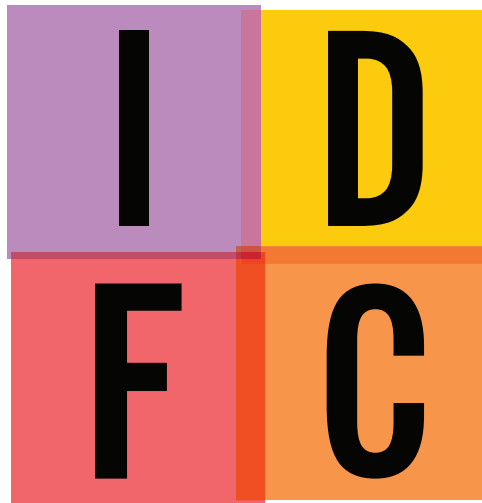
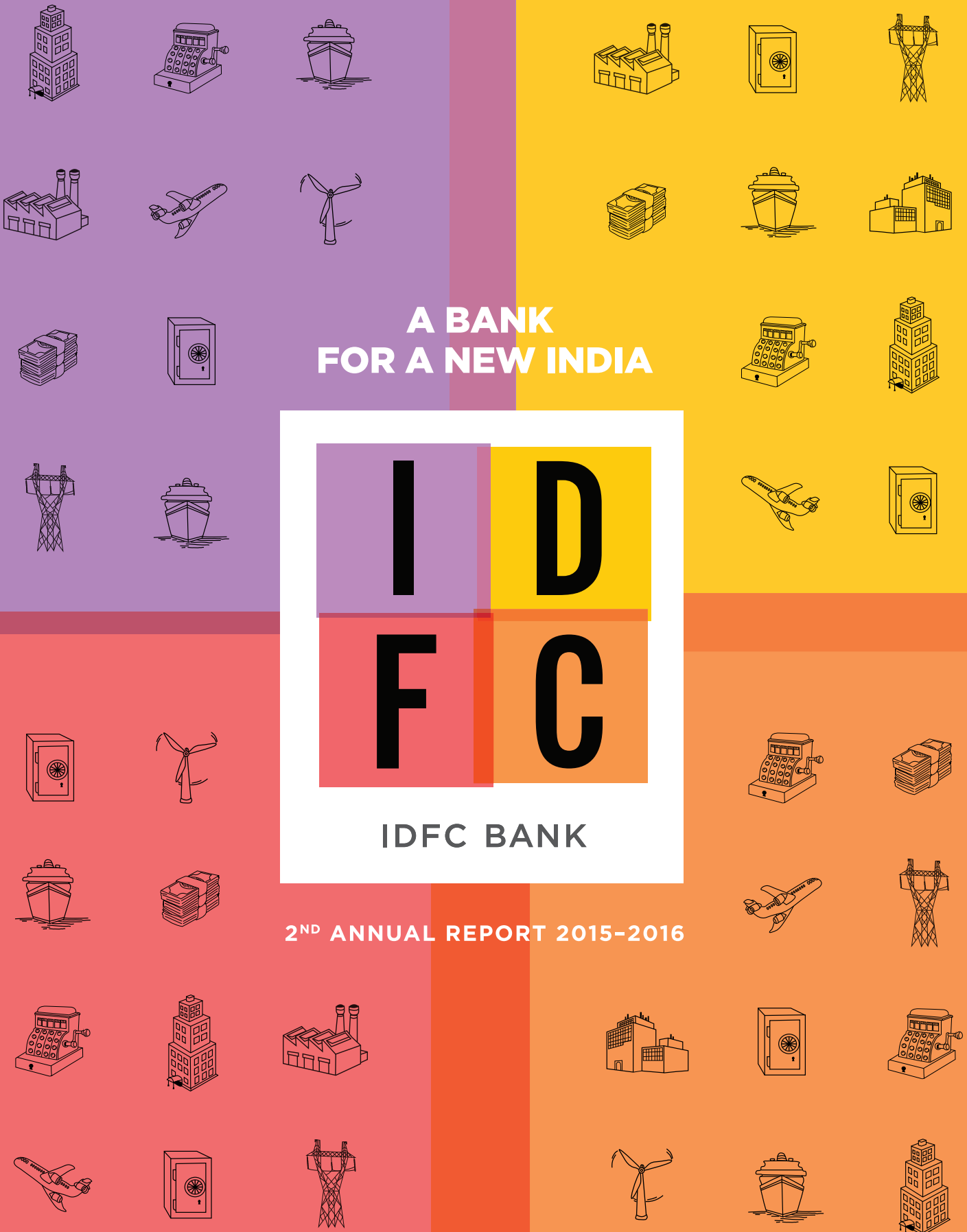


