	-	-	-
e.	Venture Capital Funds	-	-	-	-	-	-	-	-	-
f.	Insurance Companies	48,522,313	-	48,522,313	1.43	48,519,913	-	48,519,913	1.43	-
g.	FPIs	768,151,580	-	768,151,580	22.64	686,120,704	-	686,120,704	20.19	(2.45)
h.	Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i.	Others (specify)	-	-	-	-	-	-	-	-	-
	Foreign Corporate Bodies	5,151,271	-	5,151,271	0.15	4,651,271	-	4,651,271	0.14	(0.01)
	Bodies Corporate	122,216,102	-	122,216,102	3.60	92,968,981	-	92,968,981	2.73	(0.87)
	Overseas Corporate Bodies	2,000	-	2,000	β	5,000	-	5,000	β	-
	Sub-total B. 1.	1,271,828,105	-	1,271,828,105	37.48	1,144,259,017	-	1,144,259,017	33.66	(3.82)

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 lac	183,521,102	54,431	183,575,533	5.42	252,276,130	61,385	252,337,515	7.42	2.00
ii. Individual shareholders holding nominal share capital in excess of ₹1 lac	113,261,261	-	113,261,261	3.34	169,251,935	-	169,251,935	4.98	1.64
c. Others (specify)	-	-	-	-	-	-	-	-	-
Clearing members	1,624,284	-	1,624,284	0.05	9,391,722	-	9,391,722	0.28	0.23
Non Resident Indians	13,688,929	1,527	13,690,456	0.40	18,275,517	1,527	18,277,044	0.54	0.14
Trusts	9,869,586	-	9,869,586	0.29	7,426,184	-	7,426,184	0.22	(0.07)
NBFC registered with RBI	1,261,443	-	1,261,443	0.04	550,099	-	550,099	0.02	(0.02)
Sub-total B. 2.	323,226,605	55,958	323,282,563	9.54	457,171,587	62,912	457,234,499	13.46	3.92
Total Public Shareholding B. = B.1. + B.2.	1,595,054,710	55,958	1,595,110,668	47.02	1,601,430,604	62,912	1,601,493,516	47.12	0.10
C. SHARES HELD BY CUSTODIAN FOR GDRS & ADRS	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	3,392,567,318	56,018	3,392,623,336	100.00	3,398,943,272	62,912	3,399,006,184	100.00	-

4B Shareholding of Promoters

SHAREHOLDING AS AT MARCH 31, 2016					SHAREHOLDING AS AT MARCH 31, 2017			% 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	
1.	IDFC Financial Holding Company Limited	1,797,512,668	52.98	-	IDFC Financial Holding Company Limited	1,797,512,668	52.88	(0.10)
Total		1,797,512,668	52.98	-		1,797,512,668	52.88	(0.10)

4C Change in Promoters' Shareholding

SHAREHOLDING AT THE BEGINNING OF THE YEAR AS ON 01.04.2016					INCREASE / DECREASE IN SHAREHOLDING		CUMULATIVE SHAREHOLDING AT THE END OF THE YEAR AS ON 31.03.2017		
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
NIL									

4D Shareholding Pattern of Top Ten Shareholders

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

		SHAREHOLDING AT THE BEGINNING OF THE YEAR 01.04.2016**		CHANGES IN THE SHAREHOLDING DURING THE YEAR		CUMULATIVE SHAREHOLDING AT THE END OF THE YEAR 31.03.2017***	
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	7.70	-	-	261,400,000	7.69
2.	First State Investments ICVC-Stewart Investors Asia Pacific Leaders Fund	88,125,165	2.60	-	(2,487,377)	85,637,788	2.52
3.	Platinum International Fund	7,903,030	0.23	41,378,506	-	49,281,536	1.45
4.	Actis Hawk Limited	37,091,569	1.09	-	(13,675,438)	23,416,131	0.69
5.	Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Fund	10,304,772	0.30	9,257,997	-	19,562,769	0.58
6.	Platinum Asia Fund	-	-	19,253,783	-	19,253,783	0.57
7.	Capital Group Emerging Markets Total Opportunities (LUX)	-	-	18,145,820	-	18,145,820	0.53
8.	Wellington Trust Company, National Association Multiple Common Trust Funds Trust, Emerging Markets Opportunities Portfolio	13,506,948	0.40	3,361,261	-	16,868,209	0.50
9.	Vanguard Total International Stock Index Fund	8,488,074	0.25	7,988,622	-	16,476,696	0.48
10.	Ishares India Index Mauritius Company	-	-	16,439,692	-	16,439,692	0.48

* Top Ten Shareholders of the Bank as on March 31, 2017 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, 2016.

*** 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 01.04.2016		CHANGES IN THE SHAREHOLDING DURING THE YEAR		SHAREHOLDING AT THE END OF THE YEAR 31.03.2017	
		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 MD & CEO	1,198,984	0.04	1,246,000	-	2,444,984	0.07
2.	Mr. Vikram Limaye, Director	2,043,728	0.06	174,000	(500,000)	1,717,728	0.05
3.	Mr. Sunil Kakar, CFO	-	-	20,000	-	20,000	β
4.	Mr. Mahendra N. Shah, CS	2,10,000	0.01	71,058	(280,958)	100	β

β denotes negligible value

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	9,255.94	47,903.89	-	57,159.83
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	13.10	2,683.33	-	2,696.43
Total (i+ii+iii)	9,269.04	50,587.22	-	59,856.26
Change in Indebtedness during the financial year				
Addition	2,867,385.48	303,009.47	-	3,170,394.95
Reduction	2,868,864.96	308,427.63	-	3,177,292.59
Net Change	(1,479.48)	(5,418.16)	-	(6,897.64)
Indebtedness at the end 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

* Includes Borrowings under Collateralised Borrowing and Lending Obligations, Market Repurchase Transactions with banks and financial institutions.

** 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.

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 ¹	36,176,575
(b)	Value of perquisites u/s 17(2) of the Income-tax Act, 1961	3,178,653
(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)	40,507,228
	Ceiling as per the Act	Refer Notes

- Notes: 1. The RBI approved a Bonus of ₹ 1 crore to Dr. Lall for FY16 out of which ₹ 60 lacs was paid during FY17 and the Balance ₹ 40 lacs will be deferred for payment over the next three years in accordance with RBI Guidelines.
2. During FY17, Dr. Lall was granted 20 lacs ESOPs as one-time special grant and 10 lacs ESOPs as annual performance grant for FY16, in compliance with IDFC Bank ESOS - 2015. The stock options granted to Dr. Lall 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. The aforesaid grants have been approved by RBI.
3. 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
		MR. ANIL BAIJAL	DR. ASHOK GULATI	MR. ABHIJIT SEN	MS. VEENA MANKAR	MR. AJAY SONDHI	MR. RAJAN ANANDAN	MR. ANAND SINHA	
1.	Independent Directors								
	Fee for attending board & committee meetings	1,150,000	750,000	1,800,000	1,550,000	1,400,000	700,000	650,000	8,000,000
	Commission ^(Note 4)	500,000	500,000	500,000	500,000	500,000	333,333	-	2,833,333
	Others, please specify								
	Total (1)	1,650,000	1,250,000	2,300,000	2,050,000	1,900,000	1,033,333	650,000	10,833,333
2.	Other Non-Executive Directors	-	-	-	-	-	-	-	-
	Fee for attending board committee meetings	-	-	-	-	-	-	-	-
	Commission	-	-	-	-	-	-	-	-
	Others, please specify	-	-	-	-	-	-	-	-
	Total (2)	1,650,000	1,250,000	2,300,000	2,050,000	1,900,000	1,033,333	650,000	10,833,333
	Total (B) = (1 + 2)	1,650,000	1,250,000	2,300,000	2,050,000	1,900,000	1,033,333	650,000	10,833,333
	Total Managerial Remuneration								57,340,561
	Overall Ceiling as per the Act								Refer Notes

- Notes: 1. Mr. Anil Bajjal and Dr. Ashok Gulati resigned from the Board w.e.f. December 08, 2016 and February 10, 2017 respectively.
2. Mr. Anand Sinha was appointed on the Board w.e.f. August 01, 2016.
3. Mr. Vinod Rai, Mr. Vikram Limaye and Ms. Anindita Sinharay, Non-Executive Nominee Directors, have not been paid any remuneration from IDFC Bank during FY17.
4. Commission is for the year FY16 which has been paid in FY17. 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 lacs 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 (COMPANY SECRETARY & CHIEF COMPLIANCE OFFICER)	MR. SUNIL KAKAR (CHIEF FINANCIAL OFFICER)	TOTAL
1.	Gross salary			
(a)	Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961 (includes Bonus)	12,197,457	18,242,748	30,440,205
(b)	Value of perquisites u/s 17(2) of the Income-tax Act, 1961	32,400	359,600	392,000
(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	2,017,370	2,069,547	4,086,917
	Total	14,247,227	20,671,895	34,919,122

Notes: 1. During FY17, Mr. Shah and Mr. Kakar were paid Bonus of ₹ 82 lacs and ₹ 90 lacs, respectively for FY16.

2. During FY17, Mr. Shah and Mr. Kakar were granted 472,000 and 790,000 stock options respectively under IDFC Bank ESOS - 2015 for FY16. 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. KJM/1545 dated August 18, 2016.

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 March 31, 2017, 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 ('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 March 31, 2017.

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 30, 2017



Corporate Governance Report

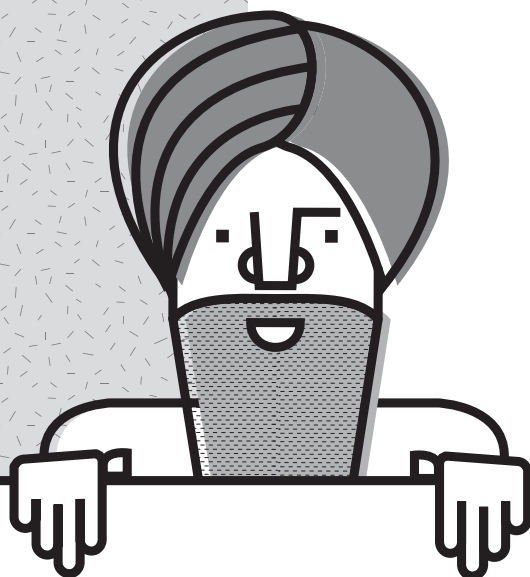
IDFC BANK'S PHILOSOPHY ON CORPORATE GOVERNANCE

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 endeavors to conduct its operations with transparency and honesty towards all its stakeholders including customers, shareholders, regulators,

employees and the general public. 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



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

Governance practices that go beyond just meeting the letter of law, IDFC Bank not only complies with the requirements of Companies Act, 2013 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 and rules made thereunder, 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) Women Directors. Listing Regulations mandate that for a company with a Non-Executive Chairperson, at least one-third of the Board shall comprise of Independent Directors ('IDs'). The Board of the Bank consists of nine (9) Directors; out of which five (5) are IDs, which is more than

the requirements of the Companies Act, 2013 and the Listing Regulations.

As on June 30, 2017, the Board has two (2) Nominee Directors viz. Mr. Vikram Limaye and Ms. Anindita Sinharay representing IDFC Limited (Ultimate Holding Company) and the Government of India ('GOI') respectively. IDFC Financial Holding Company Limited (subsidiary company of IDFC Limited) and Government of India holds 52.86% and 7.69% equity shares respectively of IDFC Bank.

However, Mr. Limaye has resigned from the Board of IDFC Bank w.e.f. July 15, 2017 consequent to his appointment as the Managing Director & CEO by the Board and Shareholders of National Stock Exchange of India Limited. The Board of IDFC Limited has now nominated Mr. Sunil Kakar (new Managing Director & CEO of IDFC Limited) on the Board of IDFC Bank w.e.f. July 16, 2017. Mr. Kakar is presently serving as the Chief Financial Officer of IDFC Bank and would resign from this position on his taking charge as the Managing Director & CEO of IDFC Limited.

Accordingly, the Board of Directors of IDFC Bank has appointed Mr. Sunil Kakar as a Nominee Director representing IDFC Limited (Ultimate Holding Company) on the Board of the Bank w.e.f. July 16, 2017, subject to approval of the Shareholders.

Also, the Board has two (2) Executive Directors namely Dr. Rajiv B. Lall who is the Founder Managing Director & CEO of the Bank and Mr. Avtar Monga (appointed w.e.f. April 25, 2017).

01 Composition of Board of Directors for FY17

NAME OF THE DIRECTOR	DIN	POSITION ON THE BOARD	NO. OF BOARD MEETINGS HELD IN FY17
Ms. Veena Mankar [^]	00004168	Independent Non-Executive Chairperson (w.e.f. January 30, 2017)	7
Mr. Anand Sinha ^{**}	00682433	Independent Director	4
Ms. Anindita Sinharay ^{**}	07724555	Nominee Director (Representing Ministry of Finance, GOI-equity investor)	1
Mr. Abhijit Sen [^]	00002593	Independent Director	7
Mr. Ajay Sondhi [^]	01657614	Independent Director	7
Mr. Rajan Anandan	02395272	Independent Director	7
Dr. Rajiv B. Lall	00131782	Founder Managing Director & CEO	7
Mr. Vikram Limaye [*]	00488534	Nominee Director (Representing IDFC Limited-equity investor)	7
Dr. Ashok Gulati [§]	07062601	Independent Director	6
Mr. Anil Bajjal [*]	01608892	Independent Director (Ex-Chairman)	5
Mr. Vinod Rai [*]	01119922	Nominee Director (Representing IDFC Limited-equity investor)	3

Notes: ^{*}Mr. Vinod Rai, Mr. Anil Bajjal, Dr. Ashok Gulati and Mr. Vikram Limaye resigned from the Board w.e.f. July 31, 2016, December 08, 2016, February 10, 2017 and July 15, 2017 respectively.

^{**} Mr. Anand Sinha and Ms. Anindita Sinharay were appointed on the Board w.e.f. August 01, 2016 and February 01, 2017 respectively.

[^]Chairpersons of the Audit Committee, the Nomination and Remuneration Committee, and the Stakeholders' Relationship and Customer Service Committee were present at the 2nd AGM held on July 27, 2016.

[§] Dr. Ashok Gulati could not attend the 2nd AGM held on July 27, 2016 due to personal 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.

Ms. Veena Mankar is the Independent Non-Executive Chairperson of the Bank.

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

Changes in Board Composition

Mr. Anand Sinha

Appointed as an Independent Director on the Board for a period of three (3) years w.e.f. August 01, 2016.

Ms. Anindita Sinharay

Appointed as a Nominee Director representing Ministry of Finance, Government of India w.e.f. February 01, 2017.

Ms. Veena Mankar

Ms. Veena Mankar has been with the Bank as an Independent Director since July 27, 2015. Consequently, Ms. Mankar was appointed as the Independent Non-Executive Chairperson of the Bank w.e.f. December 09, 2016, in place of **Mr. Anil Bajjal** (former Non-Executive

Chairman) who stepped down from the Board w.e.f. December 08, 2016 consequent to completion of his RBI approved tenure. The RBI approved her appointment as the Independent Non-Executive Chairperson of the Bank w.e.f. January 30, 2017. Mr. Bajjal is now serving as the 21st Lieutenant Governor of Delhi.

Mr. Avtar Monga

Appointed as the Executive Director on the Board for a period of three (3) years w.e.f. April 25, 2017, subject to RBI approval.

Mr. Vinod Rai

Resigned from the Board w.e.f. July 31, 2016, pursuant to being appointed as the Chairman of the Banks Board Bureau.

Dr. Ashok Gulati

Resigned from the Board w.e.f. February 10, 2017, pursuant to being nominated by the Government of India as part-time, non-official Director on the Central Board of Reserve Bank of India.

Both, Mr. Vinod Rai and Dr. Ashok Gulati resigned from the Board of the Bank in order to avoid any conflict of interest.

Mr. Sunil Kakar

IDFC Limited (Ultimate Holding Company) has nominated Mr. Sunil Kakar on the Board of IDFC Bank w.e.f. July 16, 2017 in place of **Mr. Vikram Limaye** 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. Mr. Kakar is presently serving as the Chief Financial Officer of IDFC Bank and would resign from this position on his taking charge as the Managing Director & CEO of IDFC Limited.

All the new NEDs inducted on the Board were introduced to the culture and vision of the Bank through special induction programmes. The Founder Managing Director & CEO and the Senior Management Personnel ('SMP') provided an overview of Bank's operations and familiarised all the new NEDs with them.

NO. OF BOARD MEETINGS ATTENDED IN FY17	PERCENTAGE OF ATTENDANCE	WHETHER ATTENDED SECOND AGM HELD ON JULY 27, 2016	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	
7	100%	Yes	2	3	3(2)
3	75%	N.A.	2	3	2(0)
1	100%	N.A.	1	0	0
7	100%	Yes	5	2	3(3)
7	100%	Yes	2	3	2(0)
6	86%	Yes	1	4	0
7	100%	Yes	1	2	1(0)
7	100%	Yes	9	3	3(0)
4	67%	No	N.A.	N.A.	N.A.
5	100%	Yes	N.A.	N.A.	N.A.
3	100%	Yes	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.

The Board has complete access to all the information about the Bank. The Board members are 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 SMP of the Bank. The Code is available on the Bank's website: www.idfcbank.com under 'Investor Relations' section.

All Board members 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.

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 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, whenever necessary, 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 them in advance to the Directors.

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

02 Attendance Details of Audit Committee Meetings held during FY17

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	5	5	100%
Mr. Ajay Sondhi	Independent Director	Member	5	4	80%
Mr. Anand Sinha ¹	Independent Director	Member	2	1	50%
Ms. Veena Mankar	Independent Non-Executive Chairperson	Member	5	5	100%
Mr. Vikram Limaye ²	Nominee Director	Member	5	5	100%

¹ Mr. Anand Sinha was appointed on the Board w.e.f. August 01, 2016 and on the Committee w.e.f. October 25, 2016.

² Mr. Vikram Limaye resigned from the Board w.e.f. July 15, 2017.

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 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, reviewing financial results, appointment / cessation and remuneration of SMP and Key Managerial Personnel, 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.

During FY17, seven (7) Board Meetings were held on the following dates:

- April 26, 2016
- July 05, 2016
- July 26, 2016
- October 25, 2016
- November 29, 2016
- January 25, 2017
- March 20, 2017

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

Detailed presentations on the Bank's business segments were made at the Board Meetings held during the year. Periodic presentations are made at the Board / Committee Meetings on business strategy,

performance updates, financial statements etc. Minimum Information to 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 names of the Board members along with their attendance at the Board Meetings held during FY17 and the last AGM, their directorships, memberships and chairmanships in committees of companies (including IDFC Bank) are given in **Table 01**.

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 FY17, five (5) 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.

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 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.

During FY17, on the recommendation of the Nomination and Remuneration Committee, the Board constituted the Ethics and Culture Committee.

As on June 30, 2017, the Bank has following Board-level Committees:

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

Majority of members of most of the above Committees consist of IDs and most of these Committees are chaired by IDs. Mr. Mahendra N. Shah, Company Secretary & Chief Compliance Officer officiates as the Secretary for all the Board Committees and ensures adherence to all laws and regulations for conducting Committee meetings.

Composition of all the Board-level Committees is available on the Bank's website: www.idfcbank.com under 'Investor Relations' section.

Details on the terms of reference and composition of these Committees, including the number of meetings held during FY17, are given hereinafter:

1 | Audit Committee

The Audit Committee comprises of five (5) members, four (4) of whom are 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 five (5) times during FY17 on April 26, 2016; July 26, 2016; October 25, 2016; November 28, 2016 and January 25, 2017. 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.

The composition, name of members and chairman and their attendance at Audit Committee meetings held during FY17 is given in **Table 02**.

The Terms of Reference of the Audit Committee 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.
- 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 / CSGl 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

03 Attendance Details of Nomination & Remuneration Committee Meetings held during FY17

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	5	5	100%
Mr. Anand Sinha ¹	Independent Director	Member	2	2	100%
Ms. Veena Mankar	Independent Non-Executive Chairperson	Member	5	5	100%
Mr. Anil Baijal ²	Independent Director	Member	3	3	100%
Mr. Vinod Rai ²	Nominee Director	Member	2	2	100%

¹ Mr. Anand Sinha was appointed on the Board w.e.f. August 01, 2016 and appointed on the Committee w.e.f. October 25, 2016

² Mr. Vinod Rai and Mr. Anil Baijal resigned from the Board w.e.f. July 31, 2016 and December 08, 2016 respectively.

re-enactment, amendment or modification thereto from time to time.

IT GOVERNANCE & INFRASTRUCTURE COMMITTEE

The IT Governance & Infrastructure and Information Security Risk related aspects of the Bank are reviewed by the Audit Committee of the Bank. Accordingly, IT Governance & Infrastructure Committee is also monitored by the Audit Committee of the Bank. As on March 31, 2017, the IT Governance & Infrastructure Committee comprised of five (5) members, one (1) of whom is the Founder Managing Director & CEO and four (4) are 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 nine (9) times during FY17 on April 29, 2016, June 02, 2016, July 14, 2016, August 25, 2016, September 28, 2016, October 29, 2016, November 30, 2016, December 22, 2016 and February 09, 2017. 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 | Nomination and Remuneration Committee

The Nomination and Remuneration Committee ('NRC') comprises of three (3) members, all three (3) being IDs.

The Committee met five (5) times during FY17 on April 26, 2016; July 26, 2016; October 25, 2016, January 25, 2017 and March 20, 2017. The quorum of the meeting is two (2) members. All the meetings were held during the year with requisite quorum.

The composition, name of members and chairman and their attendance at NRC meetings held during FY17 is given in **Table 03**.

The Terms of Reference of the NRC 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.
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.

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)
- 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, all-inclusive three (3) questionnaires for the above categories were circulated to all the Directors in the month of April 2017. These questionnaires were aligned with the Guidance Note on Board Evaluation issued by SEBI dated January 05, 2017.

The Directors at their meeting held on April 25, 2017 unanimously agreed that the formal evaluation process would be completed in due course after seeking assistance from external consultants, if required.

REMUNERATION OF DIRECTORS

Based on the recommendation of the NRC, the Board at its meeting held on April 25, 2017 approved the revised Remuneration Policy for the Whole Time / Executive Directors, Non-Executive / Independent Directors, Key Managerial Personnel and SMP. The aforesaid remuneration policy is in line with the provisions of the Companies Act, 2013 and RBI guidelines issued in this regard, from time to time.

Based on the RBI's guidelines on compensation for private sector banks, the following are the broad principles for remuneration to the Whole Time / Executive Directors, Non-Executive / Independent Directors, Key Managerial Personnel and SMP:

- To ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate talent.
- To ensure a clear relationship between remuneration and performance. Performance measurement will include appropriate Risk, Compliance and Service measures.

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 FOR FY16 ^(Note3) (PAID DURING FY17)	TOTAL (PAID DURING FY17)
Mr. Abhijit Sen	00002593	1,800,000	-	-	500,000	2,300,000
Mr. Ajay Sondhi	01657614	1,400,000	-	-	500,000	1,900,000
Mr. Anand Sinha**	00682433	650,000	-	-	N.A.	650,000
Mr. Rajan Anandan	02395272	700,000	-	-	333,333	1,033,333
Ms. Anindita Sinharay**	07724555	-	-	-	-	-
Dr. Rajiv B. Lall ¹	00131782	N.A.	39,355,228	1,152,000	N.A.	40,507,228
Ms. Veena Mankar	00004168	1,550,000	-	-	500,000	2,050,000
Mr. Vikram Limaye*	00488534	-	-	-	-	-
Dr. Ashok Gulati*	07062601	750,000	-	-	500,000	1,250,000
Mr. Anil Baijal*	01608892	1,150,000	-	-	500,000	1,650,000
Mr. Vinod Rai*	01119922	-	-	-	-	-

* Mr. Vinod Rai, Mr. Anil Baijal, Dr. Ashok Gulati and Mr. Vikram Limaye resigned from the Board w.e.f. July 31, 2016, December 08, 2016, February 10, 2017 and July 15, 2017 respectively.

** Mr. Anand Sinha and Ms. Anindita Sinharay were appointed on the Board w.e.f. August 01, 2016 and February 01, 2017 respectively.

Notes: 1. The RBI approved a Bonus of ₹ 1 crore to Dr. Lall for FY16 out of which ₹ 60 lacs was paid during FY17 and the Balance ₹ 40 lacs will be deferred for payment over the next three years in accordance with RBI Guidelines.

2. During FY17, Dr. Lall was granted 20 lacs ESOPs as one-time special grant and 10 lacs ESOPs as annual performance grant for FY16, in compliance with IDFC Bank ESOS-2015. The stock options granted to Dr. Lall 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. The aforesaid grants are approved by RBI.

3. Commission is for the year FY16 which has been paid in FY17. IDFC Bank started its banking operations on October 01, 2015. Accordingly, Independent Directors appointed during FY16 were paid commission on pro-rata basis from October 01, 2015 or the date of their appointment, whichever is later.

4. The remuneration paid / payable to all the Directors is within the limits prescribed under the Companies Act, 2013 and is in line with the RBI guidelines issued in this regard, from time to time.

05 Attendance Details of Stakeholders' Relationship and Customer Service Committee Meetings held during FY17

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 ¹	Independent Director	Member	1	1	100%
Dr. Rajiv B. Lall	Founder Managing Director & CEO	Member	4	4	100%
Mr. Vikram Limaye ²	Nominee Director	Member	4	4	100%
Mr. Anil Baijal ²	Independent Director	Member	3	3	100%

¹ Mr. Anand Sinha was appointed on the Board w.e.f. August 01, 2016 and appointed as a member on the Committee w.e.f. October 25, 2016.

² Mr. Anil Baijal and Mr. Vikram Limaye resigned from the Board w.e.f. December 08, 2016 and July 15, 2017.

6A Nature of Complaints Received and Attended during FY17 for Equity Shares

NATURE OF COMPLAINT	PENDING AS ON APRIL 01, 2016	RECEIVED DURING THE YEAR	ANSWERED DURING THE YEAR	PENDING AS ON MARCH 31, 2017
Non-receipt of Refund	NIL	NIL	NIL	NIL
Non-receipt of Electronic Credit	NIL	1	1	NIL
Non-receipt of Annual Report	NIL	130	130	NIL
Non-receipt of Securities	NIL	19	19	NIL
Non-receipt of Dividend Warrants	NIL	211	211	NIL
SEBI	NIL	5	5	NIL
Stock Exchange	NIL	7	7	NIL
TOTAL		373	373	

Nature of Complaints Received and Attended during FY17 for Infrastructure Bonds issued under Section 80CCF of Income Tax Act, 1961

NATURE OF COMPLAINT	PENDING AS ON APRIL 01, 2016	RECEIVED DURING THE YEAR	ANSWERED DURING THE YEAR	PENDING AS ON MARCH 31, 2017
Non-receipt of Bond Certificates	NIL	3,106	3,106	NIL
Non-receipt of Electronic Credit	NIL	108	108	NIL
Non-receipt of Refund	NIL	124	124	NIL
Non-receipt of Interest Warrant	NIL	7,319	7,319	NIL
SEBI	NIL	199	199	NIL
Stock Exchange / Depositories	NIL	4	4	NIL
ROC	NIL	NIL	NIL	NIL
TOTAL		10,860	10,860	

- To align the remuneration with the long term interests of IDFC Bank and its shareholders.
- To align the remuneration with prudent risk taking.
- To ensure that the remuneration is balanced between fixed and variable pay, reflecting the short-term and long-term performance objectives of the Bank.
- To compensate adequately for the efforts towards the Bank's growth, taking into consideration their significant professional expertise and experience across a wide spectrum of functional areas, their time commitment and their role in ensuring compliance with various statutory requirements in the current competitive business environment.

IDFC Bank pays remuneration to the Executive Directors by way of salary, allowance, perquisites including retirement benefits (fixed component) and a variable component based on the recommendation of the NRC and approval 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 FY17 has been disclosed in the Board's Report.

The NEDs are paid remuneration by way of commission 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 Non-Executive Directors 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 Lacs 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 FY17, the Bank will pay a sum of ₹ 6,216,440 to its Independent NEDs towards Commission. During FY17, the Bank has not granted any stock Options to Non-Executive Directors of the Bank.

The Bank did not advance loans to any of its Directors during FY17. None of the Directors are entitled to severance fee. The notice period for Executive Directors 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 Board members. 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. Vikram Limaye who held 1,717,728 equity shares of the Bank as on March 31, 2017.

Details of remuneration paid to the Directors during FY17 is given in **Table 04**. 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.

3 | Stakeholders' Relationship and Customer Service Committee

The Stakeholders' Relationship and Customer Service Committee comprises of four (4) members, two (2) of whom are IDs, one (1) Nominee Director and one (1) Executive Director. The Committee met four (4) times during FY17 on April 26, 2016; July 26, 2016; October 25, 2016 and January 25, 2017. The quorum of the meeting is two (2) members. All the meetings were held during the year with requisite quorum.

The composition, name of members and chairperson and their attendance at the Stakeholders' Relationship and Customer Service Committee meetings held during FY17 is given in **Table 05**.

Mr. Mahendra N. Shah, Company Secretary & Chief 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 queries and grievances received and attended by the Bank during FY17 for Equity Shares and 80CCF Infrastructure Bonds are given in **Table 6A** and **Table 6B** respectively.

During FY17, no complaints were received in respect of the bonds issued by the Bank on private placement basis.

07 Attendance Details of the Corporate Social Responsibility Committee Meetings held during FY17

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	2	2	100%
Ms. Veena Mankar ¹	Independent Non-Executive Chairperson	Member	1	1	100%
Mr. Abhijit Sen ¹	Independent Director	Member	N.A.	N.A.	N.A.
Dr. Ashok Gulati ²	Independent Director	Member	2	2	100%
Mr. Anil Baijal ²	Independent Director	Member	2	2	100%

¹ Ms. Veena Mankar and Mr. Abhijit Sen were appointed as members of the Committee w.e.f. October 25, 2016 and March 31, 2017 respectively.

² Mr. Anil Baijal and Dr. Ashok Gulati resigned from the Board w.e.f. December 08, 2016 and February 10, 2017 respectively.

During FY17, 213 complaints were received from the customers of the Bank. As on June 30, 2017, all of these complaints have been resolved.

The Terms of Reference of the Stakeholders' Relationship & Customer Service Committee includes 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.

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.

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 | Corporate Social Responsibility Committee

The Board of Directors have constituted the CSR Committee pursuant to Section 135 of the Companies Act, 2013 and corresponding rules thereunder.

The CSR Committee comprises of three (3) members, two (2) of whom are IDs and one (1) Executive Director. The Committee met two (2) times during FY17 on April 26, 2016 and November 25, 2016. The quorum of the meeting is two (2) members. All the meetings were held during the year with requisite quorum.

The composition, name of members and chairman and their attendance at the CSR Committee meetings held during FY17 is given in **Table 07**.

The Bank continued to partner with IDFC Foundation (a not-for-profit company registered under Section 8 of the Companies Act, 2013, which is a wholly owned subsidiary of IDFC Limited) for inclusive growth to support the cause of sustainable livelihood and skill development, elementary education and primary health to achieve the CSR objectives of the Bank. The Bank's primary focus areas for CSR activities are education, health care, skill development and sustainable livelihoods, rural development, support employee engagement in CSR activities and other related areas.

The Board at its meeting held on April 26, 2016 adopted the CSR Policy recommended by the CSR Committee. The said CSR Policy is also placed on the Bank's website: www.idfcbank.com under 'Investor Relations' section.

The Terms of Reference of the CSR Committee includes 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: credit risk, market risk, liquidity risk and operational risk. This is

done under the overall framework of the Enterprise Risk Management System.

The RMC comprises of five (5) members, three (3) of whom are IDs, one (1) Nominee Director and one (1) Executive Director. The Committee met five (5) times during FY17 on April 26, 2016; July 26, 2016; October 25, 2016; November 25, 2016 and January 25, 2017. The quorum of the meeting is two (2) members. All the meetings were held during the year with requisite quorum.

The composition, name of members and chairman and their attendance at RMC meetings held during FY17 is given in **Table 08**.

The Terms of Reference of the Risk Management Committee includes 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 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 | Credit Committee

The Credit Committee comprises of three (3) members, one (1) of whom is an Independent Director, one (1) Executive Director and one (1) Nominee Director.

The Committee met eleven (11) times during FY17 on May 20, 2016, June 23, 2016, July 16, 2016, September 16, 2016, October 13, 2016, November 22, 2016, December 07, 2016, December 19, 2016, January 12, 2017, February 20, 2017, March 24, 2017. The quorum of the meeting is two (2) members. All the meetings were held during the year with requisite quorum.

Thirty Six (36) circular resolutions were passed by the Credit Committee during FY17.

The composition, name of members and chairman and their attendance at Credit Committee meetings held during FY17 is given in **Table 09**.

The Terms of Reference of the Credit Committee 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

08 Attendance Details of the Risk Management Committee Meetings held during FY17

NAME OF THE MEMBER	POSITION ON THE BOARD	STATUS	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED	% OF ATTENDANCE
Mr. Anand Sinha ¹	Independent Director	Chairman	2	2	100%
Mr. Abhijit Sen	Independent Director	Member	5	5	100%
Mr. Ajay Sondhi	Independent Director	Member	5	4	80%
Dr. Rajiv B. Lall	Founder Managing Director & CEO	Member	5	5	100%
Mr. Vikram Limaye ²	Nominee Director	Member	5	5	100%
Mr. Ashok Gulati ²	Independent Director	Member	5	4	80%
Mr. Anil Bajjal ²	Independent Director	Ex-Chairman	4	4	100%

¹ Mr. Anand Sinha was appointed on the Board w.e.f. August 01, 2016 and on the Committee w.e.f. October 25, 2016

² Mr. Anil Bajjal, Dr. Ashok Gulati and Mr. Vikram Limaye resigned from the Board w.e.f. December 08, 2016, February 10, 2017 and July 15, 2017 respectively.

09 Attendance Details of the Credit Committee Meetings held during FY17

NAME OF THE MEMBER	POSITION ON THE BOARD	STATUS	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED	% OF ATTENDANCE
Mr. Abhijit Sen	Independent Director	Member	11	11	100%
Dr. Rajiv B. Lall	Founder Managing Director & CEO	Member	11	11	100%
Mr. Vikram Limaye ¹	Nominee Director	Member	11	9	82%
Mr. Vinod Rai ²	Nominee Director	Ex-Chairman	3	3	100%

¹ Mr. Vikram Limaye resigned from the Board w.e.f. July 15, 2017

² Mr. Vinod Rai resigned from the Board w.e.f. July 31, 2016

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 | Allotment and Share Transfer Committee

The Allotment and Share Transfer Committee comprises of four (4) members, two (2) of whom are Directors viz. Dr. Rajiv B. Lall and Mr. Vikram Limaye and two (2) are Officers of the Bank viz. Mr. Mahendra N. Shah and Ms. Uma Ramani.

The Committee met thirty five (35) times during FY17 on April 07, 2016; April 13, 2016; April 16, 2016; April 20, 2016; April

25, 2016; April 29, 2016; May 13, 2016; May 23, 2016; June 03, 2016; June 13, 2016; June 23, 2016; July 05, 2016; July 18, 2016; July 29, 2016; August 11, 2016; August 23, 2016; September 06, 2016; September 17, 2016; September 30, 2016; October 15, 2016; October 18, 2016; October 28, 2016; November 15, 2016; November 18, 2016; December 07, 2016; December 15, 2016; December 27, 2016; January 09, 2017; January 17, 2017; February 02, 2017; February 10, 2017; February 15, 2017; March 01, 2017; March 16, 2017 and March 27, 2017. 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 Infra 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 and Share Transfer Committee includes 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.

8 | Ethics and Culture Committee

Based on the recommendation of the NRC, the Board at its meeting held on

January 25, 2017 approved constitution of the Ethics and Culture Committee of the Board.

The main objective behind constituting the Committee, is to advise the management on their efforts on embedding culture and institutionalising ethical practices within the Bank.

The role of this Committee would be focused on direction setting to achieve the desired value systems at the Bank rather than compliance and oversight. The reporting and review for compliance purposes would continue with the statutory committees already charged with the responsibility for the same. The Committee would provide direction for changes in the Policies or implementation mechanisms relating to Prevention of Sexual Harassment, Code of Conduct, Customer Charter etc. based on assessment of outcomes.

The Ethics and Culture Committee comprises of four (4) members, three (3) of whom are IDs and one (1) Executive Director.

The Committee met one (1) time during FY17 on January 25, 2017. The quorum of the meeting is two (2) members and the said meeting was held with requisite quorum.

The composition, name of members and chairperson and their attendance at Ethics and Culture Committee meetings held during FY17 is given in **Table 10**.

The Terms of Reference of the Ethics & Culture Committee includes 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.

10 Attendance Details of the Ethics and Culture Committee Meeting held during FY17

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	1	1	100%
Mr. Anand Sinha	Independent Director	Member	1	1	100%
Mr. Rajan Anandan	Independent Director	Member	1	1	100%
Dr. Rajiv B. Lall	Founder Managing Director & CEO	Member	1	1	100%

e. The Committee may advise management on IDFC Bank's response to behavioural issues and its communications with employees on these issues.

Other Committees

In addition to the above mentioned Board-level Committees, the Bank has put in place a Management Committee framework to ensure that the 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. Some of the significant Management-level Committees at IDFC Bank are:

- Credit & Market Risk Committee (includes Investment Committee)
- Operational and Information Security
- Risk Committee (includes Fraud Risk Management Committee)
- Business Planning / Strategic Initiatives Committee
- Asset Liability Management Committee
- Product & Process Approval Committee
- Internal Audit & Controls Committee
- IT Governance & Infrastructure Committee
- Premises & Outsourcing Committee
- Brand and Public Relations Committee
- HR, EX and Culture Committee

RELATED PARTY TRANSACTIONS

During FY17, 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 FY17 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 lacs.

No Employee / Designated Person is permitted to communicate, provide, or allow access to any Unpublished Price Sensitive Information relating to IDFC Limited / IDFC Bank, its securities or any

11 Details of Annual General Meetings held in last two years

FINANCIAL YEAR	LOCATION OF THE MEETING	DATE	TIME	SPECIAL RESOLUTIONS PASSED WITH REQUISITE MAJORITY
FY15	KRM Tower, 8 th Floor, No. 1 Harrington Road, Chetpet, Chennai - 600 031, Tamil Nadu, India.	September 29, 2015	10.00 a.m.	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.	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.

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 of 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 the 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 personnel has been

denied access to the Audit Committee. The Audit Committee oversees the Vigil Mechanism of the Bank. The Whistle Blower Policy is periodically communicated to the employees and is also 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. Dr. Rajeev Uberoi, General Counsel and Head - Legal and Audit, is the Chief Vigilance Officer of the Bank.

PENALTIES AND STRICTURES

IDFC Bank has complied with all the requirements of regulatory authorities. There were no instances of non-compliance by the Bank, penalties, strictures imposed on the Bank by stock exchange(s) or SEBI or any statutory authority, on any matter relating to capital markets, from the time of incorporation of the Bank.

ANNUAL GENERAL MEETINGS HELD IN LAST TWO YEARS

IDFC Bank was incorporated on October 21, 2014. Two (2) Annual General Meetings have been held since then. Details of the said meetings have been given in **Table 11**.

POSTAL BALLOT

No Resolution was passed during FY17 through postal ballot. However, the Bank may seek to pass Resolution(s) in FY18 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 corporate governance and contact

information 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.

National Stock Exchange of India Limited ('NSE') and BSE Limited ('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) & Makkal Kural 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

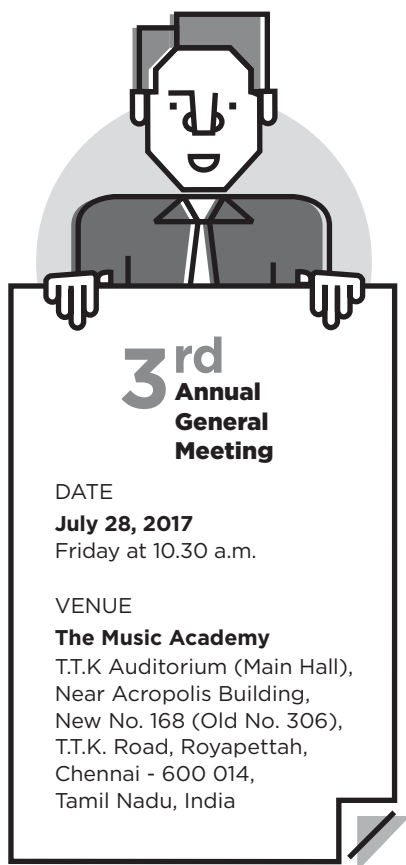
The Internal Audit team presents its reports directly to the Audit Committee of IDFC Bank.

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

Detailed explanatory statement pursuant to Section 102 of the Companies Act, 2013 in respect of the above item forms part of the Notice of the 3rd AGM.

Dividend Payment Date

The dates of book closure for the purpose of payment of dividend shall be from **Saturday, July 22, 2017 to Friday, July 28, 2017** (inclusive of both days).

A final dividend of ₹ 0.75 per equity share will be paid from July 31, 2017, subject to approval by Shareholders at the ensuing AGM.

Financial Calendar

Financial year: April 01, 2016 to March 31, 2017.

For the year ended March 31, 2017, results were announced on:

- July 26, 2016 for first quarter.
- October 25, 2016 for second quarter and half year.
- January 25, 2017 for third quarter and nine months.
- April 25, 2017 for fourth quarter and annual.

For the year ending March 31, 2018, results will be announced latest by:

- Second week of August 2017 for the first quarter.
- Second week of November 2017 for the second quarter and half year.
- Second week of February 2018 for the third quarter and nine months.
- Last week of May 2018 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 FY18 have been paid.

80CCF INFRASTRUCTURE BONDS & PRIVATE PLACEMENT BONDS

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 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 12**.

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 to bank.info@idfcbank.com.

The annual listing fees for FY18 for both the aforesaid bonds have been paid.

MARKET PRICE DATA

Table 13 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**.

12	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	870IDFCBKBA	IDFCBANK	NB/HB
12.	IDE	TRANCHE 2/FY12	SERIES 2 - CUMULATIVE	INE092T08CN3	961736	870IDFCBKBB	IDFCBANK	NC/HC
13.	IDF	TRANCHE 3/FY12	SERIES 1 - ANNUAL	INE092T08CO1	961745	843IDFCBKBA	IDFCBANK	ND/HD
14.	IDF	TRANCHE 3/FY12	SERIES 2 - CUMULATIVE	INE092T08CP8	961746	843IDFCBKBB	IDFCBANK	NE/HE

13	Monthly High & Low Prices of IDFC Bank's Equity Shares during FY17 along with Traded Volumes					
MONTH	BSE			NSE		
	HIGH	LOW	VOLUME	HIGH	LOW	VOLUME
APR 2016	55.00	46.90	9,745,553	55.10	46.80	68,429,753
MAY 2016	50.40	46.15	51,880,190	50.40	46.00	100,047,080
JUN 2016	48.45	44.15	6,420,563	48.45	44.00	41,829,099
JUL 2016	55.50	45.30	26,045,261	55.40	45.15	145,468,114
AUG 2016	56.90	48.20	20,037,938	56.80	48.05	110,442,490
SEP 2016	83.45	56.20	44,422,206	83.40	56.15	266,352,422
OCT 2016	81.50	72.80	21,359,933	81.45	72.80	215,050,890
NOV 2016	80.25	65.35	23,330,964	80.15	65.15	482,366,469
DEC 2016	69.50	55.45	15,685,088	69.85	55.35	179,495,586
JAN 2017	65.90	59.55	14,419,214	65.90	59.50	142,347,766
FEB 2017	64.05	59.70	13,152,663	64.10	59.60	163,141,106
MAR 2017	63.05	59.10	19,971,194	63.05	58.90	152,530,411

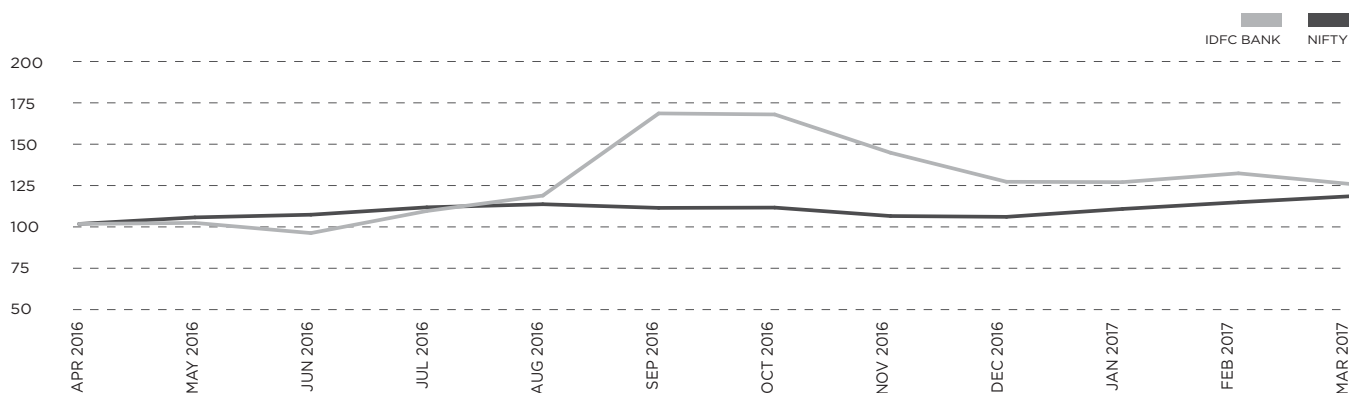
Unclaimed Shares lying in the Escrow Account

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

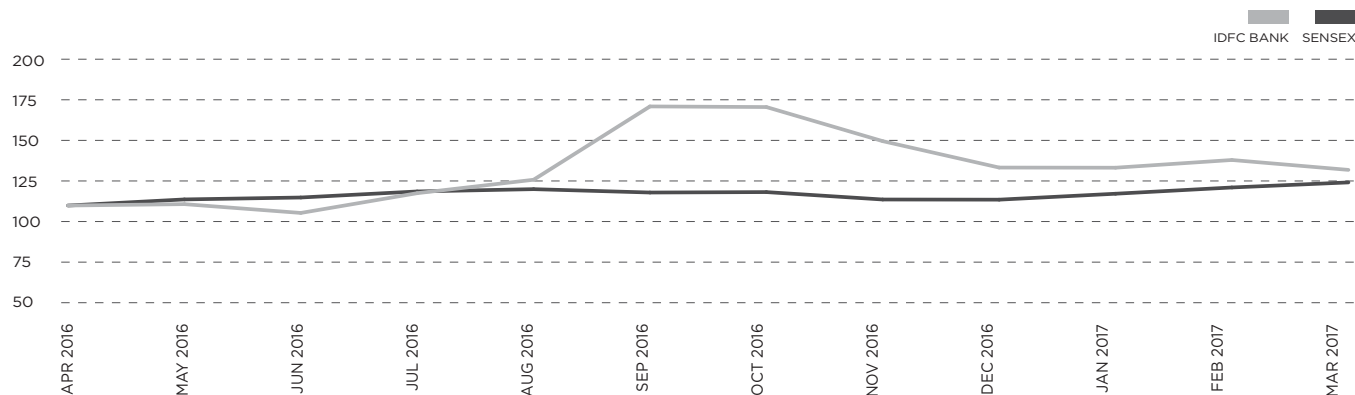
A IDFC Bank vs Nifty



14 Status of Unclaimed Interest / Buyback amount on 80CCF Infrastructure Bonds as on March 31, 2017

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	774,360	November 12, 2011	November 11, 2018
2012-2013	Interest Payment-Tranche 1-Series 1/2010-11	1,656,750	November 12, 2012	November 11, 2019
2013-2014	Interest Payment-Tranche 1-Series 1/2010-11	881,050	November 12, 2013	November 11, 2020
2014-2015	Interest Payment-Tranche 1-Series 1/2010-11	1,015,200	November 12, 2014	November 11, 2021
2015-2016	Interest Payment-Tranche1-Series 1/2010-11	1,029,600	November 12, 2015	November 11, 2022
2016-2017	Interest Payment-Tranche 1-Series 1/2010-11	1,096,240	November 12, 2016	November 11, 2023
2011-2012	Interest Payment-Tranche 1-Series 3/2010-11	1,537,425	November 12, 2011	November 11, 2018
2012-2013	Interest Payment-Tranche 1-Series 3/2010-11	719,200	November 12, 2012	November 11, 2019
2013-2014	Interest Payment-Tranche 1-Series 3/2010-11	1,695,000	November 12, 2013	November 11, 2020
2014-2015	Interest Payment-Tranche 1-Series 3/2010-11	2,135,250	November 12, 2014	November 11, 2021
2015-2016	Interest Payment-Tranche1-Series 3/2010-11	1,993,950	November 12, 2015	November 11, 2022
2016-2017	Interest Payment-Tranche 1-Series 3/2010-11	1,790,850	November 12, 2016	November 11, 2023
2015-2016	Buyback Payment-Tranche 1-Series 3/2010-11	10,030,436	November 12, 2015	N.A.
2015-2016	Buyback Payment-Tranche 1-Series 4/2010-11	33,005,371	November 12, 2015	N.A.
2011-2012	Interest Payment-Tranche 2-Series 1/2010-11	6,518,840	February 21, 2012	February 20, 2019
2012-2013	Interest Payment-Tranche 2-Series 1/2010-11	7,508,800	February 21, 2013	February 20, 2020
2013-2014	Interest Payment-Tranche 2-Series 1/2010-11	7,938,000	February 21, 2014	February 20, 2021
2014-2015	Interest Payment-Tranche 2-Series 1/2010-11	9,188,560	February 21, 2015	February 20, 2022
2015-2016	Interest Payment-Tranche 2-Series 1/2010-11	10,070,280	February 21, 2016	February 20, 2023
2016-2017	Interest Payment-Tranche 2-Series 1/2010-11	10,186,000	February 21, 2017	February 20, 2024
2015-2016	Buyback Payment-Tranche 2-Series 1/2010-11	6,605,000	February 21, 2016	N.A.
2015-2016	Buyback Payment-Tranche 2-Series 2/2010-11	42,931,350	February 21, 2016	N.A.
2011-2012	Interest Payment-Tranche 3-Series 1/2010-11	3,078,371	March 30, 2012	March 29, 2019
2012-2013	Interest Payment-Tranche 3-Series 1/2010-11	3,310,734	March 30, 2013	March 29, 2020
2013-2014	Interest Payment-Tranche 3-Series 1/2010-11	3,175,849	March 30, 2014	March 29, 2021

B IDFC Bank vs Sensex



14 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
2014-2015	Interest Payment-Tranche 3-Series 1/2010-11	3,540,007	March 30, 2015	March 29, 2022
2015-2016	Interest Payment-Tranche 3-Series 1/2010-11	1,650	March 30, 2016	March 29, 2023
2016-2017	Interest Payment-Tranche 3-Series 1/2010-11	8,897,403	March 30, 2017	March 29, 2024
2015-2016	Buyback Payment-Tranche 3-Series 2/2010-11	29,740	March 31, 2016	N.A.
2012-2013	Interest Payment-Tranche 1-Series 1/2011-12	4,303,350	December 30, 2012	December 29, 2019
2013-2014	Interest Payment-Tranche 1-Series 1/2011-12	4,296,150	December 30, 2013	December 29, 2020
2014-2015	Interest Payment-Tranche 1-Series 1/2011-12	4,818,690	December 30, 2014	December 29, 2021
2015-2016	Interest Payment-Tranche 1-Series 1/2011-12	5,297,850	December 30, 2015	December 29, 2022
2016-2017	Interest Payment-Tranche 1-Series 1/2011-12	5,143,140	December 30, 2016	December 29, 2023
2016-2017	Buyback Payment-Tranche 1-Series 2/2011-12	8,414,993	December 31, 2016	N.A.
2016-2017	Buyback Payment-Tranche 1-Series 1/2011-12	1,715,000	December 31, 2016	N.A.
2012-2013	Interest Payment-Tranche 2-Series 1/2011-12	11,498,007	March 21, 2013	March 20, 2020
2013-2014	Interest Payment-Tranche 2-Series 1/2011-12	10,780,170	March 21, 2014	March 20, 2021
2014-2015	Interest Payment-Tranche 2-Series 1/2011-12	10,997,757	March 21, 2015	March 20, 2022
2015-2016	Interest Payment-Tranche 2-Series 1/2011-12	12,614,217	March 21, 2016	March 20, 2023
2016-2017	Interest Payment-Tranche 2-Series 1/2011-12	24,787,518	March 21, 2017	March 20, 2024
2016-2017	Buyback Payment-Tranche 2-Series 1/2011-12	24,305,000	March 21, 2017	N.A.
2016-2017	Buyback Payment-Tranche 2-Series 2/2011-12	100,609,839	March 21, 2017	N.A.
2012-2013	Interest Payment-Tranche 3-Series 1/2011-12	4,360,007	March 31, 2013	March 30, 2020
2013-2014	Interest Payment-Tranche 3-Series 1/2011-12	4,045,566	March 31, 2014	March 30, 2021
2014-2015	Interest Payment-Tranche 3-Series 1/2011-12	4,155,671	March 31, 2015	March 30, 2022
2015-2016	Interest Payment-Tranche 3-Series 1/2011-12	1,686	March 31, 2016	March 30, 2023
2016-2017	Interest Payment-Tranche 3-Series 1/2011-12	12,834,864	March 31, 2017	March 30, 2024
2016-2017	Buyback Payment-Tranche 3-Series 1/2011-12	13,135,000	March 31, 2017	N.A.
2016-2017	Buyback Payment-Tranche 3-Series 2/2011-12	43,850,161	March 31, 2017	N.A.

15 Distribution of Shareholding as on March 31, 2017 (Total) (By Size)					
SL NO	CATEGORY (SHARES)	NO. OF HOLDERS	% TO HOLDERS	NO. OF EQUITY SHARES (FACE VALUE OF ₹ 10 EACH)	% TO EQUITY
1.	1 - 5,000	562,158	97.95	220,390,374	6.48
2.	5,001 - 10,000	6,333	1.10	47,223,869	1.39
3.	10,001 - 20,000	2,791	0.49	40,332,634	1.19
4.	20,001 - 30,000	870	0.15	21,922,045	0.64
5.	30,001 - 40,000	375	0.07	13,370,573	0.39
6.	40,001 - 50,000	249	0.04	11,634,452	0.34
7.	50,001 - 1,00,000	486	0.08	35,112,975	1.03
8.	1,00,001 and above	698	0.12	3,009,019,262	88.54
	TOTAL	573,960	100.00	3,399,006,184	100.00

16 Distribution of Shareholding as on March 31, 2017 (Total) (By Ownership)				
SR NO	DESCRIPTION	NO. OF HOLDERS	NO OF EQUITY SHARES (FACE VALUE OF ₹10 EACH)	% TO EQUITY
1.	Banks	22	3,577,678	0.11
2.	Clearing Members	260	9,391,722	0.28
3.	Foreign Corporate Bodies	1	4,651,271	0.14
4.	Foreign Institutional Investors	37	90,004,434	2.64
5.	Foreign Nationals	5	7,150	β
6.	Foreign Portfolio Investors	325	596,116,270	17.53
7.	H U F	14,178	17,552,406	0.52
8.	Indian Financial Institutions	8	3,970,394	0.12
9.	Insurance Companies	28	48,519,913	1.43
10.	Bodies Corporates	3,709	92,968,981	2.73
11.	Mutual Funds	44	43,045,076	1.27
12.	NBFC	27	550,099	0.02
13.	Non Resident Indians	5,495	14,223,820	0.42
14.	Non Resident Indian Non Repatriable	1,942	4,053,224	0.12
15.	Overseas Corporate Bodies	1	5,000	β
16.	Promoter - Bodies Corporate - IDFC Financial Holding Company Limited	1	1,797,512,668	52.88
17.	President of India	1	261,400,000	7.69
18.	Resident Individuals	547,829	404,029,894	11.88
19.	Trusts	47	7,426,184	0.22
	Total	573,960	3,399,006,184	100.00

β denotes negligible value.

eligible and allotted equity shares of IDFC Bank. Accordingly, as on April 01, 2016, the Escrow Account of IDFC Bank held 28,453 equity shares of ₹ 10 each.

During FY17, none of the Shareholders approached the Bank or the Registrar and Share Transfer Agent for transfer of shares from the Escrow Account. Therefore, the

number of shares in the Escrow Account as on March 31, 2017 remained the same.

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, 2017, the amount lying in the unclaimed dividend account with respect to the final dividend that was declared at the last AGM on July 27, 2016 was ₹ 1,103,154. Members who have either not received or have not encashed their dividend warrant(s) for the last year, are requested to write to 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 from the Bank is August 26, 2023.

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 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 14** and is also uploaded on the Bank's website: www.idfcbank.com under 'Investor Relations' section, from time to time.

Share Transfer System

IDFC Bank has appointed Karvy Computershare Private Limited ('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 Shareholders, Investors and Customers complaints, 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 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, 2017 is given in **Table 15** and **Table 16** respectively. Top ten equity shareholders of IDFC Bank as on March 31, 2017 are given in **Table 17**.

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, 2017, over 99.99% equity shares of IDFC Bank were held in dematerialised form. Details on the same are given in **Table 18**.

17 Top Ten Equity Shareholders of IDFC Bank as on March 31, 2017

SR NO	NAME	NO. OF EQUITY SHARES (FACE VALUE OF ₹10 EACH)	% TO EQUITY
1.	IDFC Financial Holding Company Limited	1,797,512,668	52.88
2.	President of India	261,400,000	7.69
3.	First State Investments ICVC-Stewart Investors Asia Pacific Leaders Fund	85,637,788	2.52
4.	Platinum International Fund	49,281,536	1.45
5.	Actis Hawk Limited	23,416,131	0.69
6.	Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Fund	19,562,769	0.58
7.	Platinum Asia Fund	19,253,783	0.57
8.	Capital Group Emerging Markets Total Opportunities (LUX)	18,145,820	0.53
9.	Wellington Trust Company, National Association Multiple Common Trust Funds Trust, Emerging Markets Opportunities Portfolio	16,868,209	0.50
10.	Vanguard Total International Stock Index Fund	16,476,696	0.48
	Total	2,307,555,400	67.89

18 Dematerialisation of Shares as on March 31, 2017

CATEGORY	NO. OF EQUITY SHARES	% TO EQUITY
Physical	62,912	β
NSDL	3,265,346,131	96.07
CDSL	133,597,141	3.93
Total	3,399,006,184	100.00

β denotes negligible value.

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, from products offered 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.

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, 2017, IDFC Bank had a total of 74 branches.

INVESTOR
CORRESPONDENCE
SHOULD BE
ADDRESSED TO

Details of the Debenture Trustee

IDBI Trusteeship Services Limited
Ms. Anjalee Athalye
Assistant Vice President (Operations)
Asian Building, Ground Floor,
17, R. Kamani Marg, Ballard Estate,
Mumbai-400 001, Maharashtra, India.
Tel: +91 22 4080 7018
E-mail: anjalee@idbitrustee.com
Website: <http://www.idbitrustee.com>

Registrar and Share Transfer Agent

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.
Tel: +91 40 67162222
Fax: +91 40 23420814
Toll Free: 1800 345 4001
E-mail: einward.ris@karvy.com
Website: www.karvycomputershare.com

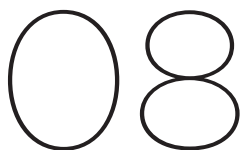
Mr. Mahendra N. Shah**Company Secretary & Chief Compliance Officer**

IDFC Bank Limited
Naman Chambers, C-32, G Block,
Bandra-Kurla Complex, Bandra (East),
Mumbai-400 051, Maharashtra, India.
Tel: +91 22 4222 2000
Fax: +91 22 2654 0354
E-mail: mahendra.shah@idfcbank.com
Website: www.idfcbank.com

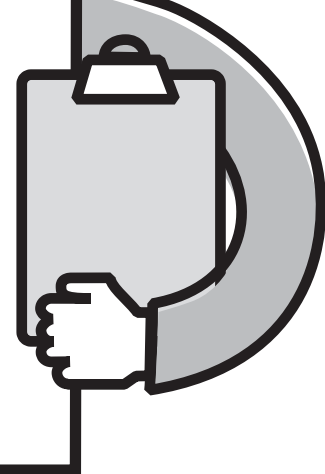
Registered Office Address

IDFC Bank Limited
KRM Tower, 7th Floor,
No. 1 Harrington Road, Chetpet,
Chennai-600 031, Tamil Nadu, India.
Tel: +91 44 4564 4000
Fax: +91 44 4564 4022

Note: Registered Office of the Bank has been shifted from 8th Floor to 7th Floor w.e.f. April 01, 2017.



Certification by CEO and CFO



We, Rajiv B. Lall, Founder Managing Director & Chief Executive Officer and Sunil Kakar, 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, 2017 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 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

SUNIL KAKAR

Chief Financial Officer

MUMBAI | APRIL 25, 2017

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 March 31, 2017, the Profit and Loss Account, 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, accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, in so far as applicable to banks, 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 are 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 auditor's 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, and evaluating the overall presentation of the standalone financial statements.

We believe that the audit evidence we have obtained 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 principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2017, and its profit and its cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to Note 1 of Schedule 18 of the standalone financial statements, the Bank commenced its Banking operations on October 1, 2015, post receipt of final banking license by the RBI. Accordingly, figures for the previous year/period is not comparable since Banking operations were carried only for the period October 2015 to March 2016. Our opinion is not modified in respect of this matter.

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.