**A BANK
FOR A NEW INDIA**



IDFC BANK

2ND ANNUAL REPORT 2015-2016



CONTENTS

03

AWARDS &
ACCOLADES

10

BOARD'S
REPORT

89

INDEPENDENT AUDITORS'
CERTIFICATE

04

CHAIRMAN'S
STATEMENT

34

MANAGEMENT
DISCUSSION AND
ANALYSIS

90

FINANCIAL
STATEMENTS WITH
AUDITORS' REPORT

06

FOUNDER MD AND CEO'S
STATEMENT

58

CORPORATE
GOVERNANCE
REPORT

142

BASEL PILLAR 3
DISCLOSURES

08

COMPANY
INFORMATION

88

CEO AND CFO
CERTIFICATE

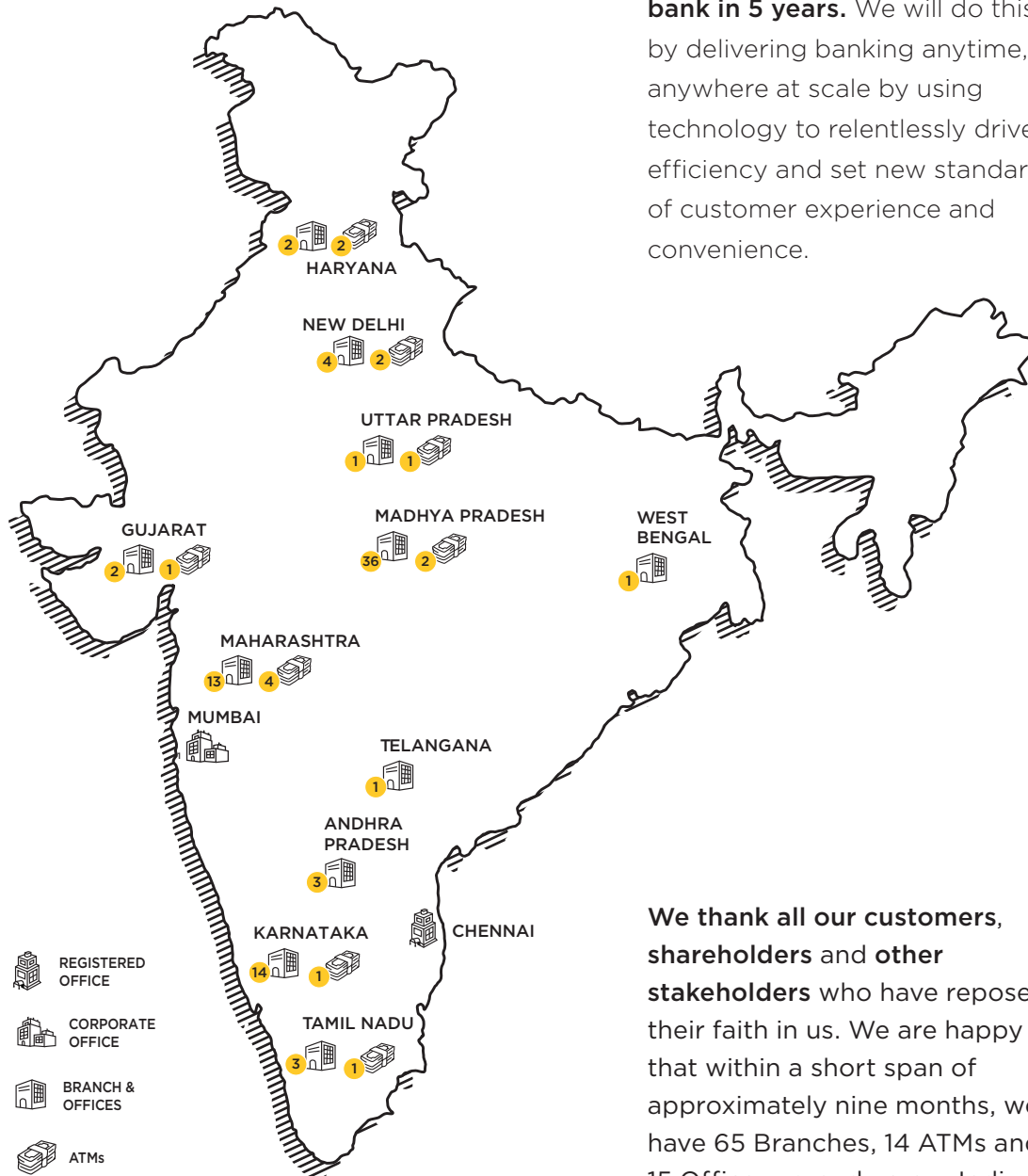
143

NOTICE

WE HAVE RE-IMAGINED THE BASICS OF BANKING

As an institution, we are committed to serve all stakeholders that include our customers, community, country & colleagues.

Our vision for IDFC Bank is to transform it into a mass retail bank in 5 years. We will do this by delivering banking anytime, anywhere at scale by using technology to relentlessly drive efficiency and set new standards of customer experience and convenience.



We thank all our customers, shareholders and other stakeholders who have reposed their faith in us. We are happy that within a short span of approximately nine months, we have 65 Branches, 14 ATMs and 15 Offices spread across India.

SAVE PAPER, SAVE TREES, SAVE THE EARTH.

300,000+ 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.

AWARDS & ACCOLADES



INTERNET BANKING PLATFORM AWARDED FOR PRODUCT INNOVATION BY GLOBAL FINANCE MAGAZINE

IDFC Bank's Corporate Internet Banking Platform BXP, has been recognized with 'The Innovators 2016' Awards by the highly respected Global Finance magazine.