INDEPENDENT AUDITORS' REPORT

- 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.
 - 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 March 31, 2017 taken on record by the Board of Directors, none of the directors is disqualified as at March 31, 2017 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.
 - iv. The disclosure with respect to the holdings or dealings in Specified Bank Notes, as defined in the Notification S.O. 3407(E) dated November 8, 2016 of the Ministry of Finance, during the period from November 8, 2016 to December 30, 2016 as required under amendment to Schedule III to the Companies Act, 2013, is not applicable as the financial statements of the Bank are prepared under section 29 and third schedule of the Banking Regulation Act, 1949.
2. We report that during the course of our audit we have visited and performed select relevant procedures at 16 branches. Since the Bank's key operations are 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 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 25, 2017

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 (l) 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 March 31, 2017 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 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 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 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 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 controls 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 March 31, 2017, 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 25, 2017

BALANCE SHEET

AS AT MARCH 31, 2017

	SCHEDULE NO.	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)	AS AT MARCH 31, 2016 (₹ IN THOUSANDS)
CAPITAL AND LIABILITIES			
Capital	1	33,990,062	33,926,233
Employees' stock options outstanding	1a	10,714	33,235
Reserves and surplus	2	112,779,714	102,366,054
Deposits	3	402,082,246	82,190,453
Borrowings	4	502,621,857	571,598,308
Other liabilities and provisions	5	70,111,988	42,044,422
TOTAL		1,121,596,581	832,158,705
ASSETS			
Cash and balances with Reserve Bank of India	6	30,362,908	19,008,369
Balances with banks and money at call and short notice	7	20,657,063	10,030,700
Investments	8	504,716,961	297,286,099
Advances	9	494,016,832	456,994,297
Fixed assets	10	7,865,515	6,728,549
Other assets	11	63,977,302	42,110,691
TOTAL		1,121,596,581	832,158,705
Contingent liabilities	12	2,036,112,298	729,367,008
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 25, 2017

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

Veena Mankar
Chairperson

Abhijit Sen
Director

Sunil Kakar
Chief Financial Officer

Rajiv B. Lall
Founder Managing Director & CEO

Vikram Limaye
Director

Mahendra N. Shah
Company Secretary & Chief Compliance Officer

PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2017

	SCHEDULE NO.	YEAR ENDED MARCH 31, 2017 (₹ IN THOUSANDS)	YEAR ENDED MARCH 31, 2016 (₹ IN THOUSANDS)
I INCOME			
Interest earned	13	85,327,145	36,488,324
Other income	14	10,131,156	4,031,974
TOTAL		95,458,301	40,520,298
II EXPENDITURE			
Interest expended	15	65,153,943	28,015,025
Operating expenses	16	12,769,764	5,105,816
Provisions and contingencies	18.34	7,337,216	2,730,924
TOTAL		85,260,923	35,851,765
III NET PROFIT FOR THE YEAR (I-II)		10,197,378	4,668,533
Balance in profit and loss account brought forward from previous year		12,129,256	(25,849)
Profit brought forward on demerger of Financing Undertaking of IDFC Limited		-	11,962,952
IV AMOUNT AVAILABLE FOR APPROPRIATION		22,326,634	16,605,636
V APPROPRIATIONS :			
Transfer to statutory reserve	18.36	2,550,000	1,180,000
Transfer to investment reserve	18.36	5,500	-
Transfer to capital reserve	18.36	55,000	825,000
Transfer to special reserve	18.36	3,250,000	1,450,000
Proposed dividend (includes tax on dividend)	18.58	263	1,021,380
Balance in profit and loss account carried forward		16,465,871	12,129,256
TOTAL		22,326,634	16,605,636
VI EARNINGS PER EQUITY SHARE (FACE VALUE ₹ 10 PER SHARE)	18.51		
Basic (₹)		3.00	2.34
Diluted (₹)		2.98	2.34
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 25, 2017

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

Veena Mankar
Chairperson

Abhijit Sen
Director

Sunil Kakar
Chief Financial Officer

Rajiv B. Lall
Founder Managing Director & CEO

Vikram Limaye
Director

Mahendra N. Shah
Company Secretary & Chief Compliance Officer

CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2017

	SCHEDULE NO.	YEAR ENDED MARCH 31, 2017 (₹ IN THOUSANDS)	YEAR ENDED MARCH 31, 2016 (₹ IN THOUSANDS)
A. CASH FLOW FROM OPERATING ACTIVITIES			
Net profit before taxes		14,709,555	7,157,630
Adjustments for :			
Depreciation on fixed assets	16 (V)	1,343,442	407,453
Provision for depreciation in value of investments	18.34	1,569,048	40,215
Amortisation of premium on held to maturity investments		293,121	69,224
Write back of provision for non performing advances	18.34	(10,623,023)	(169,925)
Additional specific provisions	18.34	220,565	314,450
Provision on unhedged foreign currency exposure	18.34	12,094	81,740
Loss on sale of fixed assets (net)	14 (IV)	53,527	318
Write back of provision for restructured assets	18.34	(5,175,600)	(29,403)
Provision for standard assets	18.34	(309,240)	-
Other provisions and contingencies	18.34	17,131,123	4,637
Adjustments for :			
(Increase) / decrease in investments (excluding investment in HTM category and investment in subsidiary)		(160,941,192)	(186,248,587)
(Increase) / decrease in advances		(38,110,458)	(37,743,150)
Increase / (decrease) in deposits		319,891,793	82,190,453
(Increase) / decrease in other assets		(24,005,125)	(1,093,218)
Increase / (decrease) in other liabilities and provisions		28,780,093	6,991,682
Direct taxes paid (net of refunds)		(2,374,383)	(2,309,682)
Net cash flow generated from / (used in) operating activities (A)		142,465,340	(130,336,163)
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(2,557,638)	(1,790,485)
Proceeds from sale of fixed assets		23,703	5,740
(Increase) / decrease in held to maturity investments		(45,246,618)	73,495,580
Purchase of subsidiary		(2,963,644)	-
Net cash flow generated from / (used in) investing activities (B)		(50,744,197)	71,710,835
C. CASH FLOW FROM FINANCING ACTIVITIES			
Increase / (decrease) in borrowings		(68,976,450)	4,390,929
Proceeds from issue of share capital		257,853	70,358,165
Payment of dividend (including tax on dividend)		(1,021,644)	-
Net cash flow generated from / (used in) financing activities (C)		(69,740,241)	74,749,094
Net increase in cash and cash equivalents (A+B+C)		21,980,902	16,123,766
Cash and cash equivalents on demerger of Financing Undertaking of IDFC Limited *		-	12,914,803
Cash and cash equivalents at the beginning of the year		29,039,069	500
Cash and cash equivalents at the end of the year		51,019,971	29,039,069
Notes to the Cash Flow Statement:			
Represented by :			
Cash and Balances with Reserve Bank of India	6	30,362,908	19,008,369
Balances with Banks and Money at Call and Short Notice	7	20,657,063	10,030,700
Cash and cash equivalents at the end of the year		51,019,971	29,039,069

* Cash flow from operations, investing and financing activities excludes movement in assets and liabilities on demerger of Financing Undertaking acquired by the Bank from IDFC Limited. The net cash and cash equivalent acquired on demerger is reflected separately, in addition to net increase in cash and cash equivalents due to banking operations from October 1, 2015 to March 31, 2016.

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Kalpesh J. Mehta
Partner
(Membership No. 48791)

Mumbai | April 25, 2017

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

Veena Mankar
Chairperson

Abhijit Sen
Director

Sunil Kakar
Chief Financial Officer

Rajiv B. Lall
Founder Managing Director & CEO

Vikram Limaye
Director

Mahendra N. Shah
Company Secretary & Chief Compliance Officer

SCHEDULES FORMING PART OF THE BALANCE SHEET

AS AT MARCH 31, 2017

SCHEDULE 1 CAPITAL

	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)	AS AT MARCH 31, 2016 (₹ 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 ^		
3,399,006,184 (Previous Year - 3,392,623,336) equity shares of ₹ 10 each, fully paid up	33,990,062	33,926,233
TOTAL	33,990,062	33,926,233

^ Includes 6,382,848 equity shares (Previous Year 1,090,000 equity shares) allotted pursuant to the exercise of options under the IDFC Bank Limited Employee Stock Option Scheme.

SCHEDULE 1a EMPLOYEES' STOCK OPTIONS OUTSTANDING

	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)	AS AT MARCH 31, 2016 (₹ IN THOUSANDS)
Employees' stock option outstanding	10,714	33,235
TOTAL	10,714	33,235

SCHEDULE 2 RESERVES AND SURPLUS

	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)	AS AT MARCH 31, 2016 (₹ IN THOUSANDS)
I STATUTORY RESERVES		
Opening balance	1,180,000	-
Additions during the year (refer note 18.36)	2,550,000	1,180,000
Deduction during the year	-	-
Closing balance	3,730,000	1,180,000
II CAPITAL RESERVES		
Opening balance	825,000	-
Additions during the year (refer note 18.36)	55,000	825,000
Deduction during the year	-	-
Closing balance	880,000	825,000
III SHARE PREMIUM		
Opening balance	79,912,414	-
Additions during the year*	203,777	79,912,414
Deduction during the year	-	-
Closing balance	80,116,191	79,912,414
* Balance for the year ended March 31, 2016 includes ₹ 2,753.98 crore on demerger of Financing Undertaking of IDFC Limited.		
IV GENERAL RESERVE		
Opening balance	6,869,384	-
Additions during the year@	12,768	6,869,384
Deduction during the year	-	-
Closing balance	6,882,152	6,869,384

@ Balance for the year ended March 31, 2016 includes ₹ 683.70 crore on demerger of Financing Undertaking of IDFC Limited.

SCHEDULES FORMING PART OF THE BALANCE SHEET

AS AT MARCH 31, 2017

	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)	AS AT MARCH 31, 2016 (₹ IN THOUSANDS)
V SPECIAL RESERVE		
Opening balance	1,450,000	-
Additions during the year (refer note 18.36)	3,250,000	1,450,000
Deduction during the year	-	-
Closing balance	4,700,000	1,450,000
VI INVESTMENT RESERVE ACCOUNT (IRA)		
Opening balance	-	-
Additions during the year (refer note 18.36)	5,500	-
Deduction during the year	-	-
Closing balance	5,500	-
VII BALANCE IN PROFIT AND LOSS ACCOUNT[^]	16,465,871	12,129,256
[^] Balance for the year ended March 31, 2016 includes ₹ 1,196.30 crore on demerger of Financing Undertaking of IDFC Limited.		
TOTAL (I+II+III+IV+V+VI+VII)	112,779,714	102,366,054

SCHEDULE 3 DEPOSITS

	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)	AS AT MARCH 31, 2016 (₹ IN THOUSANDS)
A I DEMAND DEPOSITS		
(i) From banks	481,593	244,340
(ii) From others	13,203,462	3,450,406
II SAVINGS BANK DEPOSITS	7,258,776	755,961
III TERM DEPOSITS		
(i) From banks	56,975,808	3,430,411
(ii) From others	324,162,607	74,309,335
TOTAL (I+II+III)	402,082,246	82,190,453
B I Deposits of branches in India	402,082,246	82,190,453
II Deposits of branches outside India	-	-
TOTAL	402,082,246	82,190,453

SCHEDULE 4 BORROWINGS

	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)	AS AT MARCH 31, 2016 (₹ IN THOUSANDS)
I BORROWINGS IN INDIA		
(i) Reserve Bank of India	-	92,460,000
(ii) Other banks [^]	37,308,231	34,864,080
(iii) Other institutions and agencies \$	449,191,140	377,403,771
II BORROWINGS OUTSIDE INDIA*	16,122,486	66,870,457
TOTAL (I+II)	502,621,857	571,598,308

Secured borrowings included in I and II above **

[^] Borrowings from banks include long term infrastructure bonds of ₹ 281.50 crore (Previous Year ₹ 356.50 crore).

\$ Borrowings from other institutions and agencies include long term infrastructure bonds of ₹ 10,152.50 crore (Previous Year ₹ 9,597.50 crore) and Bonds under section 80CCF of the Income tax Act, 1961 of ₹ 1,757.75 crore (Previous Year ₹ 2,325.22 crore).

* Borrowings outside India include External Commercial Borrowings (ECB) of ₹ 1,330.96 crore (Previous Year ₹ 6,467.46 crore).

** Except borrowings of ₹ 7,776.46 crore (Previous Year ₹ 9,255.94 crore) under Collateralised Borrowing and Lending Obligation, market repurchase transactions with banks and financial institutions and transactions under Liquidity Adjustment Facility and Marginal Standing Facility.

SCHEDULES FORMING PART OF THE BALANCE SHEET

AS AT MARCH 31, 2017

SCHEDULE 5 OTHER LIABILITIES AND PROVISIONS

	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)	AS AT MARCH 31, 2016 (₹ IN THOUSANDS)
I Bills payable	1,099,957	145,844
II Inter-office adjustments (net)	-	-
III Interest accrued	30,598,776	27,782,372
IV Proposed dividend (includes tax on dividend) (refer note 18.58)	-	1,021,380
V Contingent provision against standard assets	2,818,296	3,318,668
VI Others (including provisions) *	35,594,959	9,776,158
TOTAL (I + II + III + IV + V + VI)	70,111,988	42,044,422

* Includes payable on derivatives contracts of ₹ 2,710.37 crore (Previous Year ₹ 325.15 crore), provision for expenses of ₹ 236.36 crore (Previous Year ₹ 210.43 crore) and funded interest term loan provision of ₹ 93.28 crore (Previous Year ₹ 202.77 crore).

SCHEDULE 6 CASH AND BALANCES WITH RESERVE BANK OF INDIA

	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)	AS AT MARCH 31, 2016 (₹ IN THOUSANDS)
I CASH IN HAND (INCLUDING FOREIGN CURRENCY NOTES)	777,141	116,137
II BALANCES WITH RESERVE BANK OF INDIA:		
(i) In current accounts	29,585,767	18,892,232
(ii) In other accounts	-	-
TOTAL (I+II)	30,362,908	19,008,369

SCHEDULE 7 BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)	AS AT MARCH 31, 2016 (₹ IN THOUSANDS)
I IN INDIA		
(i) Balance with banks		
(a) In current accounts	168,679	361,464
(b) In other deposit accounts	-	-
(ii) Money at call and short notice		
(a) With banks	7,000,000	3,000,000
(b) With other institutions	10,783,453	4,168,904
TOTAL	17,952,132	7,530,368
II OUTSIDE INDIA		
(i) In current accounts	56,133	181,232
(ii) In other deposit accounts	-	-
(iii) Money at call and short notice	2,648,798	2,319,100
TOTAL	2,704,931	2,500,332
GRAND TOTAL (I+II)	20,657,063	10,030,700

SCHEDULES FORMING PART OF THE BALANCE SHEET

AS AT MARCH 31, 2017

SCHEDULE 8 INVESTMENTS (NET OF PROVISIONS)

	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)	AS AT MARCH 31, 2016 (₹ IN THOUSANDS)
I INVESTMENTS IN INDIA IN :		
(i) Government securities	248,556,534	213,296,979
(ii) Other approved securities	-	-
(iii) Shares (includes equity and preference shares) #	4,879,419	5,055,646
(iv) Debentures and bonds	130,673,982	58,946,875
(v) Investment in subsidiaries / joint ventures	3,105,221	-
(vi) Others (venture capital funds, mutual funds, commercial papers, security receipts, PTC etc.)	117,501,805	19,986,599
TOTAL INVESTMENTS IN INDIA	504,716,961	297,286,099
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)	504,716,961	297,286,099

Includes investments in associates

SCHEDULE 9 ADVANCES (NET OF PROVISIONS)

	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)	AS AT MARCH 31, 2016 (₹ IN THOUSANDS)
A		
(i) Bills purchased and discounted	14,200,826	3,598,547
(ii) Cash credits, overdrafts and loans repayable on demand	22,625,098	8,949,905
(iii) Term loans	457,190,908	444,445,845
TOTAL	494,016,832	456,994,297
B		
(i) Secured by tangible assets *	292,239,177	294,731,581
(ii) Covered by bank / government guarantees \$	-	23,362,264
(iii) Unsecured	201,777,655	138,900,452
TOTAL	494,016,832	456,994,297
C I		
Advances in India		
(i) Priority sector	71,519,365	22,376,638
(ii) Public sector	33,856,070	26,611,011
(iii) Banks	1,559,667	525,956
(iv) Others	387,081,730	407,480,692
TOTAL	494,016,832	456,994,297
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)	494,016,832	456,994,297

The above advances are net of provisions of ₹ 856.60 crore (Previous Year ₹ 1,615.91 crore) towards non-performing advances, provision of ₹ 109.03 crore (Previous Year ₹ 303.35 crore) against funded interest term loans classified as non-performing advances, specific provision of ₹ 262.73 crore (Previous Year ₹ 780.91 crore) on restructured assets, specific provision on identified advances of ₹ 1,000.50 crore (Previous Year ₹ 1,267.45 crore) against risk of possible slippages and provision of ₹ 0.33 crore (Previous Year ₹ 0.37 crore) for diminution in fair value of restructured assets.

* Includes advances against book debts

\$ Includes advances against LCs issued by banks

SCHEDULES FORMING PART OF THE BALANCE SHEET

AS AT MARCH 31, 2017

SCHEDULE 10 FIXED ASSETS

	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)	AS AT MARCH 31, 2016 (₹ IN THOUSANDS)
I PREMISES		
Gross block		
At cost at the beginning of the year	3,427,361	-
Additions on demerger of Financing Undertaking of IDFC Limited	-	3,100,830
Additions during the year	347,223	326,531
Deductions during the year	(79,466)	-
TOTAL	3,695,118	3,427,361
Depreciation		
As at the beginning of the year	466,972	-
Accumulated depreciation on demerger of Financing Undertaking of IDFC Limited	-	412,858
Charge for the year	153,799	54,114
Deductions during the year	(28,347)	-
Depreciation to date	592,424	466,972
Net block of premises	3,102,694	2,960,389
II OTHER FIXED ASSETS (INCLUDING FURNITURE AND FIXTURES)		
Gross block		
At cost at the beginning of the year	4,165,903	-
Additions on demerger of Financing Undertaking of IDFC Limited	-	811,982
Additions during the year	2,448,854	3,364,093
Deductions during the year	(65,254)	(10,172)
TOTAL	6,549,503	4,165,903
Depreciation		
As at the beginning of the year	689,885	-
Accumulated depreciation on demerger of Financing Undertaking of IDFC Limited	-	340,659
Charge for the year	1,189,643	353,340
Deductions during the year	(39,143)	(4,114)
Depreciation to date	1,840,385	689,885
Net block of other fixed assets (including furniture and fixtures)	4,709,118	3,476,018
III CAPITAL WORK-IN-PROGRESS (INCLUDING CAPITAL ADVANCES)	53,703	292,142
GRAND TOTAL (I+II+III)	7,865,515	6,728,549

SCHEDULE 11 OTHER ASSETS

	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)	AS AT MARCH 31, 2016 (₹ IN THOUSANDS)
I Inter-office adjustments (net)	-	-
II Interest accrued	11,742,051	8,745,966
III Tax paid in advance / tax deducted at source (net of provisions)	6,543,812	4,156,607
IV Stationery and stamps	45	12
V Non banking assets acquired in satisfaction of claims	-	-
VI Others *	45,691,394	29,208,106
TOTAL (I+II+III+IV+V+VI)	63,977,302	42,110,691

* Includes Deferred Tax Asset (net) of ₹ 1,231.55 crore (Previous Year ₹ 1,684.05 crore) [refer schedule 18.33], receivables on derivative contracts of ₹ 2,794.06 crore (Previous Year ₹ 343.03 crore) and application money pending allotment of ₹ Nil (Previous Year ₹ 275.00 crore).

SCHEDULES FORMING PART OF THE BALANCE SHEET

AS AT MARCH 31, 2017

SCHEDULE 12 CONTINGENT LIABILITIES

	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)	AS AT MARCH 31, 2016 (₹ IN THOUSANDS)
I Claims against the bank not acknowledged as debts	1,425,877	1,432,238
II Liability for partly paid investments	2,452,917	4,242,482
III Liability on account of outstanding forward exchange and derivative contracts :		
(a) Forward Contracts	979,287,494	399,058,585
(b) Interest rate swaps, currency swaps, forward rate agreement and interest rate futures	757,121,514	234,278,073
(c) Foreign currency options	108,788,055	36,517,210
TOTAL (a+b+c)	1,845,197,063	669,853,868
IV Guarantees given on behalf of constituents		
In India	136,747,944	24,714,487
Outside India	-	-
V Acceptances, endorsements and other obligations	49,299,568	26,349,676
VI Other items for which the bank is contingently liable (capital commitments)	988,929	2,774,257
GRAND TOTAL (I+II+III+IV+V+VI)	2,036,112,298	729,367,008

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2017

SCHEDULE 13 INTEREST EARNED

	YEAR ENDED MARCH 31, 2017	YEAR ENDED MARCH 31, 2016
	(₹ IN THOUSANDS)	(₹ IN THOUSANDS)
I Interest / discount on advances / bills	50,884,182	23,514,136
II Income on investments	32,887,822	12,342,818
III Interest on balances with Reserve Bank of India and other inter-bank funds	572,137	72,994
IV Others *	983,004	558,376
TOTAL	85,327,145	36,488,324

* Includes interest on income tax refunds amounting to ₹ 6.83 crore (Previous Year ₹ 24.42 crore).

SCHEDULE 14 OTHER INCOME

	YEAR ENDED MARCH 31, 2017	YEAR ENDED MARCH 31, 2016
	(₹ IN THOUSANDS)	(₹ IN THOUSANDS)
I Commission, exchange and brokerage	2,992,769	677,423
II Profit / (loss) on sale of investments (net)	5,646,116	3,506,752
III Profit / (loss) on revaluation of investments (net)	-	-
IV Profit / (loss) on sale of premises and other fixed assets (net)	(53,527)	(318)
V Profit / (loss) on exchange / derivative transactions (net)	1,526,983	(169,541)
VI Income earned by way of dividends etc. from subsidiaries / companies and / or joint venture abroad / in India	-	-
VII Miscellaneous Income	18,815	17,658
TOTAL	10,131,156	4,031,974

SCHEDULE 15 INTEREST EXPENDED

	YEAR ENDED MARCH 31, 2017	YEAR ENDED MARCH 31, 2016
	(₹ IN THOUSANDS)	(₹ IN THOUSANDS)
I Interest on deposits	13,141,603	628,083
II Interest on borrowings from Reserve Bank of India / inter-bank borrowings	5,201,972	5,508,159
III Others	46,810,368	21,878,783
TOTAL	65,153,943	28,015,025

SCHEDULE 16 OPERATING EXPENSES

	YEAR ENDED MARCH 31, 2017	YEAR ENDED MARCH 31, 2016
	(₹ IN THOUSANDS)	(₹ IN THOUSANDS)
I Payments to and provisions for employees	5,736,220	2,566,275
II Rent, taxes and lighting	1,123,178	561,923
III Printing and stationery	84,487	26,826
IV Advertisement and publicity	143,055	87,035
V Depreciation on bank's property	1,343,442	407,453
VI Directors' fees, allowance and expenses	11,544	11,260
VII Auditors' fees and expenses	18,090	14,793
VIII Law charges	33,763	30,384
IX Postage, telegrams, telephones etc.	171,446	110,617
X Repairs and maintenance	294,465	145,217
XI Insurance	157,698	47,524
XII Other expenditure *	3,652,376	1,096,509
TOTAL	12,769,764	5,105,816

* Includes professional fees of ₹ 154.25 crore (Previous Year ₹ 61.90 crore), software cost of ₹ 65.80 crore (Previous Year ₹ 15.22 crore) and travelling cost of ₹ 19.40 crore (Previous Year ₹ 13.70 crore).

17 SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017**A. BACKGROUND**

IDFC Bank Limited ("the Bank") was incorporated on October 21, 2014 as a Company under the Companies Act, 2013. Further, to the grant of the universal banking license issued by the Reserve Bank of India ('the RBI') on July 23, 2015 and pursuant to the filing and approval of the Scheme of Arrangement under Section 391-394 of the Companies Act, 1956, between IDFC Limited and IDFC Bank Limited and their respective shareholders and creditors ('Scheme of Arrangement'), by the Hon'ble Madras High Court vide its order dated June 25, 2015 and on fulfilment of all conditions specified under the Scheme and final banking license, the Bank has commenced its Banking operations on October 1, 2015, mainly in Commercial & Wholesale, Personal & Business Banking and Bharat (rural) Banking business. The Bank is regulated by the RBI and governed under the Banking Regulation Act, 1949. The Bank's shares are listed on National Stock Exchange of India Limited and BSE Limited since November 6, 2015.

During the year ended March 31, 2017, the Bank has 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 has become 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.

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 on the date of purchase 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 :

- Costs 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 constant Yield-to-Maturity ('YTM') basis while discount is not accreted. 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.

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'), 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 YTM rates published by FIMMDA.
- 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.
- 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 are valued as per NAV as provided by the Reconstruction Company (RC) / Securitization Company (SC) on a half yearly basis.
- 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 PTCs 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 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 Standby Facility ('MSF') with RBI are reflected as borrowing and lending transactions respectively. Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo transactions are accounted for as interest income.

17.2 ADVANCES

In accordance with the RBI guidelines, advances are classified as performing and non-performing. These advances are stated net of NPA provisions, specific provisions on 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. 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 identified advances in infrastructure sector which are classified as standard advances as these are not non-performing advances.

17.3 PROVISIONS / WRITE OFF ON LOANS AND OTHER CREDIT FACILITIES**(a) On legacy advances - loans acquired on demerger of Financing Undertaking of IDFC Limited**

In addition to the minimum provisioning level prescribed by RBI, IDFC Limited on a prudent basis made provisions on specific advances in infrastructure sector that are not NPAs ('identified advances') but had reason to believe risk of possible slippages on the basis of the extant environment or specific information or current pattern of servicing. These provisions being specific in nature are netted off from gross advances.

At each Balance Sheet date, these provisions are reviewed and reassessed to determine their adequacy.

(b) On loans and other credit facilities disbursed after commencement of banking operations

The Bank makes general provisions on all standard advances based on the rates under each category of advance as prescribed by the RBI. The provision on standard advances is not reckoned for arriving at net NPAs. The provisions towards standard advance is not netted from gross advance but shown separately as "Contingent Provisions against Standard Assets" under "Schedule 5 - Other Liabilities".

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.

In case of corporate loans, provision is made for substandard and doubtful assets at the rates prescribed by the RBI. Loss assets and the unsecured portion of doubtful assets are provided / written off as per the extant RBI guidelines 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 Bank considers an account as restructured where the Bank for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advance / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of instalments / rate of interest (due to reasons other than competitive reasons). Necessary provision for diminution in the fair value of a restructured account is made in accordance with the RBI guidelines.

Under the RBI guidelines, with a view to ensuring more stake of promoters in reviving stressed accounts and provide banks with enhanced capabilities to initiate change of ownership in accounts which fail to achieve the projected viability milestones, banks may, at their discretion, undertake a 'Strategic Debt Restructuring (SDR)' by converting loan dues to equity shares. The invocation of SDR is not treated as restructuring for the purpose of asset classification and provisioning norms. In case where change in ownership is through conversion of debt into equity / invocation of pledge of shares the existing asset classification of the account, as on the reference date, continues for a period of 18 months from the reference date. In case the above targeted conversion does not take place within 180 days from the 'reference date', the stand-still benefit will cease to exist. Thereafter, the asset classification is as per the extant IRAC norms, assuming the aforesaid 'stand-still' in asset classification had not been given.

Where change in ownership is effected by issue of new shares by the borrower company or sale of shares by the existing promoter of the company to an acquirer, the asset classification as on the date of binding agreement between the borrower company / existing promoter and the new promoter shall continue for a period of 12 months to enable issue of new shares / transfer of shares from existing promoter to new promoter. Upon expiry of stand-still (18 or 12 months) if the ownership has not been transferred in favour of new promoters, the asset classification will be as per the extant asset classification norms, assuming the aforesaid 'stand-still' in asset classification had not been given.

In order to further enhance banks' ability to bring in a change in ownership of borrowing entities which are under stress primarily due to operational / managerial inefficiencies despite substantial sacrifices made by the lending banks, the RBI has permitted banks to upgrade the credit facilities extended to borrowing entities whose ownership has been changed outside SDR, to 'Standard' category upon such change in ownership, subject to conditions. On such change in ownership of the borrowing entities, credit facilities of the concerned borrowing entities may be upgraded as 'Standard'. However, the quantum of provision held by the bank against the said account as on the date of change in ownership of the borrowing entities shall be reversed only when all the outstanding loan/facilities of the borrowing entities perform satisfactorily during the 'specified period'.

In accordance with the RBI guidelines, accelerated provision is made on advances which were not earlier reported by the Bank as Special Mention Account under "SMA-2" category to Central Repository of Information on Large Credits (CRILC). Accelerated provision is also made on advances which are erstwhile SMA-2 accounts with Aggregate Exposure (AE) ₹ 1,000 million or above and Joint Lenders' Forum (JLF) is not formed or they fail to agree upon a common Corrective Action Plan (CAP) within the stipulated time frame. In addition as an incentive for banks to communicate their decision on the agreed CAP in a time bound manner wherein penal provisioning norms have been stipulated for the Bank, subject to certain conditions.

Provision on loans and advances restructured / rescheduled is made in accordance with the applicable RBI guidelines. In respect of non-performing loans and advances accounts subjected to restructuring, the account is upgraded to standard only after the specified period (as prescribed by the RBI) subject to satisfactory performance of the account during the

period. A restructured loan is upgraded to the standard category when satisfactory payment performance is evidenced during the specified period and after the loan reverts to the normal level of standard asset provisions / risk weights.

The asset classification and provisioning norms of loans to projects under implementation involving extension of DCCO and funding of cost overruns has been advised by RBI. Any other changes to the major terms and conditions of the original project loans (i.e. promoter's equity contribution, interest rate etc.) of a borrower with financial difficulties, except what is specifically allowed, would be treated as an event of 'restructuring' requiring the accounts to be classified as 'non-performing asset' and provided for accordingly.

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.

17.4 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 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 gain on sale of Non-Performing Assets to Securitisation Company (SC) / Reconstruction Company (RC), excess provision on sale of NPA is reversed in Profit and Loss Account in the year in which amount is received and shortfall if any is charged to the Profit and Loss Account. If sale is against issuance of SRs / PTCs by SC / RC, the sale will be recognised at lower of redemption value of SRs / PTCs and net book value of financial asset sold. Upon realisation of proceeds on redemption of SR / PTC, the gain and shortfall is recognised in the Profit and Loss Account.

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2017

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. However, in accordance with the RBI guidelines, in case of non - performing loans sold to SC / RC, the Bank can reverse the excess provision in Profit and Loss Account in the year in which amounts are received.

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) at the inception of the transaction itself. Hedge swaps and funding swaps are not subjected to marked-to-market, unless underlying transactions are marked-to-market. In such cases swaps are marked to market with the resultant gain or loss recorded as an adjustment to the market value of the underlying transactions.

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. 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. The amounts received / paid on cancellation of option contracts are recognized as realized gain / loss on options. 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'. Any resultant profit or loss on termination of hedge swaps is amortized over the life of the swap or underlying liability whichever is shorter.

As per the RBI guidelines on 'Prudential Norms for Off balance Sheet Exposures of Banks', a standard asset provision is made on the current gross MTM gain of the contract for all outstanding interest rate and foreign exchange derivative transactions. Realised gain / loss arise when the derivatives expire or mature or when the underlying trading assets / liabilities are sold.

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 :

ASSETS	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

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2017

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.

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. 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 tax reflects 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 Employee 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.

In addition, against each outstanding employee stock of options granted by IDFC Limited to its employees, equivalent options of IDFC Bank Limited were granted under the Scheme of Arrangement. The price of these options are determined by multiplying the existing grant price of the options granted by IDFC Limited to its employees under the IDFC Limited Employee Stock Option Scheme by the proportion that the net worth of the Financing Undertaking bears to the total net book value of IDFC Limited immediately prior to the effectiveness of the Scheme of Arrangement.

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.

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.

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2017

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 are 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

Provision to the extent of full amount needs to be immediately recognised in profit and loss account as per RBI guidelines in case of frauds due to the Bank or for which the Bank is liable. While computing the amount of provision, financial collateral eligible under Basel III Capital Regulations - Capital Charge for Credit Risk (Standardised Approach), if any, available regarding the accounts declared as fraud account is adjusted.

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.

18 NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

Amounts in notes forming part of the financial statements for the year ended March 31, 2017 are denominated in ₹ crore to conform with the extant RBI guidelines.

- 18.1** IDFC Bank Limited ("the Bank") was incorporated as a Company under the Companies Act, 2013 on October 21, 2014. The Bank commenced its Banking operations on October 1, 2015, post receipt of final banking license by the RBI. Accordingly, figures for the previous period / year are not comparable since Banking operations were carried only for the period October 2015 to March 2016.

During the year ended March 31, 2017, the Bank has 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 has become 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, 2017	MARCH 31, 2016
Tier I capital	14,673.79	13,311.76
of which common equity tier I capital	14,673.79	13,311.76
Tier II capital	281.83	331.87
TOTAL CAPITAL	14,955.62	13,643.63
TOTAL RISK WEIGHTED ASSETS	79,144.08	61,902.08
Common equity Tier I capital ratio (%)	18.54%	21.50%
Tier I capital ratio (%)	18.54%	21.50%
Tier II capital ratio (%)	0.36%	0.54%
TOTAL CAPITAL RATIO (CRAR) (%)	18.90%	22.04%
Amount of equity capital raised **	-	3,391.48
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	-	-

** Includes ₹ 1,594.02 crore of equity share capital issued to shareholders of IDFC Limited on account of demerger and ₹ 1,797.46 crore held by IDFC Financial Holding Company Limited - Non Operative Financial Holding Company.

In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance Sheet date', proposed dividend including dividend distribution tax of ₹ 307.11 crore is not recognised as a liability as on March 31, 2017. Accordingly, the same has not been reckoned in determining capital funds in the computation of capital adequacy ratio as at March 31, 2017. Capital adequacy ratio after considering the effect of proposed dividend is 18.51%.

18.3 BUSINESS RATIOS / INFORMATION

PARTICULARS	MARCH 31, 2017	MARCH 31, 2016 *
Interest income as a percentage to working funds \$	7.77%	8.42%
Non-interest income as a percentage to working funds \$	0.92%	0.83%
Operating profit as a percentage to working funds \$ &	1.60%	1.52%
Return on assets @	1.04%	1.04%
Business per employee # ^ (₹ in crore)	21.32	28.78
Profit per employee ^ (₹ in crore)	0.32	0.22

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED MARCH 31, 2017

- * The Bank commenced its banking operations from October 1, 2015 and was in operations only for a period of six months. Accordingly, figures considered for the computation of ratios are for the period October 1, 2015 to March 31, 2016 and ratios stated above are annualized (i.e. by multiplying 366 over actual number of days in operations).
- \$ 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 computed based on net asset.
- # 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 average employee numbers, which excludes contract staff, intern etc.
- & Operating profit is profit for the year before provisions and contingencies.

18.4 INVESTMENTS

I VALUE OF INVESTMENTS :

PARTICULARS	₹ IN CRORE	
	MARCH 31, 2017	MARCH 31, 2016 *
I GROSS VALUE OF INVESTMENTS		
(a) In India	52,005.09	30,923.35
(b) Outside India	-	-
II PROVISIONS FOR DEPRECIATION		
(a) In India	(1,533.39)	(1,194.74)
(b) Outside India	-	-
III NET VALUE OF INVESTMENTS (I- II)		
(a) In India	50,471.70	29,728.61
(b) Outside India	-	-

- * Pursuant to RBI circular FMRD.DIRD.10/14.03.002/2015-16 dated May 19, 2016, the Bank has included its repo / reverse repo transactions under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) with RBI under 'Borrowings from RBI' / 'Balances with RBI', as the case may be. Hitherto, these transactions were netted from / included under 'Investments'. Figures of the previous periods have been regrouped / reclassified wherever necessary to conform to current period's classification.

II Movement of provisions held towards depreciation on investments (including provision towards non-performing investments)

PARTICULARS	₹ IN CRORE	
	MARCH 31, 2017	MARCH 31, 2016
Opening balance	1,194.74	-
Add: Provisions transferred on demerger of Financing Undertaking of IDFC Limited	-	869.27
Add: Transfer due to conversion of loans into investments	97.65	321.45
Add: Excess provision on sale of loans to Asset Reconstruction Company (ARC)	196.08	-
Add: Provisions made during the year	245.34	6.30
Less: Utilisation of provisions for conversion of Bonds into Equity	(111.95)	-
Less: Write-off / (write-back) of excess provisions during the year	(88.47)	(2.28)
CLOSING BALANCE	1,533.39	1,194.74

18.5 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, 2017 and March 31, 2016 :

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	-	-	-	-	
YEAR ENDED MARCH 31, 2016					
PARTICULARS	MINIMUM OUTSTANDING DURING THE YEAR	MAXIMUM OUTSTANDING DURING THE YEAR	DAILY AVERAGE OUTSTANDING DURING THE YEAR	OUTSTANDING AS ON MARCH 31, 2016	
SECURITIES SOLD UNDER REPO					
i Government securities	-	14,693.83	8,848.99	9,615.84	
ii Corporate debt securities	-	-	-	-	
SECURITIES PURCHASED UNDER REVERSE REPO					
i Government securities	-	1,981.50	856.83	415.00	
ii Corporate debt securities	-	-	-	-	

18.6 NON-SLR INVESTMENT PORTFOLIO
I ISSUER COMPOSITION OF NON SLR INVESTMENTS AS AT MARCH 31, 2017 :

						(₹ IN CRORE)
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	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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED MARCH 31, 2017

Issuer composition of non SLR investments as at March 31, 2016 :

		(₹ IN CRORE)				
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	384.80	2.50	-	-	-
ii	Financial institutions	3,186.14	2,355.31	-	-	931.12
iii	Banks	245.91	48.90	-	-	197.02
iv	Private corporates	4,630.25	4,456.24	-	386.39	1,857.30
v	Subsidiaries / joint ventures	-	-	-	-	-
vi	Others	1,145.50	1,145.50	-	-	1,145.50
vii	Provision held towards depreciation	(1,193.70)				
TOTAL		8,398.90	8,008.45	-	386.39	4,130.94

Amounts reported under columns (4), (5), (6) and (7) above are not mutually exclusive.

II NON PERFORMING NON-SLR INVESTMENTS :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2017	MARCH 31, 2016
Opening balance of Non performing Non-SLR investments	412.09	-
Additions on account of demerger of Financing Undertaking	-	90.65
Transfer on account of conversion of loans into investments	-	321.45
Additions during the year	-	-
Reductions during the year	(115.32)	(0.01)
Closing balance of Non performing Non-SLR investments	296.77	412.09
Total provisions held	296.77	412.09

18.7 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.

During the year ended March 31, 2016, the value of sales / transfers of securities to / from HTM category exceeded 5% of the book value of investments held in HTM category at the beginning of the year.

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2017	MARCH 31, 2016
Market value of investments held in HTM category	-	10,170.83
Excess of book value over market value for which provision is not made	-	-

18.8 FORWARD RATE AGREEMENT / INTEREST RATE SWAP (IRS)

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2017	MARCH 31, 2016
i The notional principal of swap agreements	71,872.80	19,621.00
ii Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	458.29	194.87
iii Collateral required by the bank upon entering into swaps	-	-
iv Concentration of credit risk arising from the swaps	-	-
v The fair value of the swap book	126.57	170.21

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED MARCH 31, 2017

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		

The nature and terms of the IRS as on March 31, 2016 are set out below :

NATURE	NO. OF DEALS	NOTIONAL PRINCIPAL	BENCHMARK	(₹ IN CRORE)
				TERMS
Hedging	86	3,471.00	INROIS	Receive Fixed/Pay Float
Hedging	5	500.00	INRINBMK	Receive Fixed/Pay Float
Hedging	17	1,250.00	INRMIOIS	Receive Fixed/Pay Float
Trading	3	150.00	INRMIFOR	Trading Positions
Trading	245	14,250.00	INROIS	Trading Positions
TOTAL	356	19,621.00		

18.9 EXCHANGE TRADED INTEREST RATE DERIVATIVES

PARTICULARS	(₹ in crore)	
	March 31, 2017	March 31, 2016
i Notional principal amount of exchange traded interest rate derivatives undertaken during the year	4,274.76	1,592.18
7.72% GOI 2025	25.09	1,113.69
6.97% GOI 2026	1,929.26	-
7.59% GOI 2026	2,309.61	323.40
7.59% GOI 2029	-	155.09
7.88% GOI 2030	10.80	-
ii Notional principal amount of exchange traded interest rate derivatives outstanding as on March 31,		
Bond Futures	486.06	54.52
iii Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective"		
Bond Futures	486.06	54.52
iv Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective"		
Bond Futures	(1.91)	(0.34)

18.10 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. 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. 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 :

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)	
	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 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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED MARCH 31, 2017

PARTICULARS	₹ IN CRORE	
	MARCH 31, 2016	
	CURRENCY DERIVATIVES	INTEREST RATE DERIVATIVES
1 DERIVATIVES (NOTIONAL PRINCIPAL AMOUNT)		
(a) For hedging	7,090.95	5,221.00
(b) For trading	40,218.92	14,454.52
2 MARKED TO MARKET POSITIONS		
(a) Asset (+)	540.80	194.94
(b) Liability (-)	(375.69)	(25.08)
3 CREDIT EXPOSURE	1,479.21	347.46
4 LIKELY IMPACT OF ONE PERCENTAGE CHANGE IN INTEREST RATE (100*PV01)		
(a) On hedging derivatives	10.59	152.91
(b) On trading derivatives	0.20	72.38
5 MAXIMUM AND MINIMUM OF 100*PV01 OBSERVED DURING YEAR		
a. On hedging		
- minimum	10.59	143.48
- maximum	22.09	174.82
b. On trading		
- minimum	0.18	1.57
- maximum	0.22	72.38

- 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 :
- the current replacement cost (marked-to-market value including accrued interest) of the contract or zero whichever is higher; and
 - 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.

18.11 ASSET QUALITY

PARTICULARS	₹ IN CRORE	
	AS AT MARCH 31, 2017	AS AT MARCH 31, 2016
I NET NPAs TO NET ADVANCES (%)	1.14%	2.39%
II MOVEMENT OF GROSS NPAs :		
a. Opening balance	3,058.30	-
b. Additions on demerger of Financing Undertaking of IDFC Limited	-	1,467.30
Additions during the year	980.68	1,957.60
c. Reductions during the year :		
- Upgradation	-	(65.90)
- Transfer due to conversion of loans into investments	-	(283.45)
- Recoveries (excluding recoveries made from upgraded accounts)	(96.09)	(17.25)
- Technical / prudential write-offs	(0.01)	-
- Sale to ARC	(2,400.78)	-
- Write-offs other than technical / prudential write-offs	-	-
d. Closing balance	1,542.10	3,058.30
III MOVEMENT OF NET NPAs :		
a. Opening balance	1,139.04	-
b. Additions on demerger of Financing Undertaking of IDFC Limited	-	453.45
Additions during the year	536.06	734.98
c. Reductions during the year :	(1,098.63)	(49.39)
d. Closing balance	576.47	1,139.04

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED MARCH 31, 2017

PARTICULARS	(₹ IN CRORE)	
	AS AT MARCH 31, 2017	AS AT MARCH 31, 2016
IV MOVEMENT OF PROVISIONS FOR NPAs (EXCLUDING PROVISIONS ON STANDARD ASSETS) :		
a. Opening balance	1,919.26	-
b. Additions during the year		
Provisions transferred on demerger of Financing Undertaking of IDFC Limited	-	1,013.85
Provisions debited to Profit and Loss Account	249.10	0.26
Provisions on downgrade of restructured advances	24.45	1,084.35
Specific provisions on identified advances	282.00	138.00
c. Reductions during the year :		
Provisions transferred to non-performing investments on conversion	-	(283.45)
Transfer to Restructured on upgradation	-	(16.50)
Utilization of provision on sale to ARC	(197.78)	-
Write-back on Sale to ARC	(1,277.08)	-
Write-back on recovery / upgradation	(34.32)	(17.25)
d. Closing balance	965.63	1,919.26

18.12 DISCLOSURES ON FLEXIBLE STRUCTURING OF EXISTING LOANS

YEAR ENDED	NO. OF BORROWERS TAKEN UP FOR FLEXIBLE 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, 2017	2	1,071.39	-	4	13
March 31, 2016	3	1,080.63	-	4	9

18.13 DISCLOSURES ON STRATEGIC DEBT RESTRUCTURING SCHEME (ACCOUNTS WHICH ARE CURRENTLY UNDER THE STAND-STILL PERIOD)

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, 2017, investments classified under AFS category include equity shares aggregating to ₹ 327.12 crore (Previous Year NIL) acquired by the Bank under the Strategic Debt Restructuring Scheme, 2015 ('Scheme') framed by the Reserve Bank of India. These investments have devolved upon the Bank on account of conversion of the borrower's outstanding debt into its equity shares and are intended to be held by the Bank for divestment to a 'new promoter' within a period of 18 months from the date of acquisition in accordance with the provisions of the Scheme.

YEAR ENDED MARCH 31, 2016					(₹ 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
-	-	-	-	-	-	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED MARCH 31, 2017

18.14 DISCLOSURES ON CHANGE IN OWNERSHIP OUTSIDE SDR SCHEME (ACCOUNTS WHICH ARE CURRENTLY UNDER THE STAND-STILL PERIOD)

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
-	-	-	-	-	-	-	-	-
YEAR ENDED MARCH 31, 2016							(₹ 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
-	-	-	-	-	-	-	-	-

18.15 DISCLOSURES ON CHANGE IN OWNERSHIP OF PROJECTS UNDER IMPLEMENTATION (ACCOUNTS WHICH ARE CURRENTLY UNDER THE STAND-STILL PERIOD)

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 NPA
	CLASSIFIED AS STANDARD	CLASSIFIED AS STANDARD RESTRUCTURED	CLASSIFIED AS NPA	
-	-	-	-	-

YEAR ENDED MARCH 31, 2016		(₹ 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 NPA
	CLASSIFIED AS STANDARD	CLASSIFIED AS STANDARD RESTRUCTURED	CLASSIFIED AS NPA	
-	-	-	-	-

18.16 DISCLOSURES ON THE SCHEME FOR SUSTAINABLE STRUCTURING OF STRESSED ASSETS (S4A)

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	-	-	-	-

YEAR ENDED MARCH 31, 2016		(₹ 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	-	-	-	-

18.17 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	14	7	1	-	22
		-	-	-	-	-	-	-	-	-	2,533.00	2,425.91	39.00	-	4,997.91	2,533.00	2,425.91	39.00	-	4,997.91
		-	-	-	-	-	-	-	-	-	37.87	-	-	-	37.87	37.87	-	-	-	37.87
		-	-	-	-	-	-	-	-	-	11,050.2	1,549.50	39.00	-	2,693.52	11,050.2	1,549.50	39.00	-	2,693.52
1a	Restructured accounts on demerger of Financing Undertaking of IDFC Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Fresh restructuring during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Upgradations to restructured standard category during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Increase / (decrease) in borrower level outstanding of existing restructured cases during the year ended March 31, 2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4		-	-	-	-	-	-	-	-	-	(209.45)	(18.24)	-	-	(227.69)	(209.45)	(18.24)	-	-	(227.69)
		-	-	-	-	-	-	-	-	-	(133)	-	-	-	(133)	(133)	-	-	-	(133)
		-	-	-	-	-	-	-	-	-	(174.19)	110.93	-	-	(63.26)	(174.19)	110.93	-	-	(63.26)
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Downgradations of restructured accounts during the year	-	-	-	-	-	-	-	-	-	(2)	(3)	5	-	-	(2)	(3)	5	-	-
		-	-	-	-	-	-	-	-	-	(98.22)	(997.32)	1,095.54	-	-	(98.22)	(997.32)	1,095.54	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Write-offs / recoveries of restructured accounts during the year	-	-	-	-	-	-	-	-	-	(44.46)	(725.83)	770.29	-	-	(44.46)	(725.83)	770.29	-	-
		-	-	-	-	-	-	-	-	-	(5)	(4)	-	-	(9)	(5)	(4)	-	-	(9)
		-	-	-	-	-	-	-	-	-	(1,129.71)	(1,410.35)	-	-	(2,540.06)	(1,129.71)	(1,410.35)	-	-	(2,540.06)
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Restructured Accounts as on March 31, 2017 (closing figures)*	-	-	-	-	-	-	-	-	-	(479.89)	(934.60)	-	-	(1,414.49)	(479.89)	(934.60)	-	-	(1,414.49)
		-	-	-	-	-	-	-	-	-	7	-	6	13	7	-	-	6	-	13
		-	-	-	-	-	-	-	-	-	1,095.62	-	1,134.54	-	2,230.16	1,095.62	-	1,134.54	-	2,230.16
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

*Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED MARCH 31, 2017

18.17 PARTICULARS OF ACCOUNTS RESTRUCTURED

Details of loans subjected to restructuring during the year ended March 31, 2016 are given below:

SR. NO.	TYPE OF RESTRUCTURING ASSET CLASSIFICATION	UNDER CDR MECHANISM				UNDER SWE DEBT RESTRUCTURING MECHANISM				OTHERS				(₹ IN CRORE)			
		STANDARD	SUB-STANDARD	DOUBTFUL	LOSS	TOTAL	STANDARD	SUB-STANDARD	DOUBTFUL	LOSS	TOTAL	STANDARD	SUB-STANDARD	DOUBTFUL	LOSS	TOTAL	TOTAL
1	Restructured accounts as on April 1, 2015 (opening figures)*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1a	Restructured accounts on demerger of Financing Undertaking of IDFC Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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, 2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Write-offs / recoveries of restructured accounts during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Restructured Accounts as on March 31, 2016 (closing figures) *	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding (restructured facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding (other facility)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision there on	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

* Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable).

18.18 SPECIFIC PROVISION

The Bank holds on a prudent basis, provisions on identified advances in infrastructure sector that were extended by IDFC Limited and acquired by the Bank on demerger of Financing Undertaking, that are not non-performing (as on Balance Sheet date), on the basis of extant environment or specific information on risk of possible slippages or current pattern of servicing.

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2017	MARCH 31, 2016
Opening balance	1,267.45	-
Addition on demerger of Financing Undertaking of IDFC Limited	-	1,374.00
Addition during the year	72.75	31.45
Reduction on account of sale to ARC	(50.70)	-
Transfer due to conversion of loans into investments	(7.00)	-
Transfer to provisions on NPA	(282.00)	(138.00)
Closing balance	1,000.50	1,267.45

18.19 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 given below :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2017	MARCH 31, 2016
Opening balance of technical / prudential written- off accounts	-	-
Add : Technical / prudential write-offs during the year	0.01	-
Less : Recoveries made from previously technical / prudential written-off accounts during the year	-	-
Closing balance of technical / prudential write off	0.01	-

18.20 PROVISIONING PERTAINING TO FRAUD ACCOUNTS

Particulars	(₹ IN CRORE)	
	MARCH 31, 2017	MARCH 31, 2016
Number of frauds reported	7	-
Amounts involved	0.40	-
Provisions held at the beginning of the year	-	-
Provisions made during the year	0.06	-
Release in provision	(0.01)	-
Provisions held at the end of the year	0.05	-
Unamortised provision debited from 'other reserves' as at the end of the year	-	-

18.21 DETAILS OF FINANCIAL ASSETS SOLD TO SECURITISATION / RECONSTRUCTION COMPANY FOR ASSET RECONSTRUCTION

Particulars	(₹ IN CRORE)	
	MARCH 31, 2017	MARCH 31, 2016
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'	-	-

Details of book value of investments in security receipts

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	

* Including NPAs sold by IDFC Limited, security receipts forming part of the Financing Undertaking were transferred to the Bank on demerger.

YEAR ENDED MARCH 31, 2016		(₹ 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 *	175.30	-	-	
Provision held against (i)	112.33	-	-	
ii. Backed by NPAs sold by other banks / financial institutions / non banking financial companies as underlying	-	-	21.13	
Provision held against (ii)	-	-	21.13	
TOTAL BOOK VALUE OF INVESTMENTS IN SECURITY RECEIPTS (i+ii)	175.30	-	21.13	

* NPAs were sold by IDFC Limited, security receipts forming part of the Financing Undertaking were transferred to the Bank on demerger.

Disclosures relating to Securitisation

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2017	MARCH 31, 2016
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	250.00	453.38
b On-balance sheet exposures		
i Exposure to own securitizations		
First loss	-	-
Others	-	-
ii Exposure to third party securitisations		
First loss	-	-
Others	-	0.14

Disclosures relating to loans sold through direct assignment

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2017	MARCH 31, 2016
1 No. of SPVs sponsored by the bank for securitisation transactions	-	-
2 Total amount of assets sold through direct assignment during the year	1,023.43	125.21
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	2,166.78	414.95

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED MARCH 31, 2017

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2017	MARCH 31, 2016
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	-	-

18.22 DETAILS OF NON-PERFORMING FINANCIAL ASSETS PURCHASED / SOLD

During the year ended March 31, 2017 and March 31, 2016 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, 2017	MARCH 31, 2016
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, 2017	MARCH 31, 2016
1 No. of accounts sold	-	-
2 Aggregate outstanding	-	-
3 Aggregate consideration received	-	-

18.23 PROVISIONS ON STANDARD ASSETS (INCLUDING UNHEDGED FOREIGN CURRENCY EXPOSURE)

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2017	MARCH 31, 2016
Provisions towards standard assets	281.83	331.87

18.24 EXPOSURE TO REAL ESTATE SECTOR

PARTICULARS	₹ IN CRORE	
	MARCH 31, 2017	MARCH 31, 2016
1 Direct exposure		
i Residential mortgages	1,393.40	609.64
of which housing loans eligible for inclusion in priority sector advances	921.31	588.16
ii Commercial real estate	3,479.51	2,518.87
iii Investments in Mortgage Backed Securities (MBS) and other securitised exposures		
a. Residential	1,771.16	0.14
b. Commercial real estate	-	-
2 Indirect exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	2,564.08	2,041.96
Others	61.49	206.58
TOTAL EXPOSURE TO REAL ESTATE SECTOR	9,269.64	5,377.19

18.25 EXPOSURE TO CAPITAL MARKET

PARTICULARS	₹ IN CRORE	
	MARCH 31, 2017	MARCH 31, 2016
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 *	1,302.14	1,694.83
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	-	250.00
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	-	-
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	489.15	567.72
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)	1,129.86	1,453.90
TOTAL EXPOSURE TO CAPITAL MARKET	2,921.15	3,966.45

* excludes investment in equity shares on account of conversion of debt into equity as part of Strategic Debt Restructuring amounting to ₹ 327.12 crore for the year ended March 31, 2017 which are exempted from exposure to Capital Market.

18.26 RISK CATEGORY WISE COUNTRY EXPOSURE

(₹ IN CRORE)

RISK CATEGORY	MARCH 31, 2017		MARCH 31, 2016	
	EXPOSURE (NET)	PROVISION HELD	EXPOSURE (NET)	PROVISION HELD
Insignificant	8,983.97	-	18.12	-
Low	3,085.00	-	-	-
Moderate	100.00	-	-	-
High	-	-	-	-
Very High	-	-	-	-
Restricted	-	-	-	-
Off-credit	-	-	-	-
TOTAL	12,168.97	-	18.12	-

18.27 MATURITY PATTERN OF CERTAIN ITEMS OF ASSETS AND LIABILITIES

A maturity pattern of certain items of assets and liabilities as at March 31, 2017 :

(₹ IN CRORE)

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 AND UP TO 6 MONTHS	OVER 6 MONTHS AND 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.

A maturity pattern of certain items of assets and liabilities as at March 31, 2016 :

(₹ IN CRORE)

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 AND UP TO 6 MONTHS	OVER 6 MONTHS AND UP TO 1 YEAR	OVER 1 YEAR & UP TO 3 YEARS	OVER 3 YEARS & UP TO 5 YEARS	OVER 5 YEARS	TOTAL
Deposits	74.30	590.53	195.09	2,185.90	2,263.42	990.58	352.58	807.81	757.86	0.29	0.70	8,219.05
Advances	33.77	47.99	67.92	355.95	700.99	404.70	1,983.58	2,783.28	11,783.64	10,681.22	16,856.39	45,699.43
Investments	13.24	12,703.34	37.36	418.70	1,151.93	733.07	208.45	1,146.92	2,879.48	4,026.52	6,409.60	29,728.61
Borrowings	-	9,310.94	3.70	49.66	568.17	662.60	869.27	3,330.41	10,725.73	7,951.51	23,687.84	57,159.83
Foreign Currency assets	26.93	231.92	0.01	0.68	50.35	-	311.36	-	66.26	-	-	687.51
Foreign Currency liabilities*	1.03	6.16	7.19	14.26	694.18	31.59	662.60	70.99	2,059.43	1,656.51	2,222.66	7,426.60

* Includes ECB borrowings of ₹ 6,120.20 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.

18.28 DETAILS OF SINGLE BORROWER LIMIT (SGL) / GROUP BORROWER LIMIT (GBL) EXCEEDED BY THE BANK

During the years ended March 31, 2017 and March 31, 2016, the Bank's credit exposure to single borrower and group borrowers was within the prudential exposure limits prescribed by the RBI.

18.29 UNSECURED ADVANCES

During the year ended March 31, 2017, there are unsecured advances of ₹ 1,588.27 crore (Previous Year ₹ 3,651.52 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 ₹ 1,401.09 crore (Previous Year ₹ 5,969.71 crore).

18.30 DISCLOSURE OF PENALTIES IMPOSED BY RBI

During the years ended March 31, 2017 and March 31, 2016, the RBI has not imposed any penalty on the bank.

18.31 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, 2017	MARCH 31, 2016
Provident fund	22.02	8.12
Superannuation fund	1.33	0.54
Pension fund	2.77	0.79

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, 2017	MARCH 31, 2016
Current service cost	5.58	1.14
Interest on defined benefit obligation	2.45	0.56
Expected return on plan assets	(2.23)	(0.48)
Net actuarial losses / (gains) recognised in the year	3.31	0.80
Past service cost	-	-
Losses / (gains) on Curtailment & Settlements	-	-
Losses / (gains) on Acquisition / Divestiture	0.33	2.23
Effect of the limit in Para 59(b)	-	-
Total included in "employee benefit expense" [schedule 16(I)]	9.44	4.25
Actual return on plan assets	3.35	0.36

Balance Sheet

Details of provision for gratuity :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2017	MARCH 31, 2016
Fair value of plan assets	36.44	25.43
Present value of funded obligations	(36.13)	(26.68)
Present value of unfunded obligations	-	-
Unrecognised Past Service Cost	-	-
Amount not recognised as an Asset (limit in Para 59 (b))	-	-
Net (Liability) / Asset	0.31	(1.25)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED MARCH 31, 2017

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2017	MARCH 31, 2016
AMOUNTS IN BALANCE SHEET		
Liabilities	-	1.25
Assets	0.31	-
Net Asset / Liability (included under Schedule 11 - Other Assets/Schedule 5 - Other Liabilities)	0.31	1.25

Changes in the present value of the defined benefit obligation are as follows :

Particulars	(₹ in crore)	
	MARCH 31, 2017	MARCH 31, 2016
Opening defined benefit obligation	26.68	-
Current service cost	5.58	1.14
Interest cost	2.45	0.56
Actuarial losses / (gains)	4.43	0.68
Past service cost	-	-
Actuarial losses / (gains) due to Curtailment	-	-
Liabilities extinguished on settlement	-	-
Liabilities assumed on acquisition / (settled on divestiture)	0.33	25.26
Benefits paid	(3.34)	(0.96)
Closing defined benefit obligation	36.13	26.68

Changes in the fair value of plan assets are as follows :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2017	MARCH 31, 2016
Opening fair value of plan assets	25.43	-
Expected return on plan assets	2.23	0.48
Actuarial gains / (losses)	1.12	(0.12)
Asset distributed on settlement	-	-
Contributions by employer	11.00	3.00
Assets acquired on acquisition / (distributed on divestiture)	-	23.03
Benefits paid	(3.34)	(0.96)
Closing fair value of plan assets	36.44	25.43
Expected Employers Contribution Next Year	6.00	2.00

Experience adjustments :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2017	MARCH 31, 2016
Defined benefit obligations	36.13	26.68
Plan assets	36.44	25.43
Surplus / (deficit)	0.31	(1.25)
Experience adjustments on plan liabilities	2.02	0.51
Experience adjustments on plan assets	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, 2017	MARCH 31, 2016
Government securities	27.83%	42.03%
Bonds, debentures and other fixed income instruments	53.16%	38.17%
Deposits and money market instruments	5.89%	9.63%
Equity shares	13.12%	10.17%

Principal actuarial assumptions at the balance sheet date:

PARTICULARS	₹ IN CRORE	
	MARCH 31, 2017	MARCH 31, 2016
Discount rate (p.a.)	7.35%	8.00%
Expected rate of return on plan assets (p.a.)	7.50%	9.00%
Salary escalation rate (p.a.)	8.00%	8.00%

18.32 SEGMENT REPORTING
Business Segments :

The business of the Bank is divided into three 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 consist 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 consist 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 unallocable assets and liabilities such as taxes (including deferred tax), prepaid expenses, provision for expenses etc. 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED MARCH 31, 2017

Segmental results for the year ended March 31, 2017 are set out below :

PARTICULARS						(₹ IN CRORE)
	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

Segmental results for the year ended March 31, 2016 are set out below :

PARTICULARS						(₹ IN CRORE)
	TREASURY	CORPORATE/ WHOLESALE BANKING	RETAIL BANKING	OTHER BANKING BUSINESS	UNALLOCATED	TOTAL
Revenue (i)	3,147.37	2,410.83	10.39	-	24.42	5,593.01
Less : inter segment revenue (ii)	-	-	-	-	-	(1,540.98)
Total Revenue (i-ii)						4,052.03
Segment Results before tax	354.68	645.33	(118.35)	-	(165.90)	715.76
Less: Provision for tax	-	-	-	-	(248.91)	(248.91)
Net Profit						466.85
Total Segment assets	33,126.53	46,704.11	791.35	-	2,593.88	83,215.87
Total Segment liabilities	27,310.74	41,431.92	644.23	-	196.43	69,583.32
Net assets	5,815.79	5,272.19	147.12	-	2,397.45	13,632.55
Capital expenditure for the year	2.70	57.59	27.29	-	281.48	369.06
Depreciation on fixed assets for the year	0.69	8.08	4.59	-	27.39	40.75

Geographic segments

The business of the Bank is concentrated in India. Accordingly, geographical segment results have not been reported.