MICRO ATM AWARDED NETAPP INNOVATION AWARD 2016

IDFC Bank has won the 'NetApp Innovation Award 2016' for its innovative concept of Micro ATM, which is set to transform rural banking.

AWARDED 'BEST HR & TALENT PRACTICES' BY BANKING FRONTIERS

IDFC Bank was named as the bank with 'Best HR & Talent Practices' among private sector banks by the Banking Frontiers magazine, at its Inspiring Workplaces 2015 event.



AWARDED 'INDIA BOND HOUSE' 2015 BY IFR ASIA

IDFC Bank was named the 'India Bond House' for the year 2015, by International Financing Review Asia ('IFR Asia'). The award validates the strength of IDFC Bank's Debt Capital Market ('DCM') business in creating landmark transactions.





CHAIRMAN'S STATEMENT

I deem it a privilege to address my first message to the shareholders of IDFC Bank, as the Chairman of the Board of Directors. I have been associated with the IDFC Limited, as Chairman of the IDFC Foundation for the last 5 years. The IDFC Group has played a leading role in the nation's infrastructure development through its multiple financial entities. As we now embark on the journey of building a bank, we will continue our agenda of nation building and develop a truly universal bank that serves the interests of all segments of society.

Fiscal 2016 was truly historic for us. It witnessed the creation of IDFC Bank on October 01, 2015 and its formal inauguration by the Hon'ble Prime Minister, Shri Narendra Modi, on October 19, 2015, at an event in New Delhi.