18.33 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, 2017	MARCH 31, 2016	
Deferred tax assets on account of provisions for loan losses	951.30	1,584.87	
Deferred tax assets on account of provision for diminution in value of investments	435.39	162.98	
Deferred tax assets on account of other contingencies	40.23	53.71	
Deferred tax assets (A)	1,426.92	1,801.56	
Deferred tax liabilities on account of depreciation on fixed assets	93.80	67.36	
Others [Special Reserve under section 36(1)(viii) of Income Tax Act, 1961]	101.57	50.15	
Deferred tax liabilities (B)	195.37	117.51	
Net Deferred tax assets (A-B)	1,231.55	1,684.05	

18.34 PROVISIONS AND CONTINGENCIES

'Provisions and contingencies' shown under the head expenditure in Profit and Loss Account comprise of :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2017	MARCH 31, 2016
Provision made towards income tax		
Current tax *	(1.28)	214.25
Deferred tax	452.50	34.67
	451.22	248.92
Provisions for depreciation on investment	156.90	4.02
Provision / (write back) towards non-performing advances	(1,062.30)	(16.99)
Provision / (write back) for restructured assets	(517.56)	(2.94)
Provision for unhedged foreign currency exposure	1.21	8.17
Additional specific provisions	22.06	31.45
Standard Asset Provision	(30.92)	-
Provision and other contingencies **	1,713.11	0.46
TOTAL	733.72	273.09

* net of tax adjustment of prior years of ₹ 1.28 crore (Previous Year ₹ 43.81 crore) relating to Financing Undertaking of IDFC Limited

** includes loss on sale of loans to ARC

18.35 FLOATING PROVISIONS

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2017	MARCH 31, 2016
a Opening balance	-	-
b The quantum of floating provisions made during the year	-	-
c Amount of draw down made during the year	-	-
d Closing balance	-	-

18.36 DRAW DOWN FROM RESERVES

The Bank has not undertaken any draw down from reserves during the year.

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 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 ₹ 255.00 crore (Previous Year ₹ 118.00 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. During the year, the Bank has transferred ₹ 0.55 crore (Previous Year Nil) 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 ₹ 5.50 crore (Previous Year ₹ 82.50 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 is 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 Bank has transferred an amount of ₹ 325.00 crore (Previous Year ₹ 145.00 crore) to Special Reserve.

18.37 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, 2017	MARCH 31, 2016
a No. of complaints pending at the beginning of the year / period	-	-
b No. of complaints received during the year / period	1	-
c No. of complaints redressed during the year / period	1	-
d No. of complaints pending at the end of the year / period	-	-

(b) Disclosure of customer complaints relating to Bank's customers on other bank's ATMs*

PARTICULARS	MARCH 31, 2017	MARCH 31, 2016
a No. of complaints pending at the beginning of the year / period	-	-
b No. of complaints received during the year / period	60	-
c No. of complaints redressed during the year / period	56	-
d No. of complaints pending at the end of the year / period	4	-

(c) Disclosure of customer complaints other than ATM transaction complaints*

PARTICULARS	MARCH 31, 2017	MARCH 31, 2016
a No. of complaints pending at the beginning of the year / period	-	-
b No. of complaints received during the year / period	152	-
c No. of complaints redressed during the year / period	152	-
d No. of complaints pending at the end of the year / period	-	-

(d) Total customer complaints*

PARTICULARS	MARCH 31, 2017	MARCH 31, 2016
a No. of complaints pending at the beginning of the year / period	-	-
b No. of complaints received during the year / period	213	-
c No. of complaints redressed during the year / period	209	-
d No. of complaints pending at the end of the year / period	4	-

* Excluding complaints redressed within 1 day.

ii. Investors complaints :

PARTICULARS	MARCH 31, 2017	MARCH 31, 2016
a No. of complaints pending at the beginning of the year / period	-	-
b No. of complaints received during the year / period	373	249
c No. of complaints redressed during the year / period	373	249
d No. of complaints pending at the end of the year / period	-	-

iii. Retail bondholder's complaints :

PARTICULARS	MARCH 31, 2017	MARCH 31, 2016
a No. of complaints pending at the beginning of the year / period	-	-
b No. of complaints received during the year / period	10,860	4,969
c No. of complaints redressed during the year / period	10,860	4,969
d No. of complaints pending at the end of the year / period	-	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED MARCH 31, 2017

B. AWARDS PASSED BY THE BANKING OMBUDSMAN

PARTICULARS	MARCH 31, 2017	MARCH 31, 2016
a No. of unimplemented awards at the beginning of the year / period	-	-
b No. of awards passed by the banking ombudsmen during the year / period	-	-
c No. of awards implemented during the year / period	-	-
d No. of unimplemented awards at the end of the year / period	-	-

18.38 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, 2017 and March 31, 2016.

18.39 BANCASSURANCE BUSINESS

Details of income earned from bancassurance business are as under:

NATURE OF INCOME	(₹ IN CRORE)	
	MARCH 31, 2017	MARCH 31, 2016
1 For selling life insurance policies	0.02	-
2 For selling non-life insurance policies	0.22	-
3 For selling mutual fund products	0.46	-
4 Others	0.47	-
TOTAL	1.17	-

18.40 CONCENTRATION OF DEPOSITS, ADVANCES, EXPOSURES AND NPAs

i Concentration of deposits

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2017	MARCH 31, 2016
Total Deposits of twenty largest depositors	18,504.17	5,476.01
Percentage of deposits of twenty largest depositors to total deposits of the bank	46.02%	66.63%

ii Concentration of advances *

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2017	MARCH 31, 2016
Total advances to twenty largest borrowers	25,790.13	22,579.30
Percentage of advances to twenty largest borrowers to total advances of the bank	35.62%	40.60%

* 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, 2017	MARCH 31, 2016
Total exposure to twenty largest borrowers / customers	32,442.13	24,139.79
Percentage of exposures to twenty largest borrowers / customers to total exposure of the bank on borrowers / customers	25.63%	33.34%

* 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, 2017	MARCH 31, 2016
Total exposure to top four NPA accounts	1,292.69	2,127.12

18.41 INTRA-GROUP EXPOSURES

Intra-group exposures in accordance with RBI guidelines are as follows :

PARTICULARS	₹ IN CRORE)	
	MARCH 31, 2017	MARCH 31, 2016
i Total amount of intra-group exposures	2,150.49	1,945.22
ii Total amount of top-20 intra-group exposures	2,150.49	1,945.22
iii Percentage of intra-group exposures to total exposure of the bank on borrowers / customers	1.70%	2.69%
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.

18.42 UNHEDGED FOREIGN CURRENCY EXPOSURE

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, 2017, the Bank has made incremental provision of ₹ 1.21 crore (Previous Year ₹ 8.17 crore) and held incremental capital of ₹ 52.74 crore (Previous Year ₹ 22.55 crore) towards borrowers having unhedged foreign currency exposures.

18.43 SECTOR-WISE ADVANCES

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 Trade and 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%
SUB TOTAL (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 Trade and services	4,311.92	16.39	0.38%
iv Personal loans, of which : ^^	588.68	-	-
Housing	429.73	-	-
SUB TOTAL (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

AS AT AND FOR THE YEAR ENDED MARCH 31, 2017

SECTOR		(₹ IN CRORE)		
		MARCH 31, 2016		
		OUTSTANDING TOTAL ADVANCES	GROSS NPAs	% OF GROSS NPAs TO TOTAL ADVANCES IN THAT SECTOR
A	PRIORITY SECTOR**			
i	Agriculture and allied activities	128.22	-	-
ii	Advances to industries sector eligible as priority sector lending	0.10	-	-
iii	Trade and Services	803.25	-	-
iv	Personal loans, of which : ^	1,306.09	-	-
	Housing	1,306.09	-	-
	SUB TOTAL (A)	2,237.66	-	-
B	NON PRIORITY SECTOR**			
i	Agriculture and allied activities	-	-	-
ii	Industry, of which ^	45,787.45	3,058.30	6.68%
	Infrastructure- Energy	20,662.52	2,395.09	11.59%
	Infrastructure- Transport	10,864.52	64.14	0.59%
	Infrastructure- Communication	9,457.92	183.16	1.94%
iii	Trade and services	1,620.68	-	-
iv	Personal loans, of which : ^	21.63	-	-
	Housing	21.48	-	-
	SUB TOTAL (B)	47,429.76	3,058.30	6.45%
	TOTAL (A)+(B)	49,667.42	3,058.30	6.16%

** Since the Bank commenced its banking operations on October 1, 2015, the norms relating to Priority Sector Lending under the RBI guidelines were not applicable as on March 31, 2016.

^ Sub-sectors have been disclosed where advances exceed 10% of total advances in that sector at reporting date.

18.44 OVERSEAS ASSETS, NPAs AND REVENUE

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2017	MARCH 31, 2016
Total assets	-	-
Total NPAs	-	-
Total revenue	-	-

18.45 OFF-BALANCE SHEET SPVs SPONSORED (WHICH ARE REQUIRED TO BE CONSOLIDATED AS PER ACCOUNTING NORMS)

Off-balance sheet SPVs sponsored as on March 31, 2017 and March 31, 2016

NAME OF SPV SPONSORED	MARCH 31, 2017		MARCH 31, 2016	
	DOMESTIC	OVERSEAS	DOMESTIC	OVERSEAS
	Nil	Nil	Nil	Nil

18.46 DISCLOSURES ON REMUNERATION

Qualitative disclosures

a Information relating to the composition and mandate of the Remuneration Committee :

The Board nomination and remuneration committee comprised of the following members :

Mr. Ajay Sondhi	Chairman
Ms. Veena Mankar	Member
Mr. Anand Sinha	Member

During FY 2017, Mr. Vinod Rai and Mr. Anil Baijal were members of nomination and remuneration committee and they resigned from the Board w.e.f. July 31, 2016 and December 08, 2016 respectively.

The functions of the Committee include :

- i Evaluate performance of the Whole Time Directors (WTDs) (including the Managing Director & CEO) against predetermined parameters
- ii Make recommendations on remuneration (including performance bonus and perquisites) of Whole Time Directors
- iii Approve policy and quantum of variable pay, bonus, stock options and increments for the employees of the Bank
- iv 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 :

- i 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
- ii Foster a culture of authentic service and prudent risk taking :
 - Reward programs to be designed to incentivize
 - superior and consistent customer service and
 - specifically discourage miss-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.
- 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 and 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 and the 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's, 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 and 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 :

While the bank had its first performance review cycle having started its operations only on October 1, 2015, 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 and 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 in a manner that ensures deferred vesting schedule of ESOPs. 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 Bharat Banking with an adequate emphasis on risk / collections and compliance to set-out processes.

Quantitative disclosures

The quantitative disclosures cover the Bank's Whole Time Directors and other Key Risk Takers.

PARTICULARS		MARCH 31, 2017	MARCH 31, 2016
a	i Number of meetings held by the Remuneration Committee during the financial year	5	5
	ii Remuneration paid to its members (sitting fees) (₹ in crore)	0.08	0.04
b	Number of employees having received a variable remuneration award during the financial year	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)	0.40	-
g	Total amount of deferred remuneration paid out in the financial year	NA	NA
h	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred	Fixed- ₹ 4.05 cr Variable- ₹ 0.60 cr Deferred- ₹ 0.40 cr	Fixed- ₹ 1.92 cr *
i	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and/or implicit adjustments	0.40	NA
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

* Dr. Rajiv B. Lall was appointed as the Founder Managing Director & CEO of IDFC Bank w.e.f. October 1, 2015. He was paid remuneration for the period from October 1, 2015 to March 31, 2016.

18.47 CREDIT DEFAULT SWAPS

The Bank has not undertaken any transactions in Credit Default Swaps (CDS) during the year ended March 31, 2017 and March 31, 2016.

18.48 TRANSFERS TO DEPOSITOR EDUCATION AND AWARENESS FUND (DEAF)

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2017	MARCH 31, 2016
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	-	-

18.49 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 Asset Liability Management Committee (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.

Currently the Liquidity Coverage Ratio is significantly higher than minimum regulatory threshold. As a strategy, the Bank is highly invested into GOI Bonds and corporate bonds which has resulted in a high level of HQLA. The Bank follows the criteria laid down by the RBI for month-end calculation of High Quality Liquid Assets (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 borrowings viz Bonds and ECBs. Further the reliance on retail deposits and CASA is minimal as of now. All significant outflows and inflows determined in accordance with RBI guidelines are included in the prescribed LCR computation. Bank expects the LCR to reduce in the coming quarters primarily on account of growth in advances and increased focus on raising retail deposits.

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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED MARCH 31, 2017

Quantitative disclosures

(₹ IN CRORE)										
PARTICULARS	QUARTER ENDED MARCH 31, 2017		QUARTER ENDED DECEMBER 31, 2016		QUARTER ENDED SEPTEMBER 30, 2016		QUARTER ENDED JUNE 30, 2016		QUARTER ENDED MARCH 31, 2016	
	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)	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		8,421.95
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	71.86	358.36	35.03	93.86	9.11
i Stable deposits	131.27	6.56	97.26	4.86	42.32	2.11	16.16	0.81	5.53	0.28
ii Less stable deposits	1,823.14	182.32	1,324.86	132.49	697.49	69.75	342.20	34.22	88.32	8.83
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	1,598.75	1,555.79
i Operational deposits (all counterparties)	-	-	-	-	-	-	-	-	-	-
ii Non-operational deposits (all counterparties)	-	-	-	-	-	-	-	-	-	-
iii Unsecured debt	14,702.51	11,242.41	13,424.83	10,444.40	10,975.75	8,321.16	3,396.43	2,893.69	1,598.75	1,555.79
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	431.33	431.33
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	431.33	431.33
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	829.20	829.20
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	7,369.63	368.48
8 TOTAL CASH OUTFLOWS		14,754.37		13,282.43		11,872.95		5,879.43		3,193.91
Cash inflows										
9 Secured lending (e.g. reverse repos)	2,392.13	-	2,039.08	-	2,111.46	-	600.27	-	830.76	-
10 Inflows from fully performing exposures	-	-	-	-	-	-	-	-	-	-
11 Other cash inflows	6,464.22	5,420.76	3,826.97	2,923.33	6,443.80	5,568.38	3,468.44	2,896.08	2,066.02	1,574.63
12 TOTAL CASH INFLOWS	8,856.35	5,420.76	5,866.05	2,923.33	8,555.26	5,568.38	4,068.71	2,896.08	2,896.78	1,574.63
		Total Adjusted Value		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		8,421.95
Total Net Cash Outflows		9,333.61		10,359.10		6,304.58		2,983.35		1,689.10
Liquidity coverage ratio (%)		166.09%		122.66%		162.65%		292.81%		498.61%

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.

18.50 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 Company Limited (formerly known as IDFC Infra Debt Fund Limited)

IDFC Projects Limited

IDFC Securities Limited

IDFC Trustee Company Limited

IDFC Capital (USA) Inc.

IDFC Capital (Singapore) Pte. Limited

IDFC Investment Advisors Limited

IDFC Investment Managers (Mauritius) Limited

IDFC Securities Singapore Pte. Limited

D. SUBSIDIARY

IDFC Bharat Limited (formerly known as Grama Vidiyal Micro Finance Limited) (wholly owned subsidiary w.e.f. October 13, 2016)

E. ASSOCIATES

i Direct

Feedback Infra Private Limited

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)

India PPP Capacity Building Trust

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, 2017 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 Limited ₹ 4.37 crore (Previous Year ₹ 2.11 crore); IDFC Financial Holding Company Limited ₹ 5.02 crore (Previous Year ₹ 1.58 crore); IDFC Foundation ₹ 2.62 crore (Previous Year ₹ 0.03 crore).
- **Interest income earned :**
Feedback Infra Private Limited ₹ 11.94 crore (Previous Year ₹ 3.96 crore); Millennium City Expressways Private Limited ₹ 38.94 crore (Previous Year ₹ 20.03 crore); IDFC Bharat Limited ₹ 21.49 crore (Previous Year Nil).
- **Dividend Income earned:**
Feedback Infra Private Limited ₹ 0.60 crore (Previous Year Nil)
- **Receiving of services :**
IDFC Securities Limited ₹ 12.66 crore (Previous Year ₹ 5.92 crore); IDFC Bharat Limited ₹ 45.15 crore (Previous Year Nil).
- **Rendering of services :**
IDFC Securities Limited ₹ 3.73 crore (Previous Year ₹ 6.55 crore); IDFC Asset Management Company Limited ₹ 2.13 crore (Previous Year ₹ 0.91 crore); IDFC Infrastructure Finance Company Limited ₹ 1.50 crore (Previous Year ₹ 0.01 crore); IDFC Alternatives Limited ₹ 1.01 crore (Previous Year ₹ 0.19 crore)
- **Managerial Remuneration :**
Rajiv B. Lall ₹ 4.65 crore (Previous Year ₹ 1.92 crore)*
* Refer Note 18.46 - Quantitative Disclosure
- **Sale of investments :**
IDFC Limited ₹ 14.34 crore (Previous Year Nil).
- **Advance granted :**
Feedback Infra Private Limited ₹ 65.96 crore (Previous Year Nil).
- **Advance repaid :**
Millennium City Expressways Private Limited ₹ 19.46 crore (Previous Year ₹ 8.26 crore).
- **Sell down of loans :**
IDFC Infrastructure Finance Company Limited ₹ 73.62 crore (Previous Year ₹ 125.21 crore).
- **Non Fund based Exposure :**
Feedback Infra Private Limited ₹ 9.52 crore (Previous Year Nil).
- **Deposits with the Bank :**
IDFC Limited ₹ 398.81 crore (Previous Year ₹ 218.97 crore); IDFC Financial Holding Company Limited ₹ 75.44 crore (Previous Year ₹ 44.23 crore); IDFC Bharat Limited ₹ 110.40 crore (Previous Year Nil).
- **Investment of related party in the Bank :**
IDFC Financial Holding Company Limited ₹ 7,030.07 crore (Previous Year ₹ 7,030.07 crore).
- **Security Deposits Outstanding :**
IDFC Alternatives Limited ₹ 1.77 crore (Previous Year ₹ 1.77 crore)
- **Other receivables (net) :**
IDFC Bharat Limited ₹ 41.27 crore (Previous Year Nil).
- **Other payables (net) :**
IDFC Bharat Limited ₹ 9.57 crore (Previous Year Nil).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED MARCH 31, 2017

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
	ULTIMATE HOLDING COMPANY	HOLDING COMPANY	FELLOW SUBSIDIARY COMPANIES	SUBSIDIARY	ASSOCIATES	KEY MANAGEMENT PERSONNEL
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 of related party in the Bank	-	-	-	-	-	1.24
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 18.46 - Quantitative Disclosure

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 but not due 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	-	-	-	2.45
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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED MARCH 31, 2017

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	-	-	-	2.45
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.

The details of the transactions of the Bank with its related party during the year ended March 31, 2016 are given below :

PARTICULARS	(₹ IN CRORE)					
	RELATED PARTY					
	ULTIMATE HOLDING COMPANY	HOLDING COMPANY	FELLOW SUBSIDIARY COMPANIES	ASSOCIATES	KEY MANAGEMENT PERSONNEL	
Interest expense	2.11	1.58	0.81	0.08	0.01	
Interest income earned	-	-	-	23.99	-	
Investment of related party in the Bank	-	-	-	-	1.20	
Sale of investments	-	-	108.83	-	-	
Profit on sale of Investments	-	-	1.03	-	-	
Managerial Remuneration	-	-	-	-	1.92*	
Purchase of fixed assets	-	-	0.37	-	-	
Sale of fixed assets	-	-	0.02	-	-	
Placement of security deposits	-	-	1.77	-	-	
Advance repaid	-	-	-	8.26	-	
Sell down of loans	-	-	125.21	-	-	
Receiving of services	-	-	8.40	-	-	
Rendering of services	0.29	-	8.40	-	-	

* Refer Note 18.46 - Quantitative Disclosure

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED MARCH 31, 2017

The balances payable to / receivable from the related parties of the Bank as on March 31, 2016 are given below:

PARTICULARS	(₹ IN CRORE)				
	ULTIMATE HOLDING COMPANY	HOLDING COMPANY	FELLOW SUBSIDIARY COMPANIES	ASSOCIATES	RELATED PARTY KEY MANAGEMENT PERSONNEL
Deposits with the Bank	218.97	44.23	165.57	8.54	0.64
Advances	-	-	-	469.11	-
Investment of the Bank	-	-	-	214.09	-
Investment of related party in the Bank	-	7,030.07	-	-	1.20
Other receivables (net)	-	-	0.75	-	-
Other payables (net)	-	-	1.21	-	-

The maximum balances payable to/receivable from the related parties of the Bank during the year ended March 31, 2016 are given below:

PARTICULARS	(₹ IN CRORE)				
	ULTIMATE HOLDING COMPANY	HOLDING COMPANY	FELLOW SUBSIDIARY COMPANIES	ASSOCIATES	RELATED PARTY KEY MANAGEMENT PERSONNEL
Deposits with the Bank	427.45	44.47	166.71	8.72	0.64
Advances	-	-	-	477.43	-
Investment of the Bank	-	-	-	214.09	-
Investment of related party in the Bank	-	7,030.07	-	-	1.20
Other receivables (net)	0.21	-	2.04	-	-
Other payables (net)	0.73	-	3.04	-	-

18.51 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 are 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, 2017	MARCH 31, 2016
BASIC		
Weighted average number of equity shares outstanding (in crore)	339.55	199.14
Net Profit after Tax (₹ in crore)	1,019.74	466.85
Basic earning per share (₹)	3.00	2.34
DILUTED		
Weighted average number of equity shares outstanding (in crore)	341.96	199.45
Net Profit after Tax (₹ in crore)	1,019.74	466.85
Diluted earning per share (₹)	2.98	2.34
Nominal value of shares (₹)	10.00	10.00

18.52 MOVEMENT IN STOCK OPTIONS GRANTED UNDER THE IDFC BANK LIMITED - ESOS 2016 IS AS UNDER:

PARTICULARS	MARCH 31, 2017	MARCH 31, 2016
Outstanding as at beginning of the period / year	74,651,161	-
Add: Grants on demerger of Financing Undertaking of IDFC Limited	-	32,210,878
Add: Fresh grant during the period / year	31,387,500	45,440,500
Less: Exercised during the period / year	6,382,848	1,090,000
Less: Lapsed / forfeited during the period / year	8,943,069	1,910,217
Outstanding as at the end of the period / year	90,712,744	74,651,161

18.53 UNCLAIMED SHARES

Details of unclaimed shares as of March 31, 2017 and March 31, 2016 are as follows :

PARTICULARS	MARCH 31, 2017	MARCH 31, 2016
Aggregate number of shareholders at the beginning of the year	100	-
Total outstanding shares in Unclaimed Suspense Account at the beginning of the year	28,453	-
Aggregate number of shareholders with Unclaimed shares due to demerger of Financing Undertaking to IDFC Bank Limited	-	100
Total outstanding shares in Unclaimed Suspense Account due to demerger of Financing Undertaking to IDFC Bank Limited	-	28,453
Number of shareholders who approached to issuer for transfer of shares from Unclaimed Suspense Account during the year	-	-
Number of shareholders to whom shares were transferred from Unclaimed Suspense Account during the year	-	-
Aggregate number of shareholders at the end of the year	100	100
Total outstanding shares in Unclaimed Suspense Account at the end of the year	28,453	28,453

18.54 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 comprises of office premises / branches / ATMs taken on lease.)

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2017	MARCH 31, 2016
Future lease rentals payable as at the end of the year :		
Not later than one year	80.44	94.91
Later than one year and not later than five years	249.25	270.52
Later than five years	80.86	132.83
Total of minimum lease payments recognised in the Profit and Loss Account for the year	94.78	42.36
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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED MARCH 31, 2017

18.55 OTHER FIXED ASSETS (INCLUDING FURNITURE & FIXTURES)

The movement in fixed assets capitalised as application software is given below :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2017	MARCH 31, 2016
COST		
At the beginning of the year	269.32	-
Additions during the year	152.45	253.39
Additions on demerger of Financing Undertaking of IDFC Limited	-	15.93
Deductions during the year	-	-
TOTAL (I)	421.77	269.32
DEPRECIATION		
Accumulated depreciation at the beginning of the year	36.86	-
Depreciation charge for the year	76.24	22.14
Depreciation transfer on demerger of Financing Undertaking of IDFC Limited	-	14.72
TOTAL (II)	113.10	36.86
NET VALUE (I-II)	308.67	232.46

18.56 AMOUNT OF PRIORITY SECTOR LENDING CERTIFICATES (PSLCs) PURCHASED / SOLD BY THE BANK

Category wise PSLCs purchased :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2017	MARCH 31, 2016
PSLC - Agriculture	-	-
PSLC - SF/MF	-	-
PSLC - Micro Enterprises	-	-
PSLC - General	3,300.00	-

Category wise PSLCs sold :

PARTICULARS	(₹ IN CRORE)	
	MARCH 31, 2017	MARCH 31, 2016
PSLC - Agriculture	-	-
PSLC - SF/MF	-	-
PSLC - Micro Enterprises	-	-
PSLC - General	-	-

18.57 CORPORATE SOCIAL RESPONSIBILITY (CSR)

- Amount required to be spent by the Bank on CSR during the year ₹ 4.85 crore.
- Amount spent towards CSR during the year and recognised as expense in the statement of profit and loss on CSR related activities is ₹ 4.85 crore, which comprise of following -

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

Being the 1st year of operations, the provision relating to contribution towards CSR as per Section 135 of the Companies Act, 2013 was not applicable to IDFC Bank for FY 2016.

18.58 PROPOSED DIVIDEND

The Board of Directors, in their meeting held on April 25, 2017 have proposed dividend of ₹ 0.75 per equity share amounting to ₹ 307.11 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, 2017. Accordingly, the balance of Reserves and Surplus is higher by ₹ 307.11 crore and the balance of Other Liabilities is lower by an equivalent amount as on March 31, 2017.

Appropriation to proposed dividend during the year ended March 31, 2017 represents dividend of ₹ 0.03 crore (Previous Year Nil) paid pursuant to exercise of employee stock options after the previous year end but before the record date for declaration of dividend for the year ended March 31, 2016.

18.59 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.

18.60 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 ₹ 480.16 crore (Previous Year ₹ 200.25 crore) and outstanding of ₹ 302.41 crore (Previous Year ₹ 200.21 crore) as on March 31, 2017.

18.61 INVESTOR EDUCATION AND PROTECTION FUND

There were no amounts which were required to be transferred to the Investor Education and Protection Fund.

18.62 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 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED MARCH 31, 2017

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.

18.63 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 25, 2017

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

Veena Mankar
Chairperson

Abhijit Sen
Director

Sunil Kakar
Chief Financial Officer

Rajiv B. Lall
Founder Managing Director & CEO

Vikram Limaye
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 comprise the Consolidated Balance Sheet as at March 31, 2017, 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 and its associate 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, 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 the associate are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and the associate 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 controls 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 below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the matters referred to in 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 March 31, 2017 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 ₹ 23,394.39 lacs as at March 31, 2017, total revenues of ₹ 5,340.45 lacs and net cash (outflows) amounting to ₹ 18,706.25 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 ₹ 4,406.27 lacs for the year ended March 31, 2017, 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

INDEPENDENT AUDITORS' REPORT

our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these 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 auditors 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 report 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.
- (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 March 31, 2017 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 March 31, 2017 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 subsidiary company incorporated in India. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of internal financial control 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 associate companies.
 - iv. The disclosure with respect to the holdings or dealings in Specified Bank Notes, as defined in the Notification S.O. 3407(E) dated November 8, 2016 of the Ministry of Finance, during the period from November 8, 2016 to December 30, 2016 as required under amendment to Schedule III to the Companies Act, 2013, is not applicable as the consolidated financial statements of the Bank are prepared under section 29 and third schedule of the Banking Regulation Act, 1949.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm's Registration No. 117365W)

Kalpesh J. Mehta
Partner
(Membership No. 48791)

Mumbai, April 25, 2017

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 Company as of and for the year ended March 31, 2017, 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 includes internal financial controls over financial reporting of its associate companies 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, its subsidiary company and its associate companies, which are companies incorporated in India, are 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 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, its subsidiary company and its associate companies which are companies 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 auditors of the subsidiary company, jointly controlled operations / joint operations associate companies and jointly controlled companies / joint ventures, which are companies 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 / Parent, its subsidiary companies, its associate companies and its jointly controlled companies / joint ventures, which are companies 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 auditors referred to in the Other Matters paragraph below, the Holding Company, its subsidiary company and its associate companies, which are companies 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, 2017, 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 issued by the Institute of Chartered Accountants of India.

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 one subsidiary company and two associate companies, which are companies incorporated in India, is based solely on the corresponding reports of the auditors of such companies 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 25, 2017

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2017

PARTICULARS	SCHEDULE NO.	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
CAPITAL AND LIABILITIES		
Capital	1	33,990,062
Employees' stock options outstanding	1a	10,714
Reserves and surplus	2	112,772,506
Deposits	3	400,978,295
Borrowings	4	502,621,857
Other liabilities and provisions	5	70,269,682
TOTAL		1,120,643,116
ASSETS		
Cash and balances with Reserve Bank of India	6	29,951,365
Balances with banks and money at call and short notice	7	21,449,912
Investments	8	501,641,112
Advances	9	494,016,832
Fixed assets	10	7,988,695
Other assets	11	65,595,200
TOTAL		1,120,643,116
Contingent liabilities	12	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 25, 2017

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

Veena Mankar
Chairperson

Abhijit Sen
Director

Sunil Kakar
Chief Financial Officer

Rajiv B. Lall
Founder Managing Director & CEO

Vikram Limaye
Director

Mahendra N. Shah
Company Secretary & Chief Compliance Officer

CONSOLIDATED PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2017

	SCHEDULE NO.	YEAR ENDED MARCH 31, 2017 (₹ IN THOUSANDS)
I INCOME		
Interest earned	13	85,782,765
Other income	14	10,190,983
TOTAL		95,973,748
II EXPENDITURE		
Interest expended	15	65,154,729
Operating expenses	16	13,321,116
Provisions and contingencies	18.04	6,870,460
TOTAL		85,346,305
III NET PROFIT FOR THE YEAR (I-II)		10,627,443
Add : Share in profits / (Loss) of associates		(440,627)
Consolidated profit for the year attributable to the Group		10,186,816
Balance in profit and loss account brought forward from previous year		12,129,256
IV AMOUNT AVAILABLE FOR APPROPRIATION		22,316,072
V APPROPRIATIONS :		
Transfer to statutory reserve	18.05	2,550,000
Transfer to investment reserve	18.05	5,500
Transfer to capital reserve	18.05	55,000
Transfer to special reserve	18.05	3,250,000
Proposed dividend (includes tax on dividend)	18.14	263
Balance in profit and loss account carried forward		16,455,309
TOTAL		22,316,072
VI EARNINGS PER EQUITY SHARE	18.07	
(Face value ₹ 10 per share)		
Basic (₹)		3.00
Diluted (₹)		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 25, 2017

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

Veena Mankar
Chairperson

Abhijit Sen
Director

Sunil Kakar
Chief Financial Officer

Rajiv B. Lall
Founder Managing Director & CEO

Vikram Limaye
Director

Mahendra N. Shah
Company Secretary & Chief Compliance Officer

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2017

	SCHEDULE NO.	YEAR ENDED MARCH 31, 2017 (₹ IN THOUSANDS)
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxes		14,696,794
Adjustments for :		
Depreciation on fixed assets	16 (V)	1,359,308
Provision for depreciation in value of investments	18.04	1,102,403
Amortisation of premium on held to maturity investments		293,121
Write back of provision for non performing advances	18.04	(10,623,023)
Additional specific provisions	18.04	220,565
Provision on unhedged foreign currency exposure	18.04	12,094
Loss on sale of fixed assets (net)	14 (IV)	53,383
Write back of provision for restructured assets	18.04	(5,175,600)
Provision for standard assets	18.04	(309,240)
Other provisions and contingencies	18.04	17,133,211
Share in loss of associates		440,627
Adjustments for :		
(Increase) / decrease in investments (excluding investment in HTM category and investment in subsidiary)		(160,941,192)
(Increase) / decrease in advances		(38,110,458)
Increase / (decrease) in deposits		318,787,842
(Increase) / decrease in other assets		(24,152,616)
Increase / (decrease) in other liabilities and provisions		28,935,724
Direct taxes paid (net of refunds)		(2,441,485)
Net cash flow generated from operating activities (A)		141,281,458
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets		(2,696,851)
Proceeds from sale of fixed assets		24,004
(Increase) / decrease in held to maturity investments		(45,246,618)
Cash paid for acquisition of Subsidiary		(1,259,544)
Net cash used in investing activities (B)		(49,179,009)
CASH FLOW FROM FINANCING ACTIVITIES		
Increase / (decrease) in borrowings		(68,976,450)
Proceeds from issue of share capital		257,853
Payment of dividend (including tax on dividend)		(1,021,644)
Net cash used in financing activities (C)		(69,740,241)
Net increase in cash and cash equivalents (A+B+C)		22,362,208
Cash and cash equivalents at the beginning of the year		29,039,069
Cash and cash equivalents at the end of the year		51,401,277
Notes to the Cash Flow Statement:		
Represented by :		
Cash and Balances with Reserve Bank of India	6	29,951,365
Balances with Banks and Money at Call and Short Notice	7	21,449,912
Cash and cash equivalents at the end of the year		51,401,277

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Kalpesh J. Mehta
Partner
(Membership No. 48791)

Mumbai | April 25, 2017

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

Veena Mankar
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Chief Financial Officer

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Founder Managing Director & CEO

Vikram Limaye
Director

Mahendra N. Shah
Company Secretary & Chief Compliance Officer

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2017

SCHEDULE 1 CAPITAL

	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
AUTHORISED CAPITAL	
5,000,000,000 equity shares of ₹ 10 each	50,000,000
EQUITY SHARE CAPITAL	
Issued, subscribed and paid-up capital ^	
3,399,006,184 equity shares of ₹ 10 each, fully paid up	33,990,062
TOTAL	33,990,062

^ Includes 6,382,848 equity shares allotted pursuant to the exercise of options under the IDFC Bank Limited Employee Stock Option Scheme.

SCHEDULE 1A EMPLOYEES' STOCK OPTIONS OUTSTANDING

	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, 2017 (₹ IN THOUSANDS)
I STATUTORY RESERVES	
Opening balance	1,180,000
Additions during the year (refer note 18.05)	2,550,000
Deduction during the year	-
Closing balance	3,730,000
II CAPITAL RESERVES	
Opening balance	825,000
Additions during the year (refer note 18.05)	55,000
Deduction during the year	-
Closing balance	880,000
III SHARE PREMIUM	
Opening balance	79,912,414
Additions during the year	203,777
Deduction during the year	-
Closing balance	80,116,191
IV GENERAL RESERVE	
Opening balance	6,869,384
Additions during the year	16,122
Deduction during the year	-
Closing balance	6,885,506
V SPECIAL RESERVE	
Opening balance	1,450,000
Additions during the year (refer note 18.05)	3,250,000
Deduction during the year	-
Closing balance	4,700,000
VI INVESTMENT RESERVE ACCOUNT (IRA)	
Opening balance	-
Additions during the year (refer note 18.05)	5,500
Deduction during the year	-
Closing balance	5,500
VII BALANCE IN PROFIT AND LOSS ACCOUNT	16,455,309
TOTAL (I+II+III+IV+V+VI+VII)	112,772,506

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2017

SCHEDULE 3 DEPOSITS

		AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
A	I DEMAND DEPOSITS	
	(i) From banks	481,593
	(ii) From others	12,564,511
	II SAVINGS BANK DEPOSITS	7,258,776
	III TERM DEPOSITS	
	(i) From banks	56,975,808
	(ii) From others	323,697,607
TOTAL (I+II+III)		400,978,295
B	I Deposits of branches in India	400,978,295
	II Deposits of branches outside India	-
TOTAL		400,978,295

SCHEDULE 4 BORROWINGS

		AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I	BORROWINGS IN INDIA	
	(i) Reserve Bank of India	-
	(ii) Other banks ^	37,308,231
	(iii) Other institutions and agencies \$	449,191,140
II	BORROWINGS OUTSIDE INDIA *	16,122,486
TOTAL (I + II)		502,621,857
Secured borrowings included in I and II above **		-

^ Borrowings from banks include long term infrastructure bonds of ₹ 281.50 crore

\$ Borrowings from other institutions and agencies include long term infrastructure bonds of ₹ 10,152.50 crore and Bonds under section 80CCF of the Income tax Act, 1961 of ₹ 1,757.75 crore

* Borrowings outside India include External Commercial Borrowings (ECB) of ₹ 1,330.96 crore

** Except borrowings of ₹ 7,776.46 crore 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, 2017 (₹ IN THOUSANDS)
I	Bills payable	1,099,957
II	Inter-office adjustments (net)	-
III	Interest accrued	30,597,329
IV	Proposed dividend (includes tax on dividend) (refer note 18.14)	-
V	Contingent provision against standard assets	2,818,296
VI	Others (including provisions) *	35,754,100
TOTAL (I + II + III + IV + V + VI)		70,269,682

* Includes payable on derivatives contracts of ₹ 2,710.37 crore, provision for expenses of ₹ 239.35 crore and funded interest term loan provision of ₹ 93.28 crore.

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2017

SCHEDULE 6 CASH AND BALANCES WITH RESERVE BANK OF INDIA

	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I Cash in hand (including foreign currency notes)	365,598
II Balances with Reserve Bank of India:	
(i) In current accounts	29,585,767
(ii) In other accounts	-
TOTAL	29,951,365

SCHEDULE 7 BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I IN INDIA	
(i) Balance with banks	
(a) In current accounts	741,518
(b) In other deposit accounts	220,010
(ii) Money at call and short notice	
(a) With banks	7,000,000
(b) With other institutions	10,783,453
TOTAL	18,744,981
II OUTSIDE INDIA	
(i) In current accounts	56,133
(ii) In other deposit accounts	-
(iii) Money at call and short notice	2,648,798
TOTAL	2,704,931
GRAND TOTAL (I+II)	21,449,912

SCHEDULE 8 INVESTMENTS (NET OF PROVISIONS)

	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I INVESTMENTS IN INDIA IN :	
(i) Government securities	248,556,534
(ii) Other approved securities	-
(iii) Shares (includes equity and preference shares)*	4,908,791
(iv) Debentures and bonds	130,673,982
(v) Others (venture capital funds, mutual funds, commercial papers, certificate of deposits, security receipts etc.)	117,501,805
TOTAL INVESTMENTS IN INDIA	501,641,112
* Includes Investments in associates ₹ 241.31 crore including goodwill of ₹ 52.55 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)	501,641,112

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2017

SCHEDULE 9 ADVANCES (NET OF PROVISIONS)

		AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
A	(i) Bills purchased and discounted	14,200,826
	(ii) Cash credits, overdrafts and loans repayable on demand	22,625,098
	(iii) Term loans	457,190,908
TOTAL		494,016,832
B	(i) Secured by tangible assets *	292,239,177
	(ii) Covered by bank / government guarantees	-
	(iii) Unsecured	201,777,655
TOTAL		494,016,832
C I	Advances in India	
	(i) Priority sector	71,519,365
	(ii) Public sector	33,856,070
	(iii) Banks	1,559,667
	(iv) Others	387,081,730
TOTAL		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)		494,016,832

The above advances are net of provisions of ₹ 856.60 crore towards non-performing advances, provision of ₹ 109.03 crore against funded interest term loans classified as non-performing advances, specific provision of ₹ 262.73 crore on restructured assets, specific provision on identified advances of ₹ 1,000.50 crore against risk of possible slippages and provision of ₹ 0.33 crore for diminution in fair value of restructured assets.

* Includes advances against book debts

SCHEDULE 10 FIXED ASSETS

		AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I	PREMISES (INCLUDING LAND)	
	Gross block	
	At cost at the beginning of the year	3,427,361
	Additions on acquisition of Subsidiary	37,614
	Additions during the year	347,223
	Deductions during the year	(79,467)
TOTAL		3,732,731
	Depreciation	
	As at the beginning of the year	466,972
	Accumulated depreciation on acquisition of Subsidiary	-
	Charge for the year	153,799
	Deductions during the year	(28,347)
	Depreciation to date	592,424
Net block of premises		3,140,307

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2017

	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
II OTHER FIXED ASSETS (INCLUDING FURNITURE AND FIXTURES)	
Gross block	
At cost at the beginning of the year	4,165,903
Additions on acquisition of Subsidiary	342,721
Additions during the year	2,470,709
Deductions during the year	(67,481)
TOTAL	6,911,852
Depreciation	
As at the beginning of the year	689,885
Accumulated depreciation on acquisition of Subsidiary	268,446
Charge for the year	1,205,509
Deductions during the year	(41,214)
Depreciation to date	2,122,626
Net block of other fixed assets (including furniture and fixtures)	4,789,226
III CAPITAL WORK-IN-PROGRESS (INCLUDING CAPITAL ADVANCES)	59,162
GRAND TOTAL (I+II+III)	7,988,695

SCHEDULE 11 OTHER ASSETS

	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I Inter-office adjustments (net)	-
II Interest accrued	11,749,701
III Tax paid in advance / tax deducted at source (net of provisions)	6,589,213
IV Stationery and stamps	45
V Non banking assets acquired in satisfaction of claims	-
VI Others *	47,256,241
TOTAL (I+II+III+IV+V+VI)	65,595,200

* Includes Deferred Tax Asset (net) of ₹ 1,233.94 crore (refer schedule 18.03), receivables on derivative contracts of ₹ 2,794.06 crore and goodwill on consolidation of ₹ 139.67 crore

SCHEDULE 12 CONTINGENT LIABILITIES

	AS AT MARCH 31, 2017 (₹ IN THOUSANDS)
I Claims against the group not acknowledged as debts *	1,473,615
II Liability for partly paid investments	2,452,917
III Liability on account of outstanding forward exchange and derivative contracts :	
(a) Forward Contracts	979,287,494
(b) Interest rate swaps, currency swaps, forward rate agreement and interest rate futures	757,121,514
(c) Foreign currency options	108,788,055
TOTAL (a+b+c)	1,845,197,063
IV Guarantees given on behalf of constituents	
In India	136,747,944
Outside India	-
V Acceptances, endorsements and other obligations	49,299,568
VI Other items for which the group is contingently liable (capital commitments) #	1,829,408
GRAND TOTAL (I+II+III+IV+V+VI)	2,037,000,515

* Includes ₹ 0.06 crore on account of proportionate share in an associate.

Includes ₹ 62.41 crore on account of proportionate share in an associate.

SCHEDULE 13 INTEREST EARNED

	YEAR ENDED MARCH 31, 2017 (₹ IN THOUSANDS)
I Interest / discount on advances / bills	51,323,157
II Income on investments	32,887,822
III Interest on balances with Reserve Bank of India and other inter-bank funds	586,649
IV Others *	985,137
TOTAL	85,782,765

* Includes interest on income tax refunds amounting to ₹ 6.83 crore.

SCHEDULE 14 OTHER INCOME

	YEAR ENDED MARCH 31, 2017 (₹ IN THOUSANDS)
I Commission, exchange and brokerage	3,052,034
II Profit / (loss) on sale of investments (net)	5,646,116
III Profit / (loss) on revaluation of investments (net)	-
IV Profit / (loss) on sale of premises and other fixed assets (net)	(53,383)
V Profit / (loss) on exchange / derivative transactions (net)	1,526,983
VI Income earned by way of dividends etc. from subsidiaries / companies and / or joint venture abroad / in India	-
VII Miscellaneous Income	19,233
TOTAL	10,190,983

SCHEDULE 15 INTEREST EXPENDED

	YEAR ENDED MARCH 31, 2017 (₹ IN THOUSANDS)
I Interest on deposits	13,135,540
II Interest on borrowings from Reserve Bank of India / inter-bank borrowings	5,201,972
III Others	46,817,217
TOTAL	65,154,729

SCHEDULE 16 OPERATING EXPENSES

	YEAR ENDED MARCH 31, 2017 (₹ IN THOUSANDS)
I Payments to and provisions for employees	6,149,626
II Rent, taxes and lighting	1,153,227
III Printing and stationery	97,258
IV Advertisement and publicity	143,668
V Depreciation on group's property	1,359,308
VI Directors' fees, allowance and expenses	12,030
VII Auditors' fees and expenses	20,233
VIII Law charges	33,763
IX Postage, telegrams, telephones etc.	177,956
X Repairs and maintenance	308,018
XI Insurance	158,702
XII Other expenditure *	3,707,327
TOTAL	13,321,116

* Includes professional fees of ₹ 153.59 crore, software cost of ₹ 65.80 crore and travelling cost of ₹ 23.81 crore.

17 SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017
A. BACKGROUND

IDFC Bank Limited ("the Bank") was incorporated on October 21, 2014 as a Company under the Companies Act, 2013. Further, to the grant of the universal banking license issued by the Reserve Bank of India ('the RBI') on July 23, 2015 and pursuant to the filing and approval of the Scheme of Arrangement under Section 391-394 of the Companies Act, 1956, between IDFC Limited and IDFC Bank Limited and their respective shareholders and creditors ('Scheme of Arrangement'), by the Hon'ble Madras High Court vide its order dated June 25, 2015 and on fulfilment of all conditions specified under the Scheme and final banking license, the Bank has commenced its Banking operations on October 1, 2015, mainly in Commercial & Wholesale, Personal & Business Banking and Bharat (rural) Banking business. The Bank is regulated by the RBI and governed under the Banking Regulation Act, 1949. The Bank's shares are listed on National Stock Exchange of India Limited and BSE Limited since November 6, 2015.

During the year ended March 31, 2017, the Bank has acquired 100% equity share capital of IDFC Bharat Limited (formerly known as Grama Vidiyal Micro Finance 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 has become 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.

B. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of IDFC Bank Limited ('the Bank'), its subsidiary and associates, 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.

In accordance with Para 30 on Transitional provision of Accounting Standard 21 on preparation of consolidated financial statements on the first occasion, comparative figures for the previous year are not required to be presented. Consequently, the Bank has prepared the consolidated financial statements for the year ending March 2017, and no comparative figures for the previous year are presented in the current year financial statements as the consolidated financials are presented to the Board for the first time.

In accordance with para 26 of AS - 23, on the first occasion when investment in an associate is accounted for in consolidated financial statements, the carrying amount of investment in the associate should be brought to the amount that would have resulted had the equity method of accounting been followed since the acquisition of the associate and the corresponding adjustment should be made in the retained earnings in the consolidated financial statements. Consequently, the Bank has brought the carrying amount of investment in an associate considering the equity method of accounting been followed since the acquisition of the associate and the corresponding adjustment is made in the retained earnings in the consolidated financial statements.

The consolidated financial statements present the accounts of IDFC Bank Limited and its associates for the full year and IDFC Bharat Limited for the period from October 13, 2016 to March 31, 2017.

NAME	RELATION	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST
IDFC Bharat Limited (formerly known as Grama Vidiyal Micro Finance Limited)	Subsidiary	India	100.00%
Millennium City Expressways Private Limited	Associate	India	29.98%
Feedback Infra Private Limited	Associate	India	24.61%

The audited financial statements of the subsidiary company and the un-audited financial statements of associates have been drawn up to the same reporting date as that of the Bank, i.e. March 31, 2017.

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
IDFC Bank Limited
Classification :

In accordance with the RBI Guidelines on investment classification and valuation; Investments are classified on the date of purchase 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 :

- Costs 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 constant Yield-to-Maturity ('YTM') basis while discount is not accreted. 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.

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'), 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 YTM rates published by FIMMDA.
- 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.
- 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 are valued as per NAV as provided by the Reconstruction Company (RC) / Securitization Company (SC) on a half yearly basis.
- 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 PTCs 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 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 is 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 Standby Facility ('MSF') with RBI are reflected as borrowing and lending transactions respectively. Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo transactions are accounted for as interest income.

17.2 ADVANCES

IDFC Bank Limited

In accordance with the RBI guidelines, advances are classified as performing and non-performing. These advances are stated net of NPA provisions, specific provisions, 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. 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 identified advances in infrastructure sector which are classified as standard advances as these are not non-performing advances.

17.3 PROVISIONS / WRITE OFF ON LOANS AND OTHER CREDIT FACILITIES

IDFC Bank Limited

(a) On legacy advances - loans acquired on demerger of Financing Undertaking of IDFC Limited

In addition to the minimum provisioning level prescribed by RBI, IDFC Limited on a prudent basis made provisions on specific advances in infrastructure sector that are not NPAs ('identified advances') but had reason to believe risk of possible slippages on the basis of the extant environment or specific information or current pattern of servicing. These provisions being specific in nature are netted off from gross advances.

At each Balance Sheet date, these provisions are reviewed and reassessed to determine their adequacy.

(b) On loans and other credit facilities disbursed after commencement of banking operations

The Bank makes general provisions on all standard advances based on the rates under each category of advance as prescribed by the RBI. The provision on standard advances is not reckoned for arriving at net NPAs. The provisions towards standard advance is not netted from gross advance but shown separately as "Contingent Provisions against Standard Assets" under "Schedule 5 - Other Liabilities".

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.

In case of corporate loans, provision is made for substandard and doubtful assets at the rates prescribed by the RBI. Loss assets and the unsecured portion of doubtful assets are provided / written off as per the extant RBI guidelines 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 Bank considers an account as restructured where the Bank for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advance / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of instalments / rate of interest (due to reasons other than competitive reasons). Necessary provision for diminution in the fair value of a restructured account is made in accordance with the RBI guidelines.

Under the RBI guidelines, with a view to ensuring more stake of promoters in reviving stressed accounts and provide banks with enhanced capabilities to initiate change of ownership in accounts which fail to achieve the projected viability milestones, banks may, at their discretion, undertake a 'Strategic Debt Restructuring (SDR)' by converting loan dues to equity shares. The invocation of SDR is not treated as restructuring for the purpose of asset classification and provisioning norms. In case where change in ownership is through conversion of debt into equity / invocation of pledge of shares the existing asset classification of the account, as on the reference date, continues for a period of 18 months from the reference date. In case the above targeted conversion does not take place within 180 days from the 'reference date', the stand-still benefit will cease to exist. Thereafter, the asset classification is as per the extant IRAC norms, assuming the aforesaid 'stand-still' in asset classification had not been given.

Where change in ownership is effected by issue of new shares by the borrower company or sale of shares by the existing promoter of the company to an acquirer, the asset classification as on the date of binding agreement between the borrower company / existing promoter and the new promoter shall continue for a period of 12 months to enable issue of new shares / transfer of shares from existing promoter to new promoter. Upon expiry of stand-still (18 or 12 months) if the ownership has not been transferred in favour of new promoters, the asset classification will be as per the extant asset classification norms, assuming the aforesaid 'stand-still' in asset classification had not been given.

In order to further enhance banks' ability to bring in a change in ownership of borrowing entities which are under stress primarily due to operational / managerial inefficiencies despite substantial sacrifices made by the lending banks, the RBI has permitted banks to upgrade the credit facilities extended to borrowing entities whose ownership has been changed outside SDR, to 'Standard' category upon such change in ownership, subject to conditions. On such change in ownership of the borrowing entities, credit facilities of the concerned borrowing entities may be upgraded as 'Standard'. However, the quantum of provision held by the bank against the said account as on the date of change in ownership of the borrowing entities shall be reversed only when all the outstanding loan / facilities of the borrowing entities perform satisfactorily during the 'specified period'.

In accordance with the RBI guidelines, accelerated provision is made on advances which were not earlier reported by the Bank as Special Mention Account under "SMA-2" category to Central Repository of Information on Large Credits (CRILC). Accelerated provision is also made on advances which are erstwhile SMA-2 accounts with Aggregate Exposure (AE) ₹ 1,000 million or above and Joint Lenders' Forum (JLF) is not formed or they fail to agree upon a common Corrective Action Plan (CAP) within the stipulated time frame. In addition as an incentive for banks to communicate their decision on the agreed CAP in a time bound manner wherein penal provisioning norms have been stipulated for the Bank, subject to certain conditions.

Provision on loans and advances restructured / rescheduled is made in accordance with the applicable RBI guidelines. In respect of non-performing loans and advances accounts subjected to restructuring, the account is upgraded to standard only after the specified period (as prescribed by the RBI) subject to satisfactory performance of the account during the period. A restructured loan is upgraded to the standard category when satisfactory payment performance is evidenced during the specified period and after the loan reverts to the normal level of standard asset provisions / risk weights.

The asset classification and provisioning norms of loans to projects under implementation involving extension of DCCO and funding of cost overruns has been advised by RBI. Any other changes to the major terms and conditions of the original project loans (i.e. promoter's equity contribution, interest rate etc.) of a borrower with financial difficulties, except what is specifically allowed, would be treated as an event of 'restructuring' requiring the accounts to be classified as 'non-performing asset' and provided for accordingly.

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.

17.4 REVENUE RECOGNITION**IDFC Bank Limited****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 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 gain on sale of Non-Performing Assets to Securitisation Company (SC) / Reconstruction Company (RC), excess provision on sale of NPA is reversed in Profit and Loss Account in the year in which amount is received and shortfall if any is charged to the Profit and Loss Account. If sale is against issuance of SRs / PTCs by SC / RC, the sale will be recognised at lower of redemption value of SRs / PTCs and net book value of financial asset sold. Upon realisation of proceeds on redemption of SR / PTC, the gain and shortfall 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. However, in accordance with the RBI guidelines, in case of non-performing loans sold to SC / RC, the Bank can reverse the excess provision in Profit and Loss Account in the year in which amounts are received.

IDFC Bharat Limited (formerly known as Grama Vidiyal Micro Finance Limited)

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the collectibility is reasonably assured.

Interest income on deposits with banks is recognized on time proportion basis taking into account the amount outstanding and the rate applicable.

Commission income is recognised on accrual basis on the completion of the service in accordance with terms of the agreement.

17.5 TRANSACTIONS INVOLVING FOREIGN EXCHANGE
IDFC Bank Limited

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
IDFC Bank Limited

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) at the inception of the transaction itself. Hedge swaps and funding swaps are not subjected to marked to market, unless underlying transactions are marked to market. In such cases swaps are marked to market with the resultant gain or loss recorded as an adjustment to the market value of the underlying transactions.

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. 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. The amounts received / paid on cancellation of option contracts are recognized as realized gain / loss on options. 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'. Any resultant profit or loss on termination of hedge swaps is amortized over the life of the swap or underlying liability whichever is shorter.

As per the RBI guidelines on 'Prudential Norms for Off Balance Sheet Exposures of Banks', a standard asset provision is made on the current gross MTM gain of the contract for all outstanding interest rate and foreign exchange derivative transactions. Realised gain / loss arise when the derivatives expire or mature or when the underlying trading assets / liabilities are sold.

17.7 FIXED ASSETS AND DEPRECIATION
IDFC Bank Limited

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 :

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.

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. Profit on sale of premises net of taxes and transfer to statutory reserve is appropriated to Capital Reserve as per the RBI guidelines.

IDFC Bharat Limited (formerly known as Grama Vidiyal Micro Finance Limited)

Tangible assets are carried at cost of acquisition or construction less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price, including duties and other non-refundable taxes or levies and any directly attributable cost of bringing the asset to its working condition for its intended use.

Gains or losses arising on the disposal of the tangible assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in the statement of profit and loss within other income or other expenses, as the case may be.

Depreciation is provided using straight line method at the rates of depreciation prescribed in Schedule II of the Companies Act, 2013. If the management's estimates of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is different than that envisaged in the aforesaid schedule, depreciation is provided at a rate based on the management estimate of useful life/remaining useful life.

ASSET CATEGORY	ESTIMATED USEFUL LIFE
Computers and accessories	3-6 Years
Furniture and fittings	10 Years
Office equipment	5 Years
Vehicles	8 Years

17.8 INCOME TAX

Group

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 tax reflects 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

IDFC Bank Limited

The Bank has formulated Employee 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.

In addition, against each outstanding employee stock of options granted by IDFC Limited to its employees, equivalent options of IDFC Bank Limited were granted under the Scheme of Arrangement. The price of these options are determined by multiplying the existing grant price of the options granted by IDFC Limited to its employees under the IDFC Limited Employee Stock Option Scheme by the proportion that the net worth of the Financing Undertaking bears to the total net book value of IDFC Limited immediately prior to the effectiveness of the Scheme of Arrangement.

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

IDFC Bank Limited

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.

IDFC Bharat Limited (formerly known as Grama Vidiyal Micro Finance Limited)

Defined contribution plan :

The Company makes contribution to statutory provident fund in accordance with Employees Provident Fund and Miscellaneous Provisions Act, 1952. Eligible employees receive benefits from the provident fund, which is a defined contribution plan. Both the employee and the Company make monthly contributions to the provident fund plan equal to specified percentage of the covered employee's basic salary. The Company has no further obligations under the plan beyond its monthly contributions. Contributions to provident fund are charged to the statement of profit and loss on accrual basis.

Defined benefit plan :

The Company provides gratuity, a defined benefit retirement plan covering eligible employees. The Company provides the gratuity benefit through annual contribution to a fund. Liabilities related to the gratuity plan are determined by an independent actuarial valuation carried out using projected unit credit method as at the balance sheet date. Actuarial gain or loss is recognized immediately in the statement of profit and loss.

17.11 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Group

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

Group

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**Group**

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**Group**

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**Group**

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

Provision to the extent of full amount needs to be immediately recognised in profit and loss account as per RBI guidelines in case of frauds due to IDFC Bank or for which IDFC Bank is liable.

17.17 CASH AND CASH EQUIVALENTS**Group**

Cash and cash equivalents include cash in hand, balances with the RBI, balances with other banks and money at call and short notice.

18 NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017.

Amounts in notes forming part of the financial statements for the year ended March 31, 2017 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, 2017
Provident fund	24.24
Superannuation fund	1.33
Pension fund	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, 2017
Current service cost	6.50
Interest on defined benefit obligation	2.95
Expected return on plan assets	(2.78)
Net actuarial losses / (gains) recognised in the year	5.96
Past service cost	-
Losses / (gains) on Curtailment & Settlements	-
Losses / (gains) on Acquisition / Divestiture	0.33
Effect of the limit in Para 59(b)	-
Total included in "Employee Benefit Expense" [Schedule 16(I)]	12.96
Actual return on plan assets	3.82

Balance Sheet

Details of provision for gratuity :

PARTICULARS	(₹ IN CRORE)
	MARCH 31, 2017
Fair value of plan assets	43.70
Present value of funded obligations	(46.38)
Present value of unfunded obligations	-
Unrecognised Past Service Cost	-
Amount not recognised as an Asset (limit in Para 59 (b))	-
Net (Liability) / Asset	(2.68)
Amounts in balance sheet	
Liabilities	(2.68)
Assets	-
Net Liability (included under schedule 5 - other liabilities)	(2.68)

Changes in the present value of the defined benefit obligation are as follows :

PARTICULARS	(₹ IN CRORE) MARCH 31, 2017
Opening defined benefit obligation	33.40
Current service cost	6.50
Interest cost	2.95
Actuarial losses / (gains)	7.09
Past service cost	-
Actuarial losses / (gains) due to Curtailment	-
Liabilities extinguished on settlement	-
Liabilities assumed on acquisition / (settled on divestiture)	0.33
Benefits paid	(3.89)
Closing defined benefit obligation	46.38

Changes in the fair value of plan assets are as follows :

PARTICULARS	(₹ IN CRORE) MARCH 31, 2017
Opening fair value of plan assets	31.78
Expected return on plan assets	2.78
Actuarial gains / (losses)	1.13
Asset distributed on settlement	-
Contributions by employer	11.90
Assets acquired on acquisition / (distributed on divestiture)	-
Benefits paid	(3.89)
Closing fair value of plan assets	43.70
Expected Employers Contribution Next Year	6.00

Experience adjustments

PARTICULARS	(₹ IN CRORE) MARCH 31, 2017
Defined benefit obligations	46.38
Plan assets	43.70
Surplus / (deficit)	(2.68)
Experience adjustments on plan liabilities	1.29
Experience adjustments on plan assets	1.13

IDFC Bank Limited

Major categories of plan assets (managed by Insurers) as a percentage of fair value of total plan assets :

PARTICULARS	MARCH 31, 2017
Government securities	27.83%
Bonds, debentures and other fixed income instruments	53.16%
Deposits and money market instruments	5.89%
Equity shares	13.12%

Principal actuarial assumptions at the balance sheet date:

PARTICULARS	MARCH 31, 2017
Discount rate (p.a.)	7.35%
Expected rate of return on plan assets (p.a.)	7.50%
Salary escalation rate (p.a.)	8.00%

IDFC Bharat Limited (formerly known as Grama Vidiyal Micro Finance Limited)
Principal actuarial assumptions at the balance sheet date:

PARTICULARS	MARCH 31, 2017
Discount rate (p.a.)	6.90%
Expected rate of return on plan assets (p.a.)	8.20%
Salary escalation rate (p.a.)	8.00%

18.02 SEGMENT REPORTING
Business Segments :

The business of the Group is divided into three 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 consist 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 consist 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 unallocable assets and liabilities such as taxes (including deferred tax), prepaid expenses, provision for expenses etc. 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, 2017 are set out below :

PARTICULARS	TREASURY	CORPORATE/ WHOLESALE BANKING	RETAIL BANKING	OTHER BANKING BUSINESS	UNALLOCATED	TOTAL
	(₹ IN CRORE)					
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 profit / (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

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2017**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, 2017
Deferred tax assets on account of provisions for loan losses	951.30
Deferred tax assets on account of provision for diminution in value of investments	435.39
Deferred tax assets on account of depreciation on fixed assets	1.35
Deferred tax assets on account of Provision for employee benefits	1.04
Deferred tax assets on account of other contingencies	40.23
Deferred tax assets (A)	1,429.31
Deferred tax liabilities on account of depreciation on fixed assets	93.80
Others [special reserve under section 36(1)(viii) of Income Tax Act, 1961]	101.57
Deferred tax liabilities (B)	195.37
Net Deferred tax assets (A-B)	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, 2017
Provision made towards income tax	
Current tax *	(3.70)
Deferred tax	454.69
	450.99
Provisions for depreciation on investment	110.24
Provision / (write back) for non-performing assets	(1,062.30)
Provision / (write back) towards non-performing advances	-
Provision / (write back) for restructured assets	(517.56)
Provision for unhedged foreign currency exposure	1.21
Additional specific provisions	22.06
Standard Asset Provision	(30.92)
Provision and other contingencies **	1,713.32
TOTAL	687.04

* net of tax adjustment of prior years of ₹ 1.28 crore relating to Financing Undertaking of IDFC Limited

** includes loss on sale of loans to Asset Reconstruction Company (ARC)

18.05 DRAW DOWN FROM RESERVES

The Group has not undertaken any draw down from reserves during the year.