The timing of the Bank launch seems to be opportune. India is well placed in the global context of uncertain and slowing growth, albeit some distance away from achieving its full potential. The confluence of the trinity of JAM (Jan Dhan, Aadhaar and mobile technology), increasing models of payment platforms and FinTech has

As we now embark on the journey of building a bank, we will continue our agenda of nation building and develop a truly universal bank that serves the interests of all segments of society.

transformational potential for delivery of financial services at affordable costs to disadvantaged and low-income segments of society. And herein we see an opportunity to re-imagine banking and deliver innovative solutions to customers across businesses.

We will focus on a calibrated organic growth of branch network across India. As of the last financial year, our Bank had 60 branches, 45 of which are in the underbanked / unbanked areas of Madhya Pradesh and Karnataka.

As a new age bank, our efforts are to leverage the digital space and use technology to deliver banking to our customers in a simple and transparent manner. Customers can now speak to trained bankers 24x7, through our Banker-on-Call facility, instead of IVRs. The Bank's micro-ATMs, positioned outside the branches, function like a Bank in a Box, enabling customers of all banks to carry out transactions any time any where.

Customer response to our products and offerings in the last few months has been very encouraging. Feedback on

our internet portal for corporate banking customers, branch design, Banker-on-Call, seamless opening of savings account - based on Aadhaar, micro-ATMs and many other products and services has been very positive. Such feedback and response give us the confidence that we are on the right path to fulfil our vision.

On behalf of the Board of Directors, I want to assure you that we are committed to providing the highest standards of governance and to ensure this, all the systems, procedures and structures of good governance have been put in place. Your Board comprises eminent members drawn from diverse backgrounds; requisite Board Committees have been constituted; and policy framework and operating procedures needed for smooth banking operations have been laid down. The Bank is extremely well capitalised and is ideally placed to take advantage of available opportunities. The Executive Committee of the Bank under the proven leadership of the Founder Managing Director & CEO has developed a robust strategy for the build out of the Bank.

Your Bank is fully committed to its remit of Corporate Social Responsibility in letter and spirit of the extant law. It will continue to focus on sustainable and outcome based programmes through the platform of IDFC Foundation.

I thank you all the esteemed shareholders in facilitating a complex but successful transition to IDFC Bank. I look forward to your continued support and guidance, as we march ahead to fulfil the vision of our Bank.



Anil Baijal

Independent Non-Executive Chairman



FOUNDER MD & CEO'S STATEMENT

Our vision for IDFC Bank is to transform it into a mass retail bank in 5 years. Credible partnerships will play a key role in this. Through partnerships, we intend delivering banking products and solutions across networks and customers that are not necessarily owned by us.



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

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

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

from ₹ 180,610 crore in FY16. A large share of this is to be directed to roads and railways with a view to enhancing efficiency in transportation of goods, thereby reducing the cost of logistics. Government investment in agriculture and irrigation has also been increased from ₹ 25,988 crore in FY16 to ₹ 54,212 crore in FY17. The expectation is that this should help improve the productivity of the farm sector, which is prone to droughts. Apart from this, the Government is expected to invest

₹ 25,000 crore during the year to recapitalize PSU banks. This will be critical for shoring up overall credit given that PSU banks still account for more than 70% of the system's total advances. The combined effect of these measures along with the Government's ambitious initiatives to liberalize our FDI regime, should improve the business climate restore some momentum to private corporate investment and strengthen the country's growth outlook.

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

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

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

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

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

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

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

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

substantially increase financial access in India's vast hinterland.

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

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

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

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



Rajiv B. Lall
Founder Managing Director & CEO



COMPANY INFORMATION

CIN: U65110TN2014PLC097792
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

Solicitors & Advocates

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

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

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

BANK'S OFFICES

Registered Office

KRM Tower, 8th Floor,
No. 1 Harrington Road, Chetpet,
Chennai - 600 031
Tamil Nadu, India.
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