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 ₹ 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. During the year, the Group has transferred ₹ 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 Group has appropriated ₹ 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 is 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 ₹ 325.00 crore to Special 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 (formerly known as IDFC Infra Debt Fund Limited)

IDFC Projects Limited

IDFC Securities Limited

IDFC Trustee Company Limited

IDFC Capital (USA) Inc.

IDFC Capital (Singapore) Pte. Limited

IDFC Investment Advisors Limited

IDFC Investment Managers (Mauritius) Limited

IDFC Securities Singapore Pte. Limited

D. ASSOCIATES

i Direct

Feedback Infra Private Limited

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)

India PPP Capacity Building Trust

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, Bunty 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 its related parties for year ended March 31, 2017 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 Limited ₹ 4.37 crore; IDFC Financial Holding Company Limited ₹ 5.02 crore; IDFC Foundation ₹ 2.62 crore.
- **Interest income earned :**
Feedback Infra Private Limited ₹ 11.94 crore; Millennium City Expressways Private Limited ₹ 38.94 crore.
- **Dividend Income earned:**
Feedback Infra Private Limited ₹ 0.60 crore.
- **Receiving of services :**
IDFC Securities Limited ₹ 12.66 crore; IDFC Alternatives Limited ₹ 4.17 crore; Delhi Integrated Multi-Modal Transit System Limited ₹ 2.10 crore.
- **Rendering of services :**
IDFC Securities Limited ₹ 3.73 crore; IDFC Asset Management Company Limited ₹ 2.13 crore; IDFC Infrastructure Finance Limited ₹ 1.50 crore; IDFC Alternatives Limited ₹ 1.01 crore.
- **Managerial Remuneration :**
Rajiv B. Lall ₹ 4.65 crore
- **Sale of investments :**
IDFC Limited ₹ 14.34 crore.
- **Advance granted :**
Feedback Infra Private Limited ₹ 65.96 crore.
- **Advance repaid :**
Millennium City Expressways Private Limited ₹ 19.46 crore.
- **Sell down of loans :**
IDFC Infrastructure Finance Limited ₹ 73.62 crore.
- **Non Fund based Exposure :**
Feedback Infra Private Limited ₹ 9.52 crore
- **Deposits with the Bank :**
IDFC Limited ₹ 398.81 crore; IDFC Financial Holding Company Limited ₹ 75.44 crore
- **Investment of related party in the Bank :**
IDFC Financial Holding Company Limited ₹ 7,030.07 crore.
- **Security Deposits Outstanding :**
IDFC Alternatives Limited ₹ 1.77 crore.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2017

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	-	-	-	-	1.24
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 but not due on advances	-	-	-	3.50	-
Advances	-	-	-	512.25	-
Investment of the Bank	-	-	-	238.37	-
Investment of related party in the Bank	-	7,030.07	-	-	2.45
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	-	-	2.45
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	-

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, 2017
BASIC	
Weighted average number of equity shares outstanding (in crore)	339.55
Net Profit after Tax (₹ in crore)	1,018.68
Basic earning per share (₹)	3.00
DILUTED	
Weighted average number of equity shares outstanding (in crore)	341.96
Net Profit after Tax (₹ in crore)	1,018.68
Diluted earning per share (₹)	2.98
Nominal value of shares (₹)	10.00

18.08 MOVEMENT IN STOCK OPTIONS GRANTED UNDER THE IDFC BANK LIMITED - ESOS 2016 IS AS UNDER

PARTICULARS	MARCH 31, 2017
Outstanding as at beginning of the period / year	74,651,161
Add: Fresh grant during the period / year	31,387,500
Less: Exercised during the period / year	6,382,848
Less: Lapsed / forfeited during the period / year	8,943,069
Outstanding as at the end of the period / year	90,712,744

18.09 UNCLAIMED SHARES

Details of unclaimed shares as of March 31, 2017 are as follows :

PARTICULARS	MARCH 31, 2017
Aggregate number of shareholders at the beginning of the year	100
Total outstanding shares in Unclaimed Suspense Account at the beginning of the year	28,453
Number of shareholders who approached to issuer for transfer of shares from Unclaimed Suspense Account during the year	-
Number of shareholders to whom shares were transferred from Unclaimed Suspense Account during the year	-
Aggregate number of shareholders at the end of the year	100
Total outstanding shares in Unclaimed Suspense Account at the end of the year	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 comprises of office premises / branches / ATMs taken on lease.)

PARTICULARS	(₹ IN CRORE)
	MARCH 31, 2017
Future lease rentals payable as at the end of the year :	
Not later than one year	80.44
Later than one year and not later than five years	249.25
Later than five years	80.86
Total of minimum lease payments recognised in the Profit and Loss Account for the year	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 application software is given below :

PARTICULARS	(₹ IN CRORE)
	MARCH 31, 2017
COST	
At the beginning of the year	269.32
Additions during the year	152.45
Additions on acquisition of subsidiary	3.20
Deductions during the year	-
TOTAL (I)	424.97
DEPRECIATION	
Accumulated depreciation at the beginning of the year	36.86
Depreciation charge for the year	76.57
Depreciation transfer on acquisition of subsidiary	2.09
TOTAL (II)	115.52
NET VALUE (I-II)	309.45

18.12 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.

18.13 DESCRIPTION OF CONTINGENT LIABILITIES
i Claims against the Group not acknowledged as debts

The Group is 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 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 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 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 include 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.

18.14 PROPOSED DIVIDEND

The Board of Directors of the Holding Company, in their meeting held on April 25, 2017 have proposed dividend of ₹ 0.75 per equity share amounting to ₹ 307.11 crore, inclusive of corporate dividend 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, 2017. Accordingly, the balance of Reserves and Surplus is higher by ₹ 307.11 crore (including corporate dividend tax) and the balance of Other Liabilities is lower by an equivalent amount as on March 31, 2017.

Appropriation to proposed dividend during the year ended March 31, 2017 represents dividend of ₹ 0.03 crore paid pursuant to exercise of employee stock options after the previous year end but before the record date for declaration of dividend for the year ended March 31, 2016.

18.15 CORPORATE SOCIAL RESPONSIBILITY (CSR)

- i Amount required to be spent by the Group on CSR during the year ₹ 5.51 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 ₹ 5.52 crore, which comprise of following -

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

18.16 STATEMENT OF NET ASSETS AS PER SCHEDULE III TO THE COMPANIES ACT, 2013 FOR THE YEAR ENDED MARCH 31, 2017

NAME OF THE ENTITY	NET ASSETS, i.e., TOTAL ASSETS MINUS TOTAL LIABILITIES		SHARE OF PROFIT / (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.

18.17 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.

For Deloitte Haskins & Sells
Chartered Accountants

Kalpesh J. Mehta
Partner
(Membership No. 48791)

Mumbai | April 25, 2017

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

Veena Mankar
Chairperson

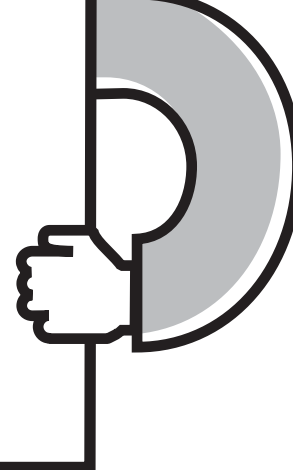
Abhijit Sen
Director

Sunil Kakar
Chief Financial Officer

Rajiv B. Lall
Founder Managing Director & CEO

Vikram Limaye
Director

Mahendra N. Shah
Company Secretary & Chief Compliance Officer



Pillar 3 disclosures as at March 31, 2017 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 link to this section is
[http://www.idfcbank.com/
regulatory-disclosures.html](http://www.idfcbank.com/regulatory-disclosures.html)*

THE SECTION CONTAINS FOLLOWING DISCLOSURES:

1. Qualitative and Quantitative disclosures as at March 31, 2017

- 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
- Interest rate risk in the Banking Book ('IRRBB')
- General Disclosure for exposures related to Counterparty Credit Risk
- Equities - Disclosure for Banking Book Positions

2. Leverage Ratio as at March 31, 2017

3. Liquidity Coverage Ratio as at March 31, 2017

4. Capital Disclosure

- Composition of Capital
- Composition of Capital & reconciliation requirements
- Main Features of Regulatory Capital Instruments March 31, 2017
- Terms and Conditions of Equity Shares



IDFC BANK

IDFC BANK LIMITED

Corporate Identity Number: L65110TN2014PLC097792

Email: bank.info@idfcbank.com **Website:** www.idfcbank.com

Regd. Office: KRM Tower, 7th Floor, No. 1 Harrington Road, Chetpet, Chennai - 600 031, Tamil Nadu, India.

Tel: + 91 44 4564 4000 **Fax:** +91 44 4564 4022

Corp. Office: Naman Chambers, C-32, G-Block, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051, Maharashtra, India.

Tel: + 91 22 4222 2000 **Fax:** +91 22 2654 0354

NOTICE

NOTICE is hereby given that the 3rd Annual General Meeting ('AGM') of the Members of **IDFC BANK LIMITED** ('IDFC Bank' or the 'Bank') will be held on **Friday, July 28, 2017 at 10.30 a.m.** at the 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, to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt:
 - a. the audited financial statements of the Bank for the financial year ended March 31, 2017 and the Reports of the Board of Directors and the Auditors thereon; and
 - b. the audited consolidated financial statements of the Bank for the financial year ended March 31, 2017 and the Report of the Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint Statutory Auditors and to fix their remuneration and in this regard, to consider and if thought fit, to pass the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 139, 141, 142 and other applicable provisions, if any, of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014 and other applicable rules, if any, the applicable provisions of the Banking Regulation Act, 1949 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), the rules, circulars and guidelines issued by the Reserve Bank of India ('RBI'), from time to time and subject to the approval of the RBI and such other regulatory authorities, as may be applicable, Deloitte Haskins & Sells, Chartered Accountants (Firm Registration No. 117365W), be and are hereby appointed as the Statutory Auditors of the Bank for a period of One (1) year, to hold office from the conclusion of Third Annual General Meeting ('AGM') until the conclusion of the Fourth

AGM of the Bank, at a remuneration to be determined by the Board of Directors of the Bank, based on the recommendation of the Audit Committee, in addition to reimbursement of all out-of-pocket expenses incurred in connection with the audit of the accounts of the Bank for the financial year ending March 31, 2018."

SPECIAL BUSINESS

4. Offer and Issue of Debt Securities on Private Placement basis

To consider and if thought fit, to pass the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 42 and other applicable provisions, if any, of the Companies Act, 2013 and the rules made thereunder, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008, the Banking Regulation Act, 1949, the Reserve Bank of India Act, 1934, Foreign Exchange Management Act, 1999 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), the rules, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time and all other relevant provisions of applicable law(s) and pursuant to the Articles of Association of the Bank and subject to receipt of such approval(s), consent(s), permission(s) and sanction(s) as may be necessary from the concerned statutory or regulatory authority(ies), the consent of the Members of the Bank be and is hereby accorded to the Board of Directors of the Bank (hereinafter referred to as 'the Board' which term shall be deemed to include any Committee thereof) 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 (including bonds forming part of

NOTICE (continued)

Tier I / Tier II capital in accordance with and subject to the terms and conditions specified in the Basel III Capital Regulations prescribed by RBI, long-term infrastructure bonds or such other securities as may be permitted by RBI from time to time), on private placement basis, up to an amount not exceeding ₹ 10,000 crore (Rupees Ten Thousand Crore Only), in one or more tranches and / or series, in domestic and/or overseas market, as per the agreed structure and within the limits permitted by RBI and other regulatory authorities, to eligible investors, during a period of One (1) year from the date of passing of this resolution, within the overall borrowing limits of ₹ 150,000 crore (Rupees One Lakh Fifty Thousand Crore only) as approved by the Members of the Bank at the 1st Annual General Meeting held on September 29, 2015 and on such terms and conditions as may be approved by the Board, from time to time.

RESOLVED FURTHER THAT the Board be and is hereby authorised to sign all such forms and returns and other documents and to do all such acts, deeds and things as may be necessary to give effect to the above resolution.”

5. Appointment of Mr. Anand Sinha as an Independent Director

To consider, and if thought fit, to pass the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT pursuant to the provisions of Section 10-A and other applicable provisions, if any, of the Banking Regulation Act, 1949, Sections 149, 150, 152, 160, 161 and other applicable provisions of the Companies Act, 2013, read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and other applicable rules, if any, and Schedule IV to the Companies Act, 2013 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), the rules, circulars and guidelines issued by the Reserve Bank of India (‘RBI’) and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and subject to the approvals, as may be necessary from the RBI and other concerned statutory authorities or regulatory bodies and subject to the conditions as may be prescribed by such authorities or regulatory bodies while granting such approvals, Mr. Anand Sinha (DIN: 00682433), who was appointed as an Additional Director of the Bank in the category of Independent Director with effect from August 01, 2016 and who holds office up to the date of this Annual General Meeting and in respect of whom the Bank has received a notice in writing from a member along with the deposit of the requisite amount under Section 160 of the Companies Act, 2013, proposing his candidature for the office of director, be and is hereby appointed as an Independent Director of the Bank to hold office for a period of Three (3) consecutive years from the said date up to July 31, 2019 and who shall not be liable to retire by rotation.

RESOLVED FURTHER THAT Mr. Anand Sinha be paid such fees, profit related commission and remuneration as the Board of Directors and Members may approve from time to time and within the limits as prescribed under the Companies Act, 2013, the Banking Regulation Act, 1949 and within the directions issued by the RBI, from time to time.

RESOLVED FURTHER THAT the Board of Directors of the Bank and Mr. Mahendra N. Shah, Company Secretary & Chief Compliance Officer, be and are hereby severally authorized to file the requisite forms with the statutory / regulatory authority(ies) and to do all such acts, deeds and things as may be necessary to give effect to the above resolution.”

6. Appointment of Ms. Anindita Sinharay as a Nominee Director representing Government of India

To consider, and if thought fit, to pass the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT pursuant to the provisions of Section 10-A and other applicable provisions, if any, of the Banking Regulation Act, 1949, Sections 149, 152, 160, 161 and other applicable provisions of the Companies Act, 2013, read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and other applicable rules, if any (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), the rules, circulars and guidelines issued by the Reserve Bank of India (‘RBI’) and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and subject to the approvals, as may be necessary from the RBI and other concerned statutory authorities or regulatory bodies and subject to the conditions as may be prescribed by such authorities or regulatory bodies while granting such approvals, Ms. Anindita Sinharay (DIN: 07724555), who was appointed as a Nominee Director by the Government of India vide Ministry of Finance, Department of Financial Services letter no. F.No.10/1/2013-IF-I dated January 17, 2017 and was subsequently appointed as a Government Nominee Director by the Board of Directors in terms of Section 161 of the Companies Act, 2013 and who holds office up to the date of this Annual General Meeting and in respect of whom the Bank has received a notice in writing from a member along with the deposit of the requisite amount under Section 160 of the Companies Act, 2013, proposing her candidature for the office of director, be and is hereby appointed as a Nominee Director representing the Government of India, Ministry of Finance w.e.f February 01, 2017 and who shall be subject to retirement by rotation.

RESOLVED FURTHER THAT Ms. Anindita Sinharay will receive sitting fees, profit related commission and remuneration, if applicable, within the limits as prescribed

NOTICE (continued)

under the Companies Act, 2013, the Banking Regulation Act, 1949 and within the directions issued by the RBI, from time to time.

RESOLVED FURTHER THAT the Board of Directors of the Company and Mr. Mahendra N. Shah, Company Secretary & Chief Compliance Officer, be and are hereby severally authorized to file the requisite forms with the statutory / regulatory authority(ies) and to do all such acts, deeds and things as may be necessary to give effect to the above resolution.”

7. Appointment of Mr. Sunil Kakar as a Nominee Director representing IDFC Limited (Ultimate Holding Company)

To consider, and if thought fit, to pass the following resolution as an **Ordinary Resolution**:

“**RESOLVED THAT** pursuant to the provisions of Section 10-A and other applicable provisions, if any, of the Banking Regulation Act, 1949, Sections 149, 152, 160, 161 and other applicable provisions of the Companies Act, 2013, read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and other applicable rules, if any (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), the rules, circulars and guidelines issued by the Reserve Bank of India (‘RBI’) and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and subject to the approvals, as may be necessary from the RBI and other concerned statutory authorities or regulatory bodies and subject to the conditions as may be prescribed by such authorities or regulatory bodies while granting such approvals, Mr. Sunil Kakar (DIN: 03055561), who was appointed as a Nominee Director by IDFC Limited (Ultimate Holding Company) vide its letter dated June 24, 2017 and was subsequently appointed as a Nominee Director representing IDFC Limited by the Board of Directors in terms of Section 161 of the Companies Act, 2013 and who holds office up to the date of this Annual General Meeting and in respect of whom the Bank has received a notice in writing from a member along with the deposit of the requisite amount under Section 160 of the Companies Act, 2013, proposing his candidature for the office of director, be and is hereby appointed as a Nominee Director representing IDFC Limited, w.e.f. July 16, 2017 and who shall be subject to retirement by rotation.

RESOLVED FURTHER THAT Mr. Kakar will receive sitting fees, profit related commission and remuneration, if applicable, within the limits as prescribed under the Companies Act, 2013, the Banking Regulation Act, 1949 and within the directions issued by the RBI, from time to time.

RESOLVED FURTHER THAT the Board of Directors of the Company and Mr. Mahendra N. Shah, Company Secretary & Chief Compliance Officer, be and are hereby severally authorized to file the requisite forms with the statutory / regulatory authority(ies) and to do all such acts, deeds and things as may be necessary to give effect to the above resolution.”

8. Appointment of Mr. Avtar Monga as a Director

To consider, and if thought fit, to pass the following resolution as an **Ordinary Resolution**:

“**RESOLVED THAT** pursuant to the provisions of Section 10-A and other applicable provisions, if any, of the Banking Regulation Act, 1949, Sections 149, 152, 160, 161 and other applicable provisions of the Companies Act, 2013, read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and other applicable rules, if any (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), the rules, circulars and guidelines issued by the Reserve Bank of India (‘RBI’) and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and subject to the approvals, as may be necessary from the RBI and other concerned statutory authorities or regulatory bodies and subject to the conditions as may be prescribed by such authorities or regulatory bodies while granting such approvals, Mr. Avtar Monga (DIN-00418477), who was appointed as an Additional Director of the Bank and who holds office up to the date of this Annual General Meeting and in respect of whom the Bank has received a notice in writing from a member along with the deposit of the requisite amount under Section 160 of the Companies Act, 2013, proposing his candidature for the office of director, be and is hereby appointed as Director of the Bank with effect from April 25, 2017 and he shall be liable to retire by rotation.

RESOLVED FURTHER THAT the Board of Directors of the Bank and Mr. Mahendra N. Shah, Company Secretary & Chief Compliance Officer, be and are hereby severally authorized to file the requisite forms with the statutory / regulatory authority(ies) and to do all such acts, deeds and things as may be necessary to give effect to the above resolution.”

9. Appointment of Mr. Avtar Monga as the Executive Director

To consider, and if thought fit, to pass the following resolution as an **Ordinary Resolution**:

“**RESOLVED THAT** pursuant to the provision of Sections 196, 197, 198 and other applicable provisions, if any of the

NOTICE (continued)

Companies Act, 2013 read with the rules made thereunder, Section 35-B and other applicable provisions, if any, of the Banking Regulation Act, 1949 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, rules, circulars and guidelines issued by the Reserve Bank of India (the 'RBI') in this regard, Articles of Association and subject to the approvals, as may be necessary from the RBI and other concerned statutory authorities or regulatory bodies and subject to the conditions as may be prescribed by such authorities or regulatory bodies while granting such approvals, Mr. Avtar Monga (DIN-00418477), be and is hereby appointed as the Executive Director of the Bank for a period of Three (3) years with effect from April 25, 2017 on the following terms & conditions:

- I. Salary: In the range of ₹ 800,000 p.m. to ₹ 1,200,000 p.m., with the present salary being ₹ 909,990 p.m.
- II. Perquisites and Allowances: House rent allowance / company leased accommodation, conveyance allowance, use of Company car for official purposes, leave travel allowance, medical reimbursement, club membership, telephone at residence, insurance, contribution to provident fund, superannuation fund, payment of gratuity, variable pay / performance linked incentives, employee stock options, special allowance and such other perquisites, allowances and benefits in accordance with the rules of the Bank or as may be agreed by the Board of Directors of the Bank with Mr. Monga, from time to time.
- III. Loans: Loan facilities to be provided as per the Bank's policy, at the rate of interest applicable to all employees.

For the purpose of calculating the above ceiling, perquisites and allowances shall be evaluated as per income tax rules, wherever applicable.

RESOLVED FURTHER THAT the Board of Directors (hereinafter referred to as the "Board", which term shall include any Committee which the Board of Directors of the Bank may have constituted or may thereafter constitute and delegate with the powers necessary for the purpose), be and is hereby authorized to decide the actual amount of remuneration and perquisites, payable or to be provided to Mr. Monga and alter, modify, vary or increase the same, from time to time and within the limits approved by the Members, to the extent the Board may consider appropriate and as may be permitted or authorized by the RBI on an application made by the Bank.

RESOLVED FURTHER THAT where in any financial year, the Bank has no profits or inadequate profits, the remuneration as decided by the Board, shall be paid to Mr. Monga as minimum remuneration with the approval of the Central Government, if required read with the applicable provisions of Schedule V of the Companies Act, 2013 and rules made there under.

RESOLVED FURTHER THAT Mr. Monga shall be subject to retirement by rotation during his tenure as the Executive Director of the Bank.

RESOLVED FURTHER THAT for the purpose of giving effect to the foregoing resolution, the Board and Mr. Mahendra N. Shah - Company Secretary & Chief Compliance Officer, be and are hereby severally authorized, to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to execute any agreements, documents or instructions as may be required and to settle any question, difficulty or doubt that may arise in the said regard."

By order of the Board of Directors

Mahendra N. Shah

Company Secretary & Chief Compliance Officer

MUMBAI | JUNE 30, 2017

NOTES:

1. Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, in respect of Special Businesses to be transacted at the Annual General Meeting ('AGM' or 'Meeting') is annexed hereto.
2. **PROXIES**
 - a) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE AGM IS ENTITLED TO APPOINT ONE OR MORE PROXY(IES) TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY SO APPOINTED NEED NOT BE A MEMBER OF THE BANK. PROXY IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED AT THE BANK'S REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING. ONLY DULY FILLED, SIGNED AND STAMPED PROXY FORM WILL BE CONSIDERED VALID.**
 - b) A person can act as proxy on behalf of Members not exceeding fifty (50) and holding in aggregate not more than ten percent (10%) of the total share capital of the Bank. A Member who is holding more than ten percent (10%) of the total share capital of the Bank may appoint a single person as proxy and such person shall not act as proxy for any other person

NOTICE (continued)

- or Shareholder. The instrument appointing a proxy shall be signed by the appointer or his attorney duly authorised in writing, or if the appointer is a body corporate, it shall be under its seal and be signed by an officer or an attorney duly authorised by it.
- c) During the period beginning 24 hours before the time fixed for the commencement of the AGM and ending with the conclusion of the AGM, a Member would be entitled to inspect the proxies lodged, during the business hours from 9.30 a.m. to 6.30 p.m. at the Registered Office, provided that not less than three days of notice in writing is given to the Bank.
3. Corporate Members intending to send their authorised representatives to attend the AGM are requested to send a duly certified copy of the Board Resolution, pursuant to Section 113 of the Companies Act, 2013, authorising their representatives to attend and vote on their behalf at the AGM. The documents are required to be sent to the Company Secretary at the Registered Office of the Bank or alternatively the Shareholder may send an e-mail on bank.info@idfcbank.com.
 4. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
 5. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the Members at the Registered Office of the Bank and at the AGM.
 6. The Register of Contracts or Arrangements in which directors are interested, maintained under Section 189 of the Companies Act, 2013, will be available for inspection by the Members at the Registered Office of the Bank and at the AGM.
 7. The Certificate from the Statutory Auditors of the Bank certifying that the Bank's Employees Stock Option Scheme is being implemented in accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and in accordance with the resolutions passed by the Members of the Bank, will be available for inspection by the Members at the AGM.
 8. Pursuant to Regulation 36(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard on General Meetings (SS-2) issued by the Institute of Company Secretaries of India ('ICSI'), information in respect of the directors seeking appointment at the AGM, is given in the Exhibit to the Notice.
 9. Members desirous of getting any information about the accounts and / or operations of the Bank are requested to write to Mr. Mahendra N. Shah, Company Secretary and Chief Compliance Officer at least seven days before the date of the AGM to enable the Bank to keep information ready at the AGM.
 10. **DIVIDEND**
 - a) The Register of Members and Share Transfer Books will remain closed from **Saturday, July 22, 2017** to **Friday, July 28, 2017** (both days inclusive) for determining the names of Members eligible to receive dividend on equity shares.
 - b) Dividend as recommended by the Board of Directors for the financial year ended March 31, 2017, at the rate of 7.5% i.e. ₹ 0.75 per equity share of ₹ 10 each, if approved by the Members at the AGM, will be payable on or after **Monday, July 31, 2017**, to those Members who hold shares -
 - In dematerialised mode, based on the beneficial ownership details to be received from National Securities Depository Limited and Central Depository Services (India) Limited as at the close of business hours on **Friday, July 21, 2017**.
 - In physical mode, if their names appear in the Register of Members at the close of business hours on **Friday, July 21, 2017**. The instruments of transfer in respect of shares held in physical form of the Bank should be lodged with Karvy Computershare Private Limited [Unit: IDFC Bank Limited], Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Serilingampally, Hyderabad - 500 032, India ('Karvy'), so as to reach them on or before **Friday, July 21, 2017**.
 - c) Members are encouraged to utilize the Electronic Clearing System ('ECS') for receiving dividends.
 11. Members who have either not received or have not encashed their dividend warrant(s) for the last financial year FY16, are requested to write to Karvy, mentioning the relevant Folio number(s) / DP ID and Client ID, for issuance of duplicate / revalidated dividend warrant(s). Members are requested to note that dividends which are not claimed within seven years from the date of transfer to the Bank's Unpaid Dividend Account, will, as per the provisions of Section 124 of the Companies Act, 2013 and rules made thereunder, be transferred to the Investor Education and Protection Fund. Pursuant to 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

NOTICE (continued)

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 Affairs, from time to time.

12. Members are requested to address all correspondence, including change in address, bank account details and dividend matters, to Karvy. Members whose shareholding is in the electronic mode are requested to direct change of address notifications and updation of bank account details to their respective Depository Participants ('DP').
13. Members can avail the facility of nomination in respect of shares held by them in physical form pursuant to the provisions of Section 72 of the Companies Act, 2013. Members desiring to avail of this facility may send their nomination in the prescribed Form No. SH-13 duly filled, to the Registrar and Transfer Agent of the Bank i.e. Karvy. Members holding shares in electronic form may contact their respective DP for availing this facility.
14. The Securities and Exchange Board of India ('SEBI') has mandated the submission of Permanent Account Number ('PAN') by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN details to their Depository Participant(s). Members holding shares in physical form are required to submit their PAN details to the Bank / Karvy.
15. As on date, IDFC Bank has nine (9) Directors as follows: Five (5) IDs, Two (2) Nominee Directors and Two (2) Executive Directors.

In accordance with the Articles of Association of the Bank and pursuant to the provisions of Section 152 of the Companies Act, 2013, IDs are not liable to retire by rotation.

Out of the Two (2) Executive Directors, Dr. Rajiv B. Lall, Founder Managing Director & CEO is not liable to retire by rotation as per his terms of appointment. Mr. Avtar Monga, Executive Director is an Additional Director who was appointed w.e.f. April 25, 2017 and his appointment is placed for approval of the Members in accordance with Section 160 and Section 161 of the Companies Act, 2013 and forms part of this notice. Accordingly, he is not liable to retire by rotation at this AGM.

Out of the Two (2) Nominee Directors, Ms. Sinharay is an Additional Director who was appointed during FY17 and her appointment is placed for approval of the Members in accordance with Section 160 and Section 161 of the Companies Act, 2013 and forms part of this notice. Accordingly, she is not liable to retire by rotation at this AGM.

Mr. Vikram Limaye, Nominee Director was eligible to retire by rotation at this AGM. However, Mr. Limaye has resigned from the Board of IDFC Bank w.e.f. July 15, 2017.

In view of these circumstances, there would be no director who would be liable to retire by rotation at this AGM.

16. All the documents referred to in the Notice and Statement pursuant to Section 102 of the Companies Act, 2013, are open for inspection between 9.30 a.m. to 6.30 p.m. on all working days up to the date of the AGM at the Corporate Office i.e. Naman Chambers, C-32, G-Block, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051 and at the Registered Office i.e. KRM Tower, 7th Floor, No. 1, Harrington Road, Chetpet, Chennai - 600 031 and will also be available at the venue of the AGM.

17. GREEN INITIATIVE

- a) In support of the Green Initiative, copies of the Annual Report for FY17 are being sent by electronic mode only to those Members whose e-mail addresses are registered with the Bank / DP for communication purposes unless any Member has requested for a hard copy of the same. For Members who have not registered their e-mail addresses, physical copies of the Annual Report FY17 are being sent by the permitted mode. Members may also note that Notice and Explanatory Statement are also available for download on the Bank's website: www.idfcbank.com. Members who require communication from the Bank in physical form may write to the Company Secretary on bank.info@idfcbank.com.
- b) The Bank requests the Members who have not updated their e-mail addresses to update the same with their respective DP or communicate their e-mail addresses to the Registrar and Share Transfer Agents i.e. Karvy or communicate to the Bank, so that the Bank can send future communications to these Members in electronic mode. Members are requested to send a signed letter, communicating their Name, Folio No. / DP ID / Client ID and e-mail address either by e-mail (scanned copy) to einward.ris@karvy.com or send a hard copy thereof to Karvy. Alternatively the Members can also update their e-mail addresses with Bank by sending an e-mail to bank.info@idfcbank.com.

18. E-VOTING

- a) In terms of Sections 108 of the Companies Act, 2013, read with the Companies (Management and Administration) Rules, 2014 as amended and Regulation 44 of the Securities and Exchange Board of India (Listing Obligations and Disclosure

NOTICE (continued)

Requirements) Regulations, 2015, the Bank is providing e-voting facility to its Members holding shares in physical or dematerialized form, as on the cut-off date i.e. **Friday, July 21, 2017**, to exercise their right to vote through electronic means from a place other than a venue of the meeting on any or all of the businesses specified in the accompanying Notice (the '**Remote e-voting**'). The Bank has engaged the services of Karvy Computershare Private Limited as the agency to provide e-voting facility. The Remote e-voting commences on **Sunday, July 23, 2017 at 9.00 a.m.** and ends on **Thursday, July 27, 2017 at 5.00 p.m.** A person who is not a Member as on the cut-off date should treat this notice for information purpose only.

- b) In terms of the Companies (Management and Administration) Rules, 2014 with respect to the Voting through electronic means, the Bank is also offering the facility for voting by way of physical ballot at the AGM. The Members attending the AGM shall note that those who are entitled to vote but have not exercised their right to vote by Remote e-voting, may vote at the AGM through physical ballot for all the businesses specified in this Notice. The Members who have exercised their right to vote by Remote e-voting may attend the AGM but shall not be eligible to vote at the AGM and their vote, if cast at the Meeting shall be treated as invalid. The voting rights of the Members shall be in proportion to their shares of the paid-up equity share capital of the Bank as on the cut-off date i.e. **Friday, July 21, 2017**, subject to the provisions of the Banking Regulation Act, 1949, as amended from time to time.
 - c) The Board of Directors has appointed Mr. B. Narasimhan, Company Secretary of M/s BN & Associates, Company Secretaries as the Scrutinizer to scrutinize the Remote e-voting process and voting process at the AGM in a fair and transparent manner.
 - d) An Attendance Slip containing the e-voting USER ID & PASSWORD along with the detailed instructions for Remote e-voting is enclosed with this Notice.
19. The Results declared along with the Scrutinizer's Report(s) will be available on the website of the Bank (www.idfcbank.com) and on the Service Provider's website (<https://evoting.karvy.com>) and communication of the

same will be sent to BSE Limited and the National Stock Exchange of India Limited and shall also be displayed on the Notice Board of the registered and corporate office of the Bank within 48 hours from the conclusion of the AGM.

20. The route map of the venue of the Meeting is given at the end of the Notice.

21. **ATTENDANCE REGISTRATION:**

- a) Members / Proxies / Authorized Representatives are requested to bring their copy of Annual Report along with duly filled Attendance Slip enclosed herewith to attend the AGM.
- b) Shareholders are requested to tender their attendance slips at the registration counters at the venue of the AGM and seek registration before entering the meeting hall.
- c) Alternatively, to facilitate smooth registration / entry, the Bank has also provided a 'web check-in' facility, which would help the shareholder enter the AGM hall directly without going through the registration formalities at the registration counters.
- d) The online registration facility will be available from **Sunday, July 23, 2017 at 9.00 a.m. until Thursday, July 27, 2017 at 5.00 p.m.** (i.e. during the e-voting period).

The Procedure of web check-in is as follows:

- a) Log in to **<https://karisma.karvy.com>** and click on the online registration link.
- b) Select the company name.
- c) Pass through the security credentials viz., DP ID, Client ID / Folio entry, PAN no. and 'CAPTCHA' as directed by the system and click on the submit button.
- d) The system will validate the credentials. Click on the 'Generate my attendance slip' button that appears on the screen.
- e) The attendance slip in PDF format will appear on the screen. Select the 'PRINT' option for direct printing or download and save for printing.

A Member / Proxy / Authorised Representative needs to furnish a duly signed 'Attendance Slip' along with a valid Identity proof such as PAN card, Passport, Aadhar card or Driving License to enter the AGM hall.

NOTICE (continued)

ANNEXURE TO NOTICE

Statement pursuant to Section 102(1) of the Companies Act, 2013 setting out all material facts:

Item No. 4

Offer and Issue of Debt Securities on Private Placement basis

Section 42 of the Companies Act, 2013, read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, lays down the provisions subject to which a company is allowed to issue securities on Private Placement ('PP') basis. Every proposed offer of Securities or invitation to subscribe to Securities on PP basis requires prior approval of Members of the company by way of a Special Resolution. However, in case of offer / issuance of Non-Convertible Debentures ('NCDs'), passing of Special Resolution by the Members for all such offers / invitation for such debentures, once in a year is sufficient.

Accordingly, the Bank had obtained the approval of the Members at the 1st Annual General Meeting ('AGM') held on September 29, 2015 for borrowing / raising funds, in one or more tranches, by issue of debt securities pursuant to the relevant provisions of the applicable circulars and guidelines issued by the Reserve Bank of India, up to ₹ 150,000 crore (Rupees One Lakh Fifty Thousand Crore only). Pursuant to the said approval, the Bank has raised an amount of ₹ 480 crore (Rupees Four Hundred and Eighty Crore only) by way of issue of NCDs till the date of this notice of AGM.

In order to facilitate the raising of funds by way of issue of debt securities, it would be necessary to have fresh approval of Members in place. Accordingly, the Board of Directors, after assessing its fund requirements, has proposed to obtain the consent of the Members of the Bank for borrowing / raising funds from time to time, in Indian currency / Foreign currency, by issue of debt securities, on PP basis, up to an amount not exceeding ₹ 10,000 crore (Rupees Ten Thousand Crore only).

The said limit of ₹ 10,000 crore (Rupees Ten Thousand Crore only) shall be within the overall borrowing limit of ₹ 150,000 crore (Rupees One Lakh Fifty Thousand Crore only) approved under Section 180(1)(c) of the Companies Act, 2013 by the Members at the 1st AGM held on September 29, 2015.

The proposed resolution under Section 42 of Companies Act, 2013 shall be valid for a period of One (1) year from the date of passing of this resolution.

The pricing of the Bonds and NCDs will depend primarily upon the then prevailing market conditions and the regulatory scenario. The pricing for each of the issuance would be approved by the Board of Directors or any of its Committee duly authorized in this regard.

None of the Directors, Key Managerial Personnel and / or their relatives, are in any way, financial or otherwise, interested or concerned in this resolution.

The Board of Directors recommend passing of the Special Resolution as set out in Item No. 4 of this Notice.

Item No. 5

Appointment of Mr. Anand Sinha as an Independent Director

Based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors of IDFC Bank Limited had appointed Mr. Anand Sinha as an Additional Director, in the category of Independent Director ('ID') w.e.f. August 01, 2016. He holds the office of Director up to the date of this Annual General Meeting pursuant to Section 161 of the Companies Act, 2013 and Article 99 of the Articles of Association of the Bank.

The Bank has received a notice in writing under the provisions of Section 160 of the Companies Act, 2013 from a Member along with a deposit of ₹ 100,000 proposing the candidature of Mr. Sinha for appointment as an ID of the Bank.

As per the recommendations of Dr. Ganguly Group Report, due diligence of Mr. Sinha was done in regard to his suitability for the post of ID of the Bank. Mr. Sinha had given consent and various declarations as per the provisions of the Reserve Bank of India ('RBI') and the Companies Act, 2013. A deed of covenant has been executed by Mr. Sinha binding him to discharge his responsibilities to the best of his abilities, individually and collectively, as per the RBI Circular No. DBOD. No.BC.105/08.139.001/2003-04 dated June 25, 2004.

He has given a declaration of Independence pursuant to Section 149(6) and 149(7) of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014 along with his affirmation to the Code of Independent Directors as prescribed under Schedule IV of the Companies Act, 2013. Mr. Sinha fulfils the conditions specified in the Companies Act, 2013, the Rules made thereunder, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and is Independent of the Management.

Mr. Sinha's appointment is in compliance with the provisions of Section 10-A of the Banking Regulation Act, 1949, in particular, on account of he having the requisite experience / expertise required under Section 10-A (2) of the Banking Regulation Act, 1949.

In the opinion of the Board, Mr. Sinha is a person of integrity and has the necessary knowledge, experience and expertise for being appointed as an ID. A detailed profile of Mr. Sinha along with Directorships and Committee positions held by him in other Companies has been given in the Exhibit to this Notice.

Mr. Sinha is proposed to be appointed as an ID for a period of Three (3) years from August 01, 2016 to July 31, 2019 and he shall not be liable to retire by rotation. He will be paid such fees, profit related commission and remuneration as the Board and Members may approve from time to time and within the limits as prescribed under the Companies Act, 2013, the Banking Regulation Act, 1949 and within the directions issued by Reserve Bank of India, from time to time.

Mr. Sinha is not related with any other Director or Key Managerial Personnel ('KMP') of the Bank.

Except Mr. Anand Sinha, none of the Directors, KMP and / or their relatives, are in any way, financial or otherwise, interested or concerned in this resolution.

The Board of Directors recommend passing of the Ordinary Resolution as set out in Item No. 5 of this Notice.

Item No. 6

Appointment of Ms. Anindita Sinharay as a Nominee Director representing Government of India

As on March 31, 2017, the Government of India held 7.69% equity stake in IDFC Bank Limited. The Bank had received a letter no. F.No.10/1/2013-IF-I dated January 17, 2017 from the Department of Financial Services, Ministry of Finance, Government of India nominating Ms. Anindita Sinharay as a Government Nominee Director on the Board of IDFC Bank. Ms. Sinharay holds the position of Director at Department of Financial Services, Ministry of Finance.

The aforesaid matter was discussed and based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors had appointed Ms. Sinharay as a Government Nominee Director (Additional Director) of the Bank w.e.f. February 01, 2017. She holds the office of Director up to the date of this AGM pursuant to Section 161 of the Companies Act, 2013 and Article 99 of the Articles of Association of the Bank.

Further, the Board decided that the Government of India would be eligible to appoint a Nominee Director on the Board of IDFC Bank only as long as their equity shareholding exceeds 5% of the paid up share capital of the Bank.

The Bank has now received a notice in writing under the provisions of Section 160 of the Companies Act, 2013 from a Member along with a deposit of ₹ 100,000 proposing the candidature of Ms. Sinharay for the office of the Director.

As per the recommendations of Dr. Ganguly Group Report, due diligence of Ms. Sinharay was done in regard to her suitability for being appointed as the Nominee Director of the Bank. Ms. Sinharay had given her consent and various declarations as per the provisions of the Reserve Bank of India ('RBI') and Companies Act, 2013. A deed of covenant has been executed by Ms. Sinharay binding her to discharge her responsibilities to the best of her abilities, individually and collectively, as per the RBI Circular No. DBOD.No.BC.105/08.139.001/2003-04 dated June 25, 2004.

Ms. Sinharay fulfils the conditions specified in the Companies Act, 2013 along with the rules made thereunder, the Banking Regulation Act, 1949, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and rules, circulars and guidelines issued by the RBI, from time to time.

A detailed profile of Ms. Sinharay along with Directorships and Committee positions held by her in other Companies has been given in the Exhibit to this Notice.

Ms. Sinharay, if appointed, shall be liable to retire by rotation.

She will be paid such fees, profit related commission and remuneration, if applicable, as the Board and Members may approve from time to time and within the limits as prescribed under the Companies Act, 2013, the Banking Regulation Act, 1949 and within the directions issued by RBI, from time to time.

Ms. Sinharay is not related with any other Director or Key Managerial Personnel ('KMP') of the Bank.

Except Ms. Sinharay, none of the Directors, KMP and / or their relatives, are in any way, financial or otherwise, interested or concerned in this resolution.

The Board of Directors recommend passing of Ordinary Resolution as set out in Item No. 6 of this Notice.

Item No. 7

Appointment of Mr. Sunil Kakar as a Nominee Director representing IDFC Limited (Ultimate Holding Company)

As on date, IDFC Limited holds 52.86% equity stake in IDFC Bank Limited.

Mr. Vikram Limaye (DIN: 00488534) resigned 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. Mr. Kakar is presently serving as the Chief Financial Officer of IDFC Bank and would resign from this position on his taking charge as the Managing Director & CEO of IDFC Limited.

Accordingly, the Bank had received a letter dated June 24, 2017, from IDFC Limited nominating Mr. Sunil Kakar on the Board of the Bank, as a Nominee Director representing IDFC Limited w.e.f. July 16, 2017 in place of Mr. Vikram Limaye.

The aforesaid matter was discussed and based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors appointed Mr. Kakar as a Nominee Director (Additional Director) of the Bank w.e.f. July 16, 2017. He holds the office of Director up to the date of this AGM pursuant to Section 161 of the Companies Act, 2013 and Article 99 of the Articles of Association of the Bank.

The Bank has now received a notice in writing under the provisions of Section 160 of the Companies Act, 2013 from a Member along with a deposit of ₹ 100,000 proposing the candidature of Mr. Kakar for the office of the Director.

As per the recommendations of Dr. Ganguly Group Report, due diligence of Mr. Kakar was done in regard to his suitability for being appointed as the Nominee Director of the Bank. Mr. Kakar has given his consent and various declarations as per the provisions of the Reserve Bank of India ('RBI') and Companies Act, 2013. A deed of covenant has been executed by Mr. Kakar binding him to discharge his responsibilities to the best of his abilities, individually and collectively, as per the RBI Circular No. DBOD.No.BC.105/08.139.001/2003-04 dated June 25, 2004.

Mr. Kakar fulfils the conditions specified in the Companies Act, 2013 along with the rules made thereunder, the Banking Regulation Act, 1949, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and rules, circulars and guidelines issued by the RBI, from time to time.

A detailed profile of Mr. Kakar along with Directorships and Committee positions held by him in other Companies has been given in the Exhibit to this Notice.

Mr. Kakar, if appointed, shall be liable to retire by rotation.

He will be paid such fees, profit related commission and remuneration, if applicable, as the Board and Members may approve from time to time and within the limits as prescribed under the Companies Act, 2013, the Banking Regulation Act, 1949 and within the directions issued by RBI, from time to time.

Mr. Kakar is not related with any other Director or Key Managerial Personnel ('KMP') of the Bank.

Except Mr. Kakar, none of the Directors, KMP and / or their relatives, are in any way, financial or otherwise, interested or concerned in this resolution.

The Board of Directors recommend passing of Ordinary Resolution as set out in Item No. 7 of this Notice.

Item No. 8 & 9

Appointment of Mr. Avtar Monga as the Executive Director

Mr. Avtar Monga has been serving as the Chief Operating Officer of IDFC Bank since March 2014.

Based on the recommendation of Nomination and Remuneration Committee, the Board of Directors at its meeting held April 25, 2017, approved the appointment of Mr. Avtar Monga as the Executive Director of the Bank for a period of Three (3) years, w.e.f. April 25, 2017 on the terms and conditions as set out in the resolution no. 8 & 9. The appointment and remuneration of Mr. Monga as the Executive Director is subject to the approval of the Reserve Bank of India and Members of the Bank.

Brief profile and other details of Mr. Monga are provided in the Exhibit to Notice.

In the opinion of the Board, Mr. Monga's wide experience of over 35 years in working with Banking and Financial Industry would be of immense benefit and would add value to the functioning of the Board.

The remuneration proposed to be paid to Mr. Monga for FY18 is as follows:

IN ₹

Basic Salary	12,557,886 p.a.
Performance Bonus	As may be decided by the Board of Directors, subject to approval of RBI.
Special Allowance	17,275,284 p.a.
Perquisites	
1. Furnished house	As per Scheme of the Company
2. Use of Bank's car for official purposes	Yes
Use of Bank's car for private purposes	39,600 p.a.
3. Provident Fund	1,506,946 p.a.
4. Medical benefits	15,000 p.a.
Total	31,394,716 p.a.
5. Other benefits, if any	
(i) Gratuity	As per Scheme of the Company
(ii) Club Membership	As per Scheme of the Company
(iii) Other Benefits	As per Scheme of the Company

The remuneration proposed to be paid to Mr. Monga is in line with the provisions of Section 197, 198 and other applicable provisions of the Companies Act, 2013.

Mr. Monga shall be liable to retirement by rotation.

The Bank has received a notice in writing under the provisions of Section 160 of the Companies Act, 2013 from a Member along with a deposit of ₹ 100,000 proposing the candidature of Mr. Avtar Monga for appointment as the Executive Director of the Bank.

The Board of Directors recommend passing of the Ordinary Resolution as set out in Item No. 8 & 9 of this Notice.

Mr. Monga is not related with any other Director, Key Managerial Personnel ('KMP') and / or their relatives.

Mr. Monga may be deemed to be concerned or interested in the resolution relating to his appointment and remuneration. Except him, none of the other Directors, KMP and / or their relatives are, in any way, financial or otherwise, interested or concerned in this resolution.

NOTICE (continued)

EXHIBIT TO NOTICE

Pursuant to Regulation 36(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SS-2 by ICSI.

Name of the Director	Mr. Anand Sinha	Ms. Anindita Sinharay
Date of Birth	February 03, 1951 (66 years)	August 06, 1975 (41 years)
Date of first appointment on the Board	August 01, 2016	February 01, 2017
Brief Resume, Qualification, Experience and Nature of Expertise in specific functional areas	Mr. Anand Sinha joined the Reserve Bank of India in July 1976 and rose to become Deputy Governor in January 2011. He was Adviser in RBI up to April 2014 after demitting the office of Deputy Governor in RBI on 18th January 2014. As Deputy Governor, he was in-charge of regulation of commercial banks, Non-Banking Financial Companies, Urban Cooperative Banks and Information Technology, among others. He has been closely associated with the banking sector reforms in India. He has represented the Reserve Bank of India in various Committees / Groups of BIS such as Basel Committee on Banking Supervision ('BCBS'), Policy Development Group ('PDG'), Macro Prudential Supervision Group ('MPG'), Macro Variable Task Force ('MVTF') and Committee on Global Financial Systems ('CGFS'). He represented India on the G20 Working Group on Enhancing Sound Regulation & Strengthening Transparency. He was the Chairman, Governing Council of the Institute for Development and Research in Banking Technology ('IDRBT'), a research and development institution on financial sector technology, set up by the Reserve Bank of India. He was also a member on the Board of the Securities and Exchange Board of India ('SEBI'). Mr. Sinha was RBI's nominee director on the boards of Dena Bank, Allahabad Bank, Bank of Baroda, Indian Overseas Bank, Deposit Insurance and Credit Guarantee Corporation, and Export Credit and Guarantee Corporation at different phases of his career. Mr. Sinha holds Master's Degree in Physics from the Indian Institute of Technology ('IIT'), New Delhi.	Ms. Anindita Sinharay is an Indian Statistical Service (2000) officer working as a Director in the Department of Financial Services, Ministry of Finance. She has vast working experience of more than one decade in National Accounts Statistics in Central Statistics Office ('CSO') and analysis of data of large scale sample surveys conducted by National Sample Survey Office ('NSSO'). She has worked in the field of analysing the financial results of corporate sector to get the estimate of Gross Domestic Product ('GDP'). She has also worked in the fields of capital formation, savings, private final consumption expenditure and labour input. She has contributed to a number of technical papers published in various journals and publications. She holds a post graduate degree in Statistics from the University of Calcutta.
No. of Board Meetings attended during FY17	3 out of 4	1 out of 1
Directorships held in other companies	- India International Exchange (IFSC) Limited - KKR ARC India Private Limited - Goods And Services Tax Network	NIL
Memberships / Chairmanships of Committees of other Boards	NIL	NIL
Remuneration last drawn	For the year ended March 31, 2017 Sitting fees: ₹ 650,000 Commission: ₹ 665,754	NIL
Details of Remuneration sought to be paid	As provided in resolution set out in Item No. 5 of this Notice.	As provided in resolution set out in Item No. 6 of this Notice.
Shareholding of Director in IDFC Bank	NIL	NIL
Relationship with other Directors & Key Managerial Personnel of the Bank	None	None

NOTICE (continued)

EXHIBIT TO NOTICE

Pursuant to Regulation 36(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SS-2 by ICSI.

Name of the Director	Mr. Sunil Kakar	Mr. Avtar Monga
Date of Birth	October 01, 1957 (59 years)	March 05, 1960 (57 years)
Date of first appointment on the Board	July 16, 2017	April 25, 2017
Brief Resume, Qualification, Experience and Nature of Expertise in specific functional areas	Mr. Sunil Kakar is the Chief Financial Officer at IDFC Bank and was named in this position in 2015 pursuant to the transfer & demerger process. He is responsible for Strategic Planning, Finance & Accounts and Investor Relations. He joined IDFC in 2011 as the Group Chief Financial Officer and was responsible for Finance & Accounts, Business Planning and Budgeting, Investor Relations, Resource Raising and IT. He is also a member of IDFC Group's Management Committee. Prior to joining IDFC, Mr. Kakar worked with Max New York Life Insurance Company since 2001, as CFO. He led numerous initiatives including Planning, Investments / Treasury, Finance and Accounting, Budgeting and MIS, Regulatory Reporting and Taxation. As part of the start-up team in Max New York Life, Mr. Kakar was part of the core group responsible for the successful development of the insurance business. In his previous assignment, he worked with Bank of America for 18 years in various roles, covering Business Planning & Financial Control, Branch Administration and Operations etc. As a CFO from 1996 to 2001, Mr. Kakar spearheaded the Finance function at Bank of America. Mr. Kakar holds an MBA in Finance from XLRI and a degree in engineering from IIT Kanpur.	Mr. Avtar Monga has been the Chief Operating Officer of IDFC Bank Limited since March 2014. He has over 35 years of experience in working with Banking and Financial Industry. Prior to joining IDFC Bank, Avtar served with Bank of America as Managing Director for their Global Delivery Centers of Expertise ('GDCE') globally. He established Bank's Captives known as BA Continuum across India and led the expansion into Asia and Latin America. In addition to leading a large employee base, he was also responsible for managing strategic partner relationships on behalf of the bank for delivery of Technology and Operations. Prior to re-joining Bank of America in 2003, he worked with GE Capital for 5 years. He was part of India management team to establish their credit card joint venture with State Bank of India. He also served as Chief Executive Officer for GE / SBI JV, GE Capital Business Process Management Ltd. He also served as Chief Executive Officer of GE Capital Transport Financial services Ltd. and was responsible for it's turnaround. Mr. Avtar holds MBA in Marketing from BIMTECH, Greater Noida and has Masters in Commerce from St. John's College, Agra University.
No. of Board Meetings attended during FY17	N.A.	N.A.
Directorships held in other companies	1. IDFC Projects Limited 2. IDFC Trustee Company Limited 3. IDFC Alternatives Limited 4. IDFC AMC Trustee Company Limited 5. IDFC Securities Limited 6. IDFC Foundation 7. Uniquist Infra Ventures Private Limited	1. Delhi Integrated Multi Modal Transit System Limited 2. Siesta Hospitality Services Limited 3. Devi Bhairavi Capital Private Limited 4. Novopay Solutions Private Limited
Memberships / Chairmanships of Committees of other Boards	Membership in Audit Committee: 1. IDFC Projects Limited 2. IDFC Foundation 3. IDFC Alternatives Limited 4. IDFC Securities Limited 5. IDFC AMC Trustee Company Limited	Membership in Audit Committee: Delhi Integrated Multi Modal Transit System Limited
Remuneration last drawn	N.A.	₹ 27,299,753 p.a.
Details of Remuneration sought to be paid	As provided in resolution set out in Item No. 7 of this Notice.	As provided in resolution set out in Item No. 9 of this Notice.
Shareholding of Director in IDFC Bank	20,000 Equity Shares	NIL
Relationship with other Directors & Key Managerial Personnel of the Bank	None	None



IDFC BANK

IDFC BANK LIMITED**Corporate Identity Number:** L65110TN2014PLC097792**Email:** bank.info@idfcbank.com **Website:** www.idfcbank.com**Regd. Office:** KRM Tower, 7th Floor, No. 1 Harrington Road, Chetpet, Chennai - 600 031, Tamil Nadu, India.**Tel:** +91 44 4564 4000 **Fax:** +91 44 4564 4022**Corp. Office:** Naman Chambers, C-32, G-Block, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051, Maharashtra, India.**Tel:** +91 22 4222 2000 **Fax:** +91 22 2654 0354**Form No. MGT-11****PROXY FORM**

[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

3RD ANNUAL GENERAL MEETING - JULY 28, 2017

Name of the Member(s) :			
Registered address :			
Folio No. / DP ID No. Client ID No.:			E-mail Id:

I / We, being the holder(s) of _____ equity shares of IDFC Bank Limited, hereby appoint :

1. Name : _____ E-mail Id : _____
Address: _____
Signature: _____ or failing him / her
2. Name : _____ E-mail Id : _____
Address: _____
Signature: _____

as my / our proxy to attend and vote (on a poll) for me / us and on my / our behalf at the **3rd Annual General Meeting of IDFC Bank Limited**, to be held on **Friday, July 28, 2017 at 10.30 a.m.** at The 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 and at any adjournment thereof in respect of such resolutions as are indicated below:

Sr. No.	Particulars	Vote (Optional*) (Please put a (✓) mark or please mention no. of shares)		
ORDINARY BUSINESS		For	Against	Abstain
1.	To consider and adopt: a. the audited financial statements of the Bank for the financial year ended March 31, 2017 and the Reports of the Board of Directors and the Auditors thereon; and b. the audited consolidated financial statements of the Bank for the financial year ended March 31, 2017 and the Report of the Auditors thereon.			
2.	To declare dividend on equity shares.			
3.	To appoint Statutory Auditors of the Bank and to fix their remuneration.			
SPECIAL BUSINESS				
4.	Offer and Issue of Debt Securities on Private Placement basis.			
5.	Appointment of Mr. Anand Sinha as an Independent Director.			
6.	Appointment of Ms. Anindita Sinharay as a Nominee Director representing Government of India.			
7.	Appointment of Mr. Sunil Kakar as a Nominee Director representing IDFC Limited (Ultimate Holding Company).			
8.	Appointment of Mr. Avtar Monga as a Director.			
9.	Appointment of Mr. Avtar Monga as the Executive Director.			

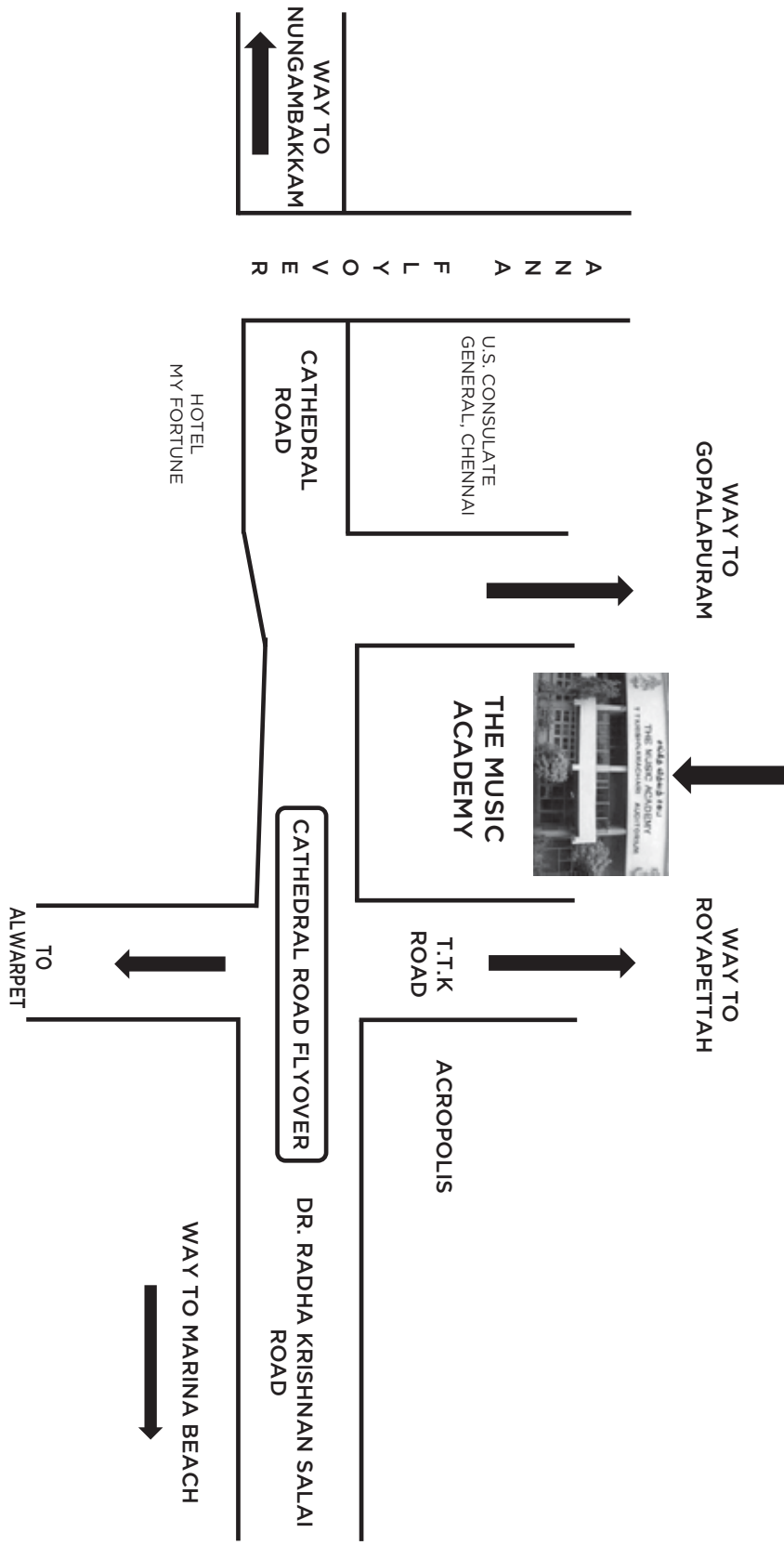
Signed this _____ day of _____ 2017

AFFIX
Revenue
Stamp of
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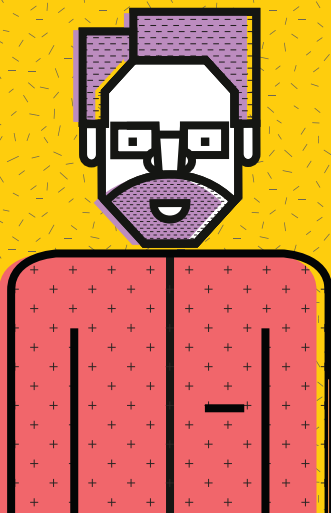
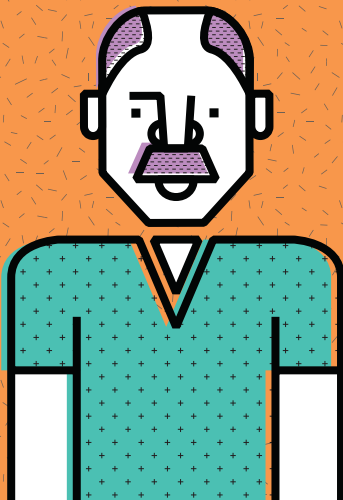
Signature of Shareholder _____ Signature of Proxy holder(s) _____

- Note:** 1. **This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Bank, not less than 48 hours before the commencement of the Meeting.**
2. **"It is optional to indicate your preference. If you leave the "For", "Against" or "Abstain" column blank against any or all of the resolutions, your proxy will be entitled to vote in the manner as he / she may deem appropriate.**

3rd AGM of IDFC BANK LIMITED
THE 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



ROUTE MAP FOR IDFC BANK AGM VENUE



IDFC BANK

www.idfcbank.com

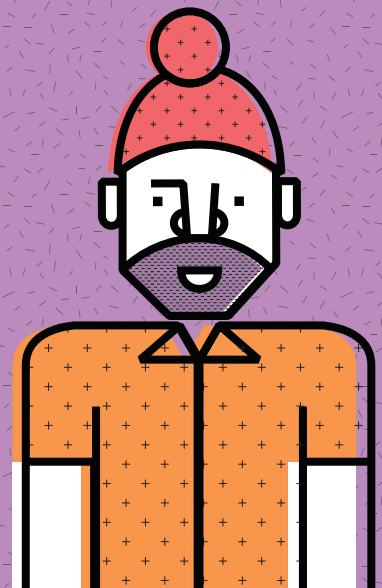
bank.info@idfcbank.com

REGISTERED OFFICE

KRM Tower, 7th Floor,
No.1 Harrington Road,
Chetpet, Chennai - 600 031,
Tamil Nadu, India

CORPORATE OFFICE

Naman Chambers, C-32, G-Block,
Bandra-Kurla Complex,
Bandra East, Mumbai - 400 051
Maharashtra, India





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SAVE TREES,
SAVE THE EARTH.**

425,000+ 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.

